



Arqiva Broadcast Holdings Limited

Registered number 05254001

Regulatory Accounts **For the year ended 30 June 2013**

**Produced in accordance with Section 15 of the
Undertakings given to the Competition Commission**

Arqiva Broadcast Holdings Limited

Network Access and Managed Transmission Services Regulatory Accounts - Year ended 30 June 2013

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Directors' report

On 11 March 2008, the Competition Commission announced its decision to allow the merger of the National Grid Wireless ('NGW') and Arqiva groups, subject to compliance with certain undertakings ('Undertakings'). Section 15 of the Undertakings requires the merged companies to maintain appropriate accounting records to enable them to prepare annual statements of revenues, costs and assets employed for each of the Managed Transmission Services (MTS) and Network Access (NA) activities. These are known as the Regulatory Accounts.

The Directors of Arqiva Broadcast Holdings Limited and its subsidiaries ('the Group') submit the following Regulatory Accounts for its NA and MTS activities as defined by the Undertakings, in respect of the year ended 30th June 2013.

Appendix 14 of the Undertakings sets out the proposed format of the Regulatory Accounts, which has been further developed to be consistent with current regulatory requirements and common practice in regulatory reporting in comparable industries.

As permitted in Sections 15.1 and 15.10 of the Undertakings, these amendments have been completed in consultation with, and following the approval of, the Office of the Adjudicator – Broadcast Transmission Services ('OTABTS').

The Regulatory Accounts are prepared in accordance with the Regulatory Accounting Principles and Methodologies ("RAPMs") dated 9th October 2013. The allocation methodologies referred to in the RAPMs dated 9th October 2013 have been updated and amended compared to those used to prepare the Regulatory Accounts for the year ended 30 June 2012 to reflect changes in the business, amendments to management estimates and as a result of the availability of improved supporting data. The Comparative information for the year ended 30th June 2012 has not been restated for these changes.

In accordance with a derogation from requirements of the Undertakings, the independent audit of the Regulatory Accounts is currently required to state whether the Regulatory Accounts have been properly prepared in accordance with the RAPM. This derogation is not expected to be continued in perpetuity and the Group is continuing to invest in support systems i.e Oracle R12 upgrade and improvements to the processes and data used in the preparation of the Regulatory Accounts such that in future the independent auditors will be able to form an opinion on the fair presentation of the Regulatory Accounts.

It is currently the Group's intention to produce documentation and evidence to support the 'fairly presents' basis of preparation during the remainder of this financial year such that, subject to the need to reflect changes in market, Group structure, and developments in the regulatory accounts, all methodologies supported by appropriate data will be in place by the end of the year ending 30th June 2014..

Arqiva Broadcast Holdings Limited

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Statement of Directors' responsibilities

In accordance with Section 15.3 of the Undertakings to the Competition Commission, the Directors confirm:

- that the Regulatory Accounts are based on information properly extracted from Arqiva Broadcast Holdings Limited's (ABHL's) accounting records;
- that the attribution methodologies set out in the separate document entitled 'Arqiva - Regulatory Accounting Principles and Methodologies' dated 9th October 2013 have been applied appropriately.

The Directors also confirm:

- that the Regulatory Accounts have been properly prepared on the basis of consistent application of the appropriate Generally Accepted Accounting Practice across the Group;
- that the Group's accounting records and relevant meeting minutes have been made available to PricewaterhouseCoopers LLP as required for the purposes of their audit.

The maintenance and integrity of the Group's web site is the responsibility of the Directors and the maintenance and integrity of the OTABTS' web site is the responsibility of the Adjudicator; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Regulatory Accounts since they were initially presented on the respective web sites.

Legislation in the United Kingdom governing the preparation and dissemination of such Regulatory Accounts may differ from legislation in other jurisdictions.

By order of the Board



Michael Giles
Company Secretary
Crawley Court, Crawley
Winchester, Hampshire
SO21 2QA
October 2013

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Independent Auditors' report to the Adjudicator appointed by Ofcom (referred to as the "Adjudicator") and Arqiva Broadcast Holdings Limited

We have audited the Regulatory Accounts of Arqiva Broadcast Holdings Limited and its subsidiaries (together the "Group") for the year ended 30 June 2013, as specified in the Undertakings to the Competition Commission, which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation to Statutory Consolidated Profit and Loss account, the Reconciliation to the Statutory Consolidated Balance Sheet and Notes to the Regulatory Accounts. These Regulatory Accounts have been prepared in accordance with the Regulatory Accounting Principles and Methodologies dated 9th October 2013 ("RAPMs") agreed with the Adjudicator and accounting policies set out in the Basis of Preparation on page 6.

Respective responsibilities of the Adjudicator, the Directors and the Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the Directors are responsible for the preparation of the Regulatory Accounts in accordance with conditions 15.1 and 15.2 of the Undertakings to the Competition Commission by Arqiva Broadcast Holdings Limited and its shareholders on 1 September 2008 ("the Undertakings") and the RAPMs agreed with the Adjudicator.

Our responsibility is to audit and express an opinion on the Regulatory Accounts in accordance with International Standards on Auditing (UK and Ireland), except as stated in the 'Scope of the audit of the Regulatory Accounts' below, and having regard to the guidance contained in Audit 05/03 'Reporting to Adjudicators of Regulated Entities' issued by the Institute of Chartered Accountants in England and Wales. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made on terms that have been agreed solely between the Group and the Adjudicator in order to meet the requirements of the Undertakings. Our audit work has been undertaken so that we might state to the Group and the Adjudicator those matters that we have agreed to state to them in our report, in order (a) to assist the Group to meet its obligation under the Undertakings to procure such a report and (b) to facilitate the carrying out by the Adjudicator of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Adjudicator, for our audit work, for this report or for the opinions we have formed.

Scope of the audit of the Regulatory Accounts

As explained in the RAPMs and the "Basis of Preparation" on page 6, the Group has prepared the Regulatory Accounts by disaggregating balances recorded in the general ledgers and other accounting records of the Group maintained in accordance with the Companies Act 2006 and used, in accordance with that Act, for the preparation of the Group's statutory consolidated financial statements for the year ended 30 June 2013 ("the Statutory Accounts").

PricewaterhouseCoopers LLP audited the Statutory Accounts of the Group for the year ended 30 June 2013 on which they expressed an unqualified audit opinion. In conducting our subsequent examination of the Regulatory Accounts, and in providing the opinion below, we have not performed any additional tests of the transactions and balances which are recorded in the general ledgers and other accounting records beyond those already performed for the purpose of the audit of the Statutory Accounts.

An audit involves obtaining evidence about the amounts and disclosures in the Regulatory Accounts sufficient to give reasonable assurance that the Regulatory Accounts are properly prepared in accordance with Conditions 15.1 and 15.2 of the Undertakings and the RAPMs and, on that basis, are free from material misstatement, whether caused by fraud or error. As the nature, form and content of Regulatory Accounts are determined by the Adjudicator, we did not evaluate the overall adequacy of the presentation of the information, which would have been required if we were to express an audit opinion under Auditing Standards.

Arqiva Broadcast Holdings Limited

Network Access and Managed Transmission Services Regulatory Accounts - Year ended 30 June 2013

Opinion on Regulatory Accounts

In our opinion the Regulatory Accounts have been properly prepared in accordance with the RAPMs dated 9th October 2013 and comply with the requirements of Conditions 15.1 and 15.2 of the Undertakings.

Basis of preparation

Without modifying our opinion, we draw attention to the RAPMs which describe the basis of preparation of the Regulatory Accounts. The Regulatory Accounts are separate from the statutory financial statements of the Group and have not been prepared exclusively on the basis of United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). Financial information other than that prepared on the basis of UK GAAP does not necessarily represent a true and fair view of the financial performance or financial position of a Group as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where, under Condition 15.6 of the Undertakings, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Group, or returns adequate for our audit have not been received from operating locations not visited by us;
- the Regulatory Accounts are not in agreement with the accounting records and returns retained for the purpose of preparing the Regulatory Accounts; and
- we have not received all the information and explanations we require for our audit.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Southampton

24 October 2013

Arqiva Broadcast Holdings Limited

Network Access and Managed Transmission Services Regulatory Accounts - Year ended 30 June 2013

Profit and loss account

	Network Access	Managed Transmission Services	Network Access	Managed Transmission Services
	Year ended 30 June 2013	Year ended 30 June 2013	Year ended 30 June 2012	Year ended 30 June 2012
	£'000	£'000	£'000	£'000
Total TV revenue	129,970	37,972	131,549	34,541
Total Radio revenue	39,693	15,928	40,185	26,790
Total revenue	169,663	53,900	171,734	61,331
Rent and rates	(14,414)	-	(14,510)	-
Labour Cost of Sales and Maintenance	(9,217)	(11,212)	(5,883)	(10,741)
Cost of Sales	(23,631)	(11,212)	(20,393)	(10,741)
Operating costs	(19,085)	(8,240)	(21,068)	(13,002)
Depreciation, impairment and loss on disposal of fixed assets	(30,291)	(15,768)	(34,203)	(32,082)
Total operating costs	(49,376)	(24,008)	(55,271)	(45,084)
Exceptional costs	(944)	(806)	(1,326)	(829)
Operating result (after exceptional costs)	95,712	17,874	94,744	4,677

Arqiva Broadcast Holdings Limited

Network Access and Managed Transmission Services Regulatory Accounts - Year ended 30 June 2013

Balance sheet

	Network Access	Managed Transmission Services	Network Access	Managed Transmission Services
	30 June 2013	30 June 2013	30 June 2012	30 June 2012
	£'000	£'000	£'000	£'000
Fixed Assets	593,061	237,238	647,123	259,221
Current Assets				
Debtors	48,306	13,354	40,072	9,608
Cash at bank and in hand	13,133	3,506	13,324	3,798
Total Current Assets	61,439	16,860	53,396	13,406
Creditors: amounts falling due within one year	(36,328)	(11,931)	(33,116)	(12,845)
Net Current Assets	25,111	4,929	20,280	561
Total Assets less Current Liabilities	618,172	242,167	667,403	259,782
Provisions for liabilities and charges	(26,879)	(3,753)	(25,715)	(5,699)
Capital Employed	591,293	238,414	641,688	254,083

These Regulatory Accounts were approved by the Board of Directors on ¹⁸ October 2013 and were signed on its behalf by:



Peter Shore - Director

Reconciliation to Statutory Consolidated Profit and Loss Account for the year ended 30 June 2013

	Network Access	Managed Transmission Services	Other	Total per Statutory Accounts
	Year ended 30 June 2013	Year ended 30 June 2013	Year ended 30 June 2013	Year ended 30 June 2013
	£'000	£'000	£'000	£'000
Revenue	169,663	53,900	597,277	820,840
Cost of Sales	(23,631)	(11,212)	(257,392)	(292,235)
Operating Costs	(19,085)	(8,240)	(84,790)	(112,115)
Depreciation, impairment and loss on disposal of fixed assets	(30,291)	(15,768)	(61,741)	(107,800)
Operating profit before amortisation	96,656	18,680	193,354	308,690
Amortisation of goodwill on acquisition			(157,312)	(157,312)
Group Operating Profit	96,656	18,680	36,042	151,378
Exceptional items	(944)	(806)	(27,051)	(28,801)
Operating Result after exceptionals	95,712	17,874	8,991	122,577
Share of operating loss in joint venture and associates				1,670
Income from Investments				120
Share of Joint venture interest payable				(970)
Interest receivable and similar income				2,000
Interest payable and similar charges				(446,700)
Loss on ordinary activities before taxation				(321,303)
Tax on loss on ordinary activities				17,230
Loss on ordinary activities after taxation				(304,073)
Equity minority interests				(341)
Loss for the financial year				(304,414)

Reconciliation to Statutory Consolidated Profit and Loss Account for the year ended 30 June 2012

	Network Access	Managed Transmission Services	Other	Total per Statutory Accounts
	Year ended 30 June 2012 £'000	Year ended 30 June 2012 £'000	Year ended 30 June 2012 £'000	Year ended 30 June 2012 £'000
Revenue	171,734	61,331	598,614	831,679
Cost of Sales	(20,393)	(10,741)	(283,499)	(314,633)
Operating Costs	(21,068)	(13,002)	(80,382)	(114,452)
Depreciation, impairment and loss on disposal of fixed assets	(34,203)	(32,082)	(33,682)	(99,967)
Operating profit before amortisation	96,070	5,506	201,051	302,627
Amortisation of goodwill on acquisition			(155,179)	(155,179)
Group Operating Profit	96,070	5,506	45,872	147,448
Exceptional items – Fundamental Reorganisation	(1,326)	(829)	(21,513)	(23,668)
	94,744	4,677	24,359	123,780
Share of operating loss in joint venture and associates				3,947
Income from shares in group undertakings				60
Share of Joint venture interest payable				(2,264)
Exceptional items – Financing				1,203
Interest receivable and similar income				2,273
Interest payable and similar charges				(365,584)
Loss on ordinary activities before taxation				(236,585)
Tax on loss on ordinary activities				16,543
Loss on ordinary activities after taxation				(220,042)
Equity minority interests				(120)
Loss for the financial year				(220,162)

Arqiva Broadcast Holdings Limited

Network Access and Managed Transmission Services Regulatory Accounts - Year ended 30 June 2013

Reconciliation to Statutory Consolidated Balance Sheet at 30 June 2013

	Network Access	Managed Transmission Services	Other	Total per Statutory Accounts
	30 June 2013 £'000	30 June 2013 £'000	30 June 2013 £'000	30 June 2013 £'000
Fixed Assets	593,061	237,238	827,952	1,658,251
Debtors	48,306	13,354	192,943	254,603
Cash at bank and in hand	13,133	3,506	132,411	149,050
Total Current Assets	61,439	16,860	325,354	403,653
Creditors: amounts falling due within one year	(36,328)	(11,931)	(633,954)	(682,213)
Net Current (Liabilities)/Assets	25,111	4,929	(308,600)	(278,560)
Total Assets less Current Liabilities	618,172	242,167	519,352	1,379,691
Provisions for liabilities and charges	(26,879)	(3,753)	(23,470)	(54,102)
Capital Employed	591,293	238,414	495,882	1,325,589
Assets/Liabilities excluded for regulatory reporting purposes				
Intangible fixed assets including goodwill				2,017,991
Investments in JVs				9,865
Investments				110
Creditors: amounts falling due after more than one year (mainly long term debt)				(4,201,457)
Pension deficit				(2,321)
Total Capital Employed				(850,223)

Arqiva Broadcast Holdings Limited

Network Access and Managed Transmission Services Regulatory Accounts - Year ended 30 June 2013

Reconciliation to Statutory Consolidated Balance Sheet at 30 June 2012

	Network Access	Managed Transmission Services	Other	Total per Statutory Accounts
	30 June 2012 £'000	30 June 2012 £'000	30 June 2012 £'000	30 June 2012 £'000
Fixed Assets	647,123	259,221	722,360	1,628,704
Debtors	40,072	9,608	162,054	211,734
Cash at bank and in hand	13,324	3,798	312,530	329,652
Total Current Assets	53,396	13,406	474,584	541,386
Creditors: amounts falling due within one year	(33,116)	(12,845)	(445,837)	(491,798)
Net Current Assets	20,280	561	28,747	49,588
Total Assets less Current Liabilities	667,403	259,782	751,107	1,678,292
Provisions for liabilities and charges	(25,715)	(5,699)	(29,097)	(60,511)
Capital Employed	641,688	254,083	722,010	1,617,781
Assets/Liabilities excluded for regulatory reporting purposes				
Intangible fixed assets including goodwill				2,148,939
Investments in JVs/Associates				11,055
Creditors: amounts falling due after more than one year (mainly long term debt)				(4,320,873)
Pension deficit				(2,280)
Total Capital Employed				(545,378)

Notes to the Regulatory Accounts

1 Principal accounting policies

(a) Basis of preparation

The reporting requirements set out in the Undertakings differ from the way in which ABHL is organised for management and statutory reporting purposes. As such, the Regulatory Accounts are derived from the general ledger used to prepare the consolidated ABHL statutory accounts, which capture all of the Group's businesses, with the reporting requirements of the Undertakings overlaid.

ABHL maintains its core accounting records in a manner which allows for revenues, costs, assets and liabilities to be attributed either directly or indirectly to the Network Access and Managed Transmission Services.

The Regulatory Accounts analyse ABHL's activities into three core categories: 'Network Access', 'Managed Transmission Services' and 'Other'. The revenues, costs, assets and liabilities for the 'Other' category are arrived at by deducting the total of the Network Access and Managed Transmission Services from the total balances of ABHL and therefore represent the remainder of the Group's business.

These Regulatory Accounts have been prepared in accordance with the accounting policies set out in the consolidated statutory accounts for ABHL (which are themselves prepared in accordance with UK GAAP) together with Arqiva's Regulatory Accounting Policies and Methodologies (RAPMs) dated 9th October 2013.