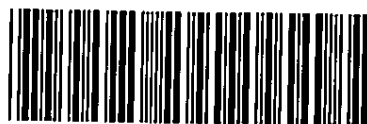


**Arqiva Limited**  
Registered number 02487597

# **Annual Report and Financial Statements**

**For the year ended 30 June 2009**

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# Arqiva Limited

Annual Report and Financial Statements - Year ended 30 June 2009

## Table of Contents

<b>Directors' report and statement of Directors' responsibilities.....</b>	<b>1</b>
Business review and principal activities .....	1
Dividends and transfers to reserves .....	2
Future developments .....	2
Post balance sheet events .....	2
Creditor payment policy .....	2
Financial risk management .....	3
Environment .....	3
Health and safety .....	3
Employees .....	3
Directors .....	4
Company Secretary .....	4
Provision of information to the Independent Auditors .....	4
Research and development .....	4
Overseas branches .....	4
Directors' indemnities .....	4
Independent Auditors .....	4
Statement of Directors' responsibilities in respect of the annual report and the financial statements .....	5
<b>Independent Auditors' Report to the members of Arqiva Limited .....</b>	<b>6</b>
<b>Profit and loss account .....</b>	<b>7</b>
<b>Balance sheet .....</b>	<b>8</b>
<b>Statement of total recognised gains and losses .....</b>	<b>9</b>
<b>Note of historical cost profits and losses .....</b>	<b>9</b>
<b>Notes to the financial statements .....</b>	<b>10</b>
1 Principal accounting policies .....	10
2 Turnover and segmental reporting .....	12
3 Operating profit .....	13
4 Exceptional items .....	13
5 Staff costs .....	13
6 Directors' emoluments .....	14
7 Interest receivable and similar income .....	14
8 Interest payable and similar charges .....	14
9 Taxation .....	15
10 Dividends and other appropriations .....	16
11 Intangible fixed assets .....	16
12 Tangible fixed assets .....	17
13 Investments .....	18
14 Debtors: amounts falling due within one year .....	19
15 Cash at bank and in hand .....	19
16 Creditors: amounts falling due within one year .....	19
17 Creditors: amounts falling due after one year .....	20
18 Provisions for liabilities and charges .....	20
19 Share capital .....	21
20 Profit and loss reserve .....	21
21 Other reserves .....	21
22 Reconciliation of movement in shareholders' funds .....	21
23 Commitments for expenditure .....	22
24 Contingent liabilities .....	22
25 Pension commitments .....	23
26 Related party disclosures .....	28
27 Immediate parent company and ultimate UK parent undertaking .....	28
28 Controlling party .....	28
29 Post balance sheet events .....	28

## Directors' report and statement of Directors' responsibilities

The Directors of Arqiva Limited ('the Company') submit the following annual report and audited financial statements ('financial statements') in respect of the year ended 30 June 2009.

### Business review and principal activities

The Company owns and operates a portfolio of communications infrastructure and provides television and radio transmission services, tower site rental, media services and radio communications in the United Kingdom ('UK') and satellite services in the UK and Ireland.

The Company provides a range of products and services to its customers principally through three business units:

- Satellite & Media provides communication platforms to enterprise, government and broadcast customers. These enable the Company to provide organisations with a comprehensive range of services to deliver their data and broadcasts.
- Terrestrial Broadcast provides transmission for all UK terrestrial TV broadcasters, including the new networks being built for the Digital Switch Over ('DSO'). Transmission is also provided for BBC Radio and most commercial radio stations.
- Wireless Access provides cellular, wireless broadband, voice and data solutions for the mobile communications, public safety, local government and commercial markets.

On 3 April 2007, Macquarie UK Broadcast Ventures Limited ('MUKBV'), an intermediate holding company of the Macquarie UK Broadcast Holdings Limited ('MUKBHL') Group ('the Group') in which the Company trades, acquired the National Grid Wireless ('NGW') group of companies from National Grid Plc. The acquisition was subject to a review by the Competition Commission and during this review period, a formal 'hold separate' agreement was in place, and NGW continued to trade as a separate business. On 11 March 2008, the Competition Commission announced that it would allow the acquisition of the NGW group of companies to go ahead, subject to the agreement of a package of measures to protect the interests of the customers, including price reductions for certain customers on new and existing contracts and the appointment of an adjudicator to resolve disputes. The undertakings required by the Competition Commission were signed in August 2008 and 'hold separate' lifted on 1 September 2008.

Subsequent to the lifting of 'hold separate' integration of NGW into the Group commenced. During September 2008, NGW was rebranded as Arqiva, and all employees were transferred under TUPE to the Company. The integration of NGW was substantially completed by the year end and has resulted in exceptional costs of £28,009,000 (2008: £nil).

In November 2008, the Group completed the DSO process at the Selkirk transmitter group in the Scottish border region. This was the first of 50 main analogue stations to switch over to all digital transmission.

On 12 December 2008, the Company acquired a 16.4% stake in Arts Alliance Media Investment Limited ('AAMIL'). This investment enables the Group to develop technologies for the distribution of digital cinema content.

On 18 February 2009, The Company acquired JFMG Limited ('JFMG'). JFMG has been contracted by Ofcom to manage and licence the radio spectrum used for programme making, entertainment and special events ('PMSE').

In March 2009, the Company was selected by Mobile Broadband Network Limited ('MBNL'), the joint venture formed between T-Mobile UK and 3UK to create and manage their UK 3G network, as its strategic partner for the provision of cell sites. Under the terms of the 10 year agreement, the Company will provide MBNL with 5,100 sites and the Company will have exclusive marketing rights for site sharing services on a further 2,500 sites.

In April 2009, the Group reached an agreement with Global Radio to acquire Global's 63% share in the commercial Digital Audio Broadcasting ('DAB') multiplex, Digital One, and ownership of Now Digital, which operates Global Radio's local digital radio multiplexes. The transaction was completed on 21 July 2009.

In July 2009, the Company agreed to acquire the video-on-demand platform developed by UK VOD LLP, a joint venture set up by BBC Worldwide, ITV and Channel 4.

The results show a pre-tax profit of £95,901,000 (2008: £97,638,000) and turnover of £445,668,000 (2008: £459,131,000). The Company has net assets of £546,845,000 (2008: £557,531,000).

## **Arqiva Limited**

Annual Report and Financial Statements - Year ended 30 June 2009

The key measure of the Company's performance is EBITDA. EBITDA is defined as operating profit, before depreciation, amortisation and interest, and exceptional items (which includes profits or losses on the disposal of fixed assets). EBITDA for the year ended 30 June 2009 is £161,476,000 (2008: £131,140,000). The EBITDA margin (ratio of EBITDA to turnover expressed as a percentage) for the year ended 30 June 2009 is 36.2% (2008: 28.6%).

### **Business environment**

The single biggest issue facing the Company (and industry) is the change to the terrestrial transmission business as a consequence of the UK Government mandated national DSO programme. A significant and complex broadcast engineering project is being undertaken in order to provide Digital Terrestrial Television ('DTT') transmission services. Terrestrial transmission services in the UK will transition from current analogue and low power digital transmission service to a high power digital transmission service. This began in Cumbria in October 2007 and will take place progressively on a region by region basis, scheduled to complete by 2012. The programme is currently running within plan parameters, with over 1 million homes now fully digital. The Company has executed contracts with the BBC, SDN, and Digital 3/4 to design, build and operate new high-power DTT networks.

The UK Government issued its final report 'Digital Britain' on 16 June 2009, following extensive industry consultation. There are no new proposals for television infrastructure, however it does support a radio analogue switch-off by the end of 2015.

### **Principal risks and uncertainties facing the business**

The key business risks affecting the Company are set out below:

- DSO: as identified above, the delivery of the DSO programme, on a technical and commercial level over the next three years.
- Demand for wireless communications and resultant demand for access to the Company's towers.
- Delivery of DTT Managed Transmission Service contracts with TV broadcasters.

### **Dividends and transfers to reserves**

The Company declared and paid dividends of £103,153,000 (2008: £61,997,000) comprising a dividend of £62,753,000 paid on 29 July 2008 and a further dividend of £40,400,000 paid on 28 January 2009.

The profit for the year of £96,437,000 (2008: £102,975,000) was transferred to reserves.

### **Future developments**

It is the intention of the Company to continue investing in communications infrastructure projects.

### **Post balance sheet events**

Macquarie Communications Infrastructure Group ('MCG') is the parent undertaking for accounting purposes of the largest group to consolidate these financial statements. A meeting of shareholders of MCG took place on 30 June 2009 where the proposed takeover of MCG by Canada Pension Plan Investment Board ('CPPIB') was approved by shareholders. The transaction completed on 21 July 2009. As a result of the transaction CPPIB hold a 48% stake in the Group, Macquarie European Infrastructure Fund ('MEIF II') 21%, other Macquarie Funds 13% and minorities 18%.

On 25 August 2009, the Company completed the acquisition of the video-on-demand platform developed by UK VOD LLP, a joint venture set up by BBC Worldwide, ITV and Channel 4

### **Creditor payment policy**

The Company seeks to treat all of its suppliers fairly and it is the Company's policy to agree the terms of payment at the start of business with that supplier, ensure that suppliers are aware of the terms of payment and to pay in accordance with its contractual and other legal obligations. Trade creditor days are 49 days (2008: 58 days).

## **Arqiva Limited**

Annual Report and Financial Statements - Year ended 30 June 2009

### **Financial risk management**

The Company's operations expose it to a variety of financial risks that include the effects of changes in price, credit risk, liquidity risk, cash flow interest rate risk and foreign exchange risk. The Company's overall risk management programme seeks to minimise potential adverse effects as noted below.

#### *Price risk*

The Company has a limited exposure to fluctuations in prices of electricity, gas and other commodities. The potential impact of this is reduced by negotiating fixed price contracts. In addition, the majority of the Company's costs do not fluctuate on a day-to-day basis but are fixed for periods of time.

#### *Credit risk*

The Company is exposed to credit risk but this is managed through appropriate credit checking procedures prior to taking on new customers, higher risk customers paying in advance of services being provided, and the generally lower risk nature of the majority of the customer portfolio.

#### *Liquidity risk*

The company is mainly funded through reserves and inter-company debt, there is no external finance.

#### *Foreign exchange risk*

The Company operates from UK sites and predominantly in the UK market, but has some transactions denominated in foreign currency. While some customer and supplier contracts are denominated in other currencies (US Dollars and Euros), the majority of the Company's revenues and cost are sterling based, and accordingly exposure to foreign exchange risk is low.

### **Environment**

The Company recognises that its activities impact on the environment to some degree; therefore it aims to secure the positive advantages and reduce the negative impacts through a system of active environmental management.

The Company aims to:

- comply with current and future legislative requirements, encourage best environmental practice and commit to continual improvement;
- fulfil applicable landscape and ecological commitments;
- minimise pollution from its activities;
- plan the contingency / emergency response for major incidents, with other environmental stakeholders, to minimise environmental impact;
- engender within its staff, and as far as practicable its contractors, a culture of awareness and responsibility for relevant environmental issues by promoting its environmental policy internally;
- develop, implement and audit an environmental management system to support these aims;
- achieve certification to ISO 14001 'Environmental Management Systems'; and
- promote its environment-friendly credentials as widely as possible.

### **Health and safety**

The Company is committed to complying with applicable health and safety legislation, and to continual improvement in achieving a high standard of health, safety and welfare for its operating environments and for all those in the organisation and others who may be affected by its activities.

### **Employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and the appropriate training arranged. It is the policy of the Company that the training, career development and promotion of a disabled person, should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues using the intranet, briefing groups and distribution of an in-house magazine.

## Arqiva Limited

Annual Report and Financial Statements - Year ended 30 June 2009

### Directors

The following persons held office as Directors of the Company during the year and up to the date of signing the financial statements:

—	Christian Seymour	
—	Joshua McHutchinson	
—	Peter Shore	
—	Martin Stanley	(Appointed 8 August 2008)
—	Adrianus Wamsteker	(Appointed 6 February 2009)
—	Graeme Bevans	(Appointed 20 July 2009)
—	Alain Carrier	(Appointed 20 July 2009)
—	Dan Fetter	(Appointed 20 July 2009)
—	Andreas Koettering	(Appointed 20 July 2009)
—	Andrew Hunter	(Appointed 8 August 2008, Resigned 20 July 2009)
—	Andrew Cunanan	(Resigned 30 September 2008)
—	Damian John Walsh	(Resigned 30 September 2008)
—	Steve Bickerton	(Resigned 30 September 2008)
—	Scott Davies	(Resigned 20 July 2009)
—	Gerald Moriarty	(Resigned 20 July 2009)
—	Peter Douglas	(Resigned 20 July 2009)
—	Graeme Barclay	(Resigned 20 July 2009)
—	Michael Buckling	(Resigned 20 July 2009)
—	Manoj Mehta	(Resigned 6 February 2009)

### Company Secretary

On 31 July 2009 Tom O'Connor resigned as Company Secretary and Michael Giles was appointed in his place.

### Provision of information to the Independent Auditors

The Directors of the Company in office at the date of approval of this report confirm that:

- so far as the Directors are aware there is no relevant audit information of which the Auditors are unaware; and
- each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

### Research and development

The Company performs research and development into new products and technology. Development costs are capitalised when they relate to a customer project. The research and development costs expensed in the year total £1,408,000 (2008: £1,640,000).

### Overseas branches

The Company has branches based in the Republic of Ireland, Isle of Man and Jersey.

### Directors' indemnities

The Company maintains liability insurance for its Directors and Officers. Following shareholder approval, the Company has also provided an indemnity for its Directors and the Secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

### Independent Auditors

PricewaterhouseCoopers LLP will be reappointed as the Company's Auditors in accordance with the elective resolution passed by the Company under section 487 of the Companies Act 2006.

## **Arqiva Limited**

Annual Report and Financial Statements - Year ended 30 June 2009

### **Statement of Directors' responsibilities in respect of the annual report and the financial statements**

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



**Michael Giles**  
**Company secretary**  
Crawley Court  
Crawley  
Winchester  
Hampshire  
SO21 2QA

19 October 2009

## **Independent Auditors' Report to the members of Arqiva Limited**

We have audited the financial statements of Arqiva Limited for the year ended 30 June 2009 which comprise the profit and loss Account, the balance sheet, the statement of total recognised gains and losses, the note of historical cost profits and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of Directors and Auditors**

As explained more fully in the statement of Directors' responsibilities on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2009 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

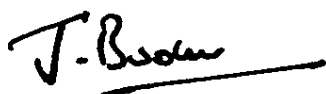
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



**J Booker (Senior Statutory Auditor)**

For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

**20** October 2009



**Arqiva Limited**

Annual Report and Financial Statements - Year ended 30 June 2009

**Profit and loss account**

	Note	Year ended 30 June 2009 £'000	Year ended 30 June 2008 £'000
<b>Continuing operations</b>			
Turnover	2	445,668	459,131
Cost of sales		(225,374)	(209,713)
<b>Gross profit</b>		<b>220,294</b>	<b>249,418</b>
Administrative expenses		(96,199)	(154,205)
<b>Operating profit</b>	3	<b>124,095</b>	<b>95,213</b>
Exceptional items	4	(28,009)	-
<b>Profit on ordinary activities before interest</b>		<b>96,086</b>	<b>95,213</b>
Interest receivable and similar income	7	1,494	3,775
Interest payable and similar charges	8	(1,679)	(1,350)
<b>Profit on ordinary activities before taxation</b>		<b>95,901</b>	<b>97,638</b>
Tax on profit on ordinary activities	9	536	5,337
<b>Profit for the financial year</b>	20,22	<b>96,437</b>	<b>102,975</b>

## Arqiva Limited

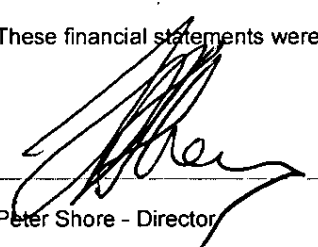
Annual Report and Financial Statements - Year ended 30 June 2009

### Balance sheet

	Note	30 June 2009 £'000	30 June 2008 £'000
<b>Fixed assets</b>			
Intangible assets	11	64,455	66,178
Tangible assets	12	635,147	541,735
Investments	13	71,331	64,816
		<b>770,933</b>	<b>672,729</b>
<b>Current assets</b>			
Debtors: amounts falling due within one year	14	155,604	113,847
Cash at bank and in hand	15	19,686	102,763
		<b>175,290</b>	<b>216,610</b>
<b>Creditors: amounts falling due within one year</b>	16	<b>(351,798)</b>	<b>(289,619)</b>
<b>Net current liabilities</b>		<b>(176,508)</b>	<b>(73,009)</b>
<b>Total assets less current liabilities</b>		<b>594,425</b>	<b>599,720</b>
<b>Creditors: amounts falling due after more than one year</b>	17	<b>(26,948)</b>	<b>(21,538)</b>
Provisions for liabilities and charges	18	(13,403)	(16,907)
<b>Net assets excluding pension deficit</b>		<b>554,074</b>	<b>561,275</b>
Pension deficit	25	(7,229)	(3,744)
<b>Net assets including pension deficit</b>		<b>546,845</b>	<b>557,531</b>
<b>Capital and reserves</b>			
Called up share capital	19	30,000	30,000
Share premium account	21	90,800	90,800
Revaluation reserve	21	179,550	182,775
Capital reserve	21	13,396	13,396
Profit and loss account	20	233,099	240,560
<b>Equity shareholders' funds</b>	22	<b>546,845</b>	<b>557,531</b>

The accounting policies and notes on pages 10 to 28 form part of these financial statements.

These financial statements were approved by the Board of Directors on 19 October 2009 and were signed on its behalf by:

  
Peter Shore - Director  
Christian Seymour - Director

**Arqiva Limited**

Annual Report and Financial Statements - Year ended 30 June 2009

**Statement of total recognised gains and losses**

	Note	Year ended 30 June 2009 £'000	Year ended 30 June 2008 £'000
Profit for the financial year	20	96,437	102,975
Actuarial loss on pension scheme		(5,220)	(4,300)
Movement on deferred tax relating to pension liability		1,462	1,204
Exchange adjustment offset in reserves (translation of foreign investments)		(212)	(438)
<b>Total recognised gains and losses relating to the year</b>		<b>92,467</b>	<b>99,441</b>

**Note of historical cost profits and losses**

	Year ended 30 June 2009 £'000	Year ended 30 June 2008 £'000
Reported profit on ordinary activities before taxation	95,901	97,638
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount.	3,225	2,902
<b>Historical cost profit on ordinary activities before taxation</b>	<b>99,126</b>	<b>100,540</b>
 <b>Historical cost profit retained after taxation</b>	 <b>99,662</b>	 <b>105,877</b>

## Notes to the financial statements

### 1 Principal accounting policies

The following accounting policies have been applied consistently in relation to the Company's financial statements:

**(a) Basis of preparation**

The financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006 and applicable UK accounting standards, under the historical cost convention, modified by the revaluation of certain tangible fixed assets.

**(b) Exemption from consolidation**

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of MUKBV, a company registered in England and Wales.

**(c) Tangible fixed assets and depreciation**

Tangible fixed assets are stated at original purchase cost (which includes costs directly attributable to bringing the assets into working condition) or revalued amount, less accumulated depreciation and any provision for impairment, in accordance with FRS 11 'Impairment of fixed assets and goodwill'.

In accordance with FRS 15 'Tangible fixed assets', directly attributable finance costs are capitalised where assets take a significant period of time to become ready for use.

Depreciation is provided on a straight line basis at rates calculated to write off the cost or valued amount, less estimated residual value, of assets over their estimated useful economic lives. The useful economic lives of the assets have been determined taking into account the expected rate of technological developments, market requirements and expected use of the assets. The selected depreciation rates are regularly reviewed to ensure they remain appropriate to the Company's circumstances.

Asset Description	Estimated Useful Life
Freehold buildings	60 years
Leasehold buildings	Length of lease
Plant and equipment	
- Communications infrastructure network	8 – 100 years
- Network computer equipment	5 – 20 years
- Motor vehicles	3 – 5 years

Freehold land is not depreciated.

**(d) Stocks**

Stocks of network spares and consumables have been included in fixed assets. Stock is stated at the lower of cost and net realisable value as follows:

Raw materials and consumables	- purchase cost
Work in progress	- cost of direct materials and direct labour

Provision is made for slow-moving, obsolete and defective items where appropriate.

**(e) Turnover**

The Company's accounting policy in respect of turnover is set out in note 2.

**(f) Intangible assets****Development costs**

Development costs incurred on development of products and services within the Group are capitalised in accordance with SSAP 13 'Accounting for research and development', and are amortised from the commencement of service over the life of the relevant contract.

**Licences**

Licences acquired to operate radio services are capitalised and amortised on a straight line basis over their licence period.

**Acquisitions**

Purchased goodwill is capitalised and amortised on a straight line basis over its estimated useful life, which is considered to be no longer than 20 years.

**Access rights**

Access rights are valued on acquisition and amortised on a straight line basis over their expected useful life.

**(g) Fixed asset investments**

Fixed asset investments are stated at cost less any provision for impairment in value, in accordance with FRS 11.

**(h) Foreign currencies**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date and any exchange differences arising are taken to the profit and loss account.

**(i) Leasing commitments**

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Company, are capitalised in the balance sheet and depreciated over the shorter of their useful economic lives or lease term.

The capital elements of future lease obligations are recorded as liabilities while the interest elements are charged to the profit and loss account over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding.

Operating lease payments for assets leased from third parties are charged to the profit and loss account on a straight line basis over the period of the lease.

**(j) Taxation and deferred taxation**

The charge for taxation is based on the result for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided fully in respect of all timing differences using the liability method for timing differences where there is an obligation to pay more tax, or a right to pay less tax, in the future. The provision is calculated using the rates expected to be applicable when the asset or liability crystallises based on current tax rates and laws that have been enacted or substantively enacted at the balance sheet date. A deferred tax asset is regarded as recoverable and therefore recognised only when it is more likely than not that there will be sufficient taxable profits against which to recover carried forward tax losses and from which the future reversal of timing differences can be deducted. Deferred tax is not recognised on revalued fixed assets until a binding agreement is in place to sell such assets and the resulting gain or loss has been recognised in the financial statements. Deferred tax is measured on an undiscounted basis.

**(k) Post retirement benefits****Defined contribution schemes**

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contribution payable in the period. Differences between contributions payable for the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**Defined benefit schemes**

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on high quality corporate bonds of equivalent currency and terms to the scheme liabilities.

Any defined benefit asset or liability is presented separately on the face of the balance sheet.

## **Arqiva Limited**

Annual Report and Financial Statements - Year ended 30 June 2009

### **(l) Provisions**

The provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase on the provision due to the passage of time is recognised as interest expense.

### **(m) Interest**

Interest income and expense are accounted for on an accruals basis and comprise amounts receivable and payable on deposits and borrowings, finance leases, and inter-company balances respectively.

### **(n) Cash flow statement**

The Company has taken advantage of the exemption under FRS 1 'Cash flow statement' (revised 1996) not to prepare a cash flow statement as it is a subsidiary which is at least 90% controlled by the ultimate UK parent undertaking MUKBHL which prepares a consolidated cash flow statement.

## **2 Turnover and segmental reporting**

Turnover, which is stated net of value added tax, includes the value of charges made for transmission services, distribution services, products, facilities leasing, research and development contracts, external network services to national and international telecommunication operators, other contracts, rents from properties, excess above cost in respect of capital works contributions from third parties and charges made under site sharing agreements.

Where contracts meet the definition of long-term contracts under SSAP 9 'Stocks and long-term contracts', turnover and profit is recognised in accordance with SSAP 9. Work is undertaken either on the basis that time and materials are billed as incurred or according to the terms of fixed price contracts. For time and material contracts, turnover and profit is recognised when the right to consideration has been established according to time worked and materials expended. With respect to fixed price contracts, turnover is recognised according to the percentage of the estimated total contract value completed or the achievement of contract milestones; a proportion of profit is also recognised as the contract progresses. All losses on fixed price contracts are recognised in the first period they are incurred or foreseen. Revenue and profit is recognised from project variations when it is expected that it will be recovered from customers.

In respect of short-term contracts which do not meet the definition of a long-term contract under SSAP 9, turnover and profit is recognised once the contract is complete. Completion is defined as the point at which all contractual obligations have been satisfied and the Company has an enforceable debt. Cash received in advance from customers is taken to deferred income and released to turnover over the life of the contract concerned.

As per the exemption in SSAP 25 'Segmental reporting', the Company has not disclosed segmental analysis in the financial statements as, in the view of the Directors, this would be seriously prejudicial to the interests of the Company.

## Arqiva Limited

Annual Report and Financial Statements - Year ended 30 June 2009

### 3 Operating profit

Operating profit is stated after charging / (crediting):

	Year ended 30 June 2009	Year ended 30 June 2008
	£'000	£'000
Depreciation of owned fixed assets	32,050	26,118
Depreciation of leased assets	446	447
Amortisation of intangible assets	1,199	1,013
Amortisation of goodwill	3,315	3,137
Auditors' remuneration for audit services	385	375
Operating lease rentals - communications infrastructure equipment	13,540	11,067
Loss on disposal of tangible fixed assets	371	5,212
Research and development	1,408	1,640
Foreign exchange losses / (gains)	1,166	(899)

#### Services provided by the Group's Auditors and network firms

During the year the Company obtained the following services from the Group's Auditors at costs as detailed below:

	Year ended 30 June 2009	Year ended 30 June 2008
	£'000	£'000
Fees payable to Company Auditors for the audit of the parent company, consolidated accounts and subsidiary companies	498	644
<b>Non-audit services</b>		
Services relating to taxation	28	117
Services relating to transaction advice	650	198
All other services	13	204
	<b>1,189</b>	<b>1,163</b>

### 4 Exceptional items

Exceptional costs incurred in the year were £28,009,000 (2008: £nil). This comprised redundancy of £17,450,000 resulting from the integration of the NGW group, and £10,559,000 of related costs such as systems integration activity and other charges.

### 5 Staff costs

The average monthly number of persons employed by the Company during the year was as follows:

	2009 Number	2008 Number
Terrestrial Broadcast	57	75
Satellite & Media	465	373
Wireless Access	150	108
Operations	1,238	742
Corporate Support	268	149
<b>Total staff numbers</b>	<b>2,178</b>	<b>1,447</b>

## Arqiva Limited

Annual Report and Financial Statements - Year ended 30 June 2009

The aggregate payroll costs of these persons were as follows:

	2009 £'000	2008 £'000
Wages and salaries	101,110	73,614
Social security costs	9,720	7,336
Other pension costs	11,945	7,460
<b>Total staff costs</b>	<b>122,775</b>	<b>88,410</b>

During September 2008, the NGW group of companies were rebranded as Arqiva and all employees were transferred under TUPE to the Company. All staff costs from this date are included in the financial statements of the Company and a management charge is made to the NGW group companies for certain operating costs.

## 6 Directors' emoluments

	Year ended 30 June 2009 £'000	Year ended 30 June 2008 £'000
Aggregate emoluments	50	50

There are no retirement benefits accruing to any Directors under a defined benefit scheme (2008: £nil).

Direct costs have been recharged in respect of Directors attending board meetings. Total costs recharged for the year ended 30 June 2009 were £24,000 (2008: £nil).

## 7 Interest receivable and similar income

	Year ended 30 June 2009 £'000	Year ended 30 June 2008 £'000
Interest receivable from group companies	496	443
Bank interest receivable	725	2,889
Other interest receivable	103	143
Pension interest	170	300
	<b>1,494</b>	<b>3,775</b>

## 8 Interest payable and similar charges

	Year ended 30 June 2009 £'000	Year ended 30 June 2008 £'000
Bank loans and overdrafts	54	-
Interest payable to group companies	1,728	-
Finance lease interest payable	1,244	1,267
Other interest payable	2	83
	<b>3,028</b>	<b>1,350</b>
Less: capitalised interest	(1,349)	-
	<b>1,679</b>	<b>1,350</b>



# Arqiva Limited

Annual Report and Financial Statements - Year ended 30 June 2009

## 9 Taxation

	Year ended 30 June 2009	Year ended 30 June 2008
	£'000	£'000
(a) Analysis of tax (credit) / charge for the year		
<b>Current tax</b>		
UK corporation tax at 28% (2008: 28%)	-	-
Corporation tax from prior period	(153)	-
<b>Total current tax</b>	<b>(153)</b>	<b>-</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(2,347)	(5,365)
Deferred tax on pension charged to profit and loss account	106	28
Prior year adjustment	1,858	-
<b>Total deferred tax</b>	<b>(383)</b>	<b>(5,337)</b>
<b>Tax on profit on ordinary activities</b>	<b>(536)</b>	<b>(5,337)</b>
(b) The tax assessed for the year is less than the standard rate of corporation tax in the UK (28%). The differences are explained below:		
Profit on ordinary activities before taxation	95,901	97,638
Profit before taxation multiplied by 28% (2008: 28%)	26,852	27,339
Expenses not deductible for tax purposes	369	120
Amortisation of goodwill	928	878
Depreciation in excess of capital allowances	3,786	6,205
Other short term timing differences	(1,439)	(840)
Non-qualifying depreciation	1,272	1,233
Income not subject to corporation tax	(100)	-
Corporation tax from prior period	(153)	-
Group relief receivable	(31,668)	(34,935)
<b>Total current tax</b>	<b>(153)</b>	<b>-</b>

The average rate of UK corporation tax for the year ended 30 June 2008 was 29.5%, however, 28% has been utilised for the tax reconciliation as there is no current UK corporation tax liability and deferred tax is recognised at a rate of 28%.

## Arqiva Limited

Annual Report and Financial Statements - Year ended 30 June 2009

### 10 Dividends and other appropriations

Equity dividends on ordinary shares

	Year ended 30 June 2009	Year ended 30 June 2008
	£'000	£'000
Interim dividend of £3.43840 per share (2008: £2.06655)	103,153	61,997

The Company received a dividend of £357,000 from Arqiva SAS in the year.

### 11 Intangible fixed assets

	Licences £'000	Development costs £'000	Access rights £'000	Purchased goodwill £'000	Total £'000
<b>Cost</b>					
At 1 July 2008	3,638	925	4,307	66,304	75,174
Additions	-	-	2,791	-	2,791
<b>At 30 June 2009</b>	<b>3,638</b>	<b>925</b>	<b>7,098</b>	<b>66,304</b>	<b>77,965</b>
<b>Amortisation</b>					
At 1 July 2008	689	58	769	7,480	8,996
Charged in the year	352	231	616	3,315	4,514
<b>At 30 June 2009</b>	<b>1,041</b>	<b>289</b>	<b>1,385</b>	<b>10,795</b>	<b>13,510</b>
<b>Net book value</b>					
<b>At 30 June 2009</b>	<b>2,597</b>	<b>636</b>	<b>5,713</b>	<b>55,509</b>	<b>64,455</b>
At 30 June 2008	2,949	867	3,538	58,824	66,178

Development costs in respect of products and services that are being developed by the Company are being capitalised in accordance with SSAP 13. These are amortised over their expected useful life once the product or service has been commercially launched.

## Arqiva Limited

Annual Report and Financial Statements - Year ended 30 June 2009

### 12 Tangible fixed assets

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Plant and equipment £'000	Total £'000
<b>Cost or valuation</b>				
At 1 July 2008	148,576	55,325	709,736	913,637
Additions	2,192	1,023	123,070	126,285
Disposals	-	-	(4,491)	(4,491)
<b>At 30 June 2009</b>	<b>150,768</b>	<b>56,348</b>	<b>828,315</b>	<b>1,035,431</b>
<b>Depreciation</b>				
At 1 July 2008	25,125	19,118	327,659	371,902
Disposals	-	-	(4,114)	(4,114)
Charge for the year	930	1,193	30,373	32,496
<b>At 30 June 2009</b>	<b>26,055</b>	<b>20,311</b>	<b>353,918</b>	<b>400,284</b>
<b>Net book value</b>				
<b>At 30 June 2009</b>	<b>124,713</b>	<b>36,037</b>	<b>474,397</b>	<b>635,147</b>
At 30 June 2009	123,451	36,207	382,077	541,735
Freehold land at valuation included above not depreciated				76,718

The Company's tangible fixed assets were valued effective 31 January 2005 in accordance with the guidance set out in the RICS Appraisal and Valuation Standards, by independent qualified valuers. The valuation of plant and equipment was completed by Ove Arup and Partners on a depreciated replacement cost basis. The valuation of land and buildings was completed by Cluttons on a Market Value basis.

An interim valuation was performed in 2008. Ove Arup and Partners performed an update on the valuation of plant and equipment on a depreciated replacement cost basis and Cluttons performed an updated valuation on a sample of land and buildings. This update showed that there had not been a material change in the value of the tangible assets. Therefore the Directors confirm that the valuation of tangible fixed assets closely approximates to book value.

The Company's fixed and other assets have been pledged as security under fixed and floating charges that have arisen as a result of borrowing agreements entered into by the Company's parent undertakings.

Borrowing costs capitalised during the period totalled £1,349,000 (2008: £nil) at a capitalisation rate of 5.01% (2008: nil%). The aggregate amount of finance costs included in the cost of tangible fixed assets totals £1,349,000 (2008: £nil).

Short leasehold land and buildings held under finance leases, capitalised and included within fixed assets above:

	30 June 2009 £'000	30 June 2008 £'000
Cost	10,907	10,907
Accumulated depreciation	(1,563)	(1,117)
<b>Net book value</b>	<b>9,344</b>	<b>9,790</b>

## Arqiva Limited

Annual Report and Financial Statements - Year ended 30 June 2009

If fixed assets were stated on a historical cost basis, the amounts would be:

	30 June 2009				30 June 2008			
	Freehold land and buildings	Short leasehold land and buildings	Plant and equipment	Total	Freehold land and buildings	Short leasehold land and buildings	Plant and equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost	55,105	25,728	771,823	852,656	52,913	24,705	653,243	730,861
Accumulated depreciation	19,320	16,626	345,007	380,953	18,384	16,087	321,325	355,796
<b>Net book value based on historical cost</b>	<b>35,785</b>	<b>9,102</b>	<b>426,816</b>	<b>471,703</b>	<b>34,529</b>	<b>8,618</b>	<b>331,918</b>	<b>375,065</b>

## 13 Investments

	Investments in subsidiaries £'000
<b>Cost</b>	
At 1 July 2008	64,816
Acquisitions	7,616
Macropolitan consideration adjustment	(1,101)
<b>At 30 June 2009</b>	<b>71,331</b>

### Acquisition of JFMG Limited ('JFMG')

On 18 February 2009 the Company completed the acquisition of JFMG for £1,587,000. JFMG has an accounting period ending 18 February, which will be brought into line with the Company. JFMG has been contracted by Ofcom to manage and licence the radio spectrum used for PMSE.

### Acquisition of Arts Alliance Media Investment Limited ('AAMIL')

On 12 December 2008 the Company acquired 16.4% of the share capital of a joint venture, Arts Alliance Media Investment Limited for £6,029,000.

### Acquisition of Macropolitan Limited

On 6 December 2007 the Company acquired 100% of the share capital of Macropolitan Limited. The original consideration has changed in the year due to a repayment in escrow of £1,265,000 partially offset by additional costs incurred.

The Company's significant investments are shown below:

	Country of Incorporation	Principal Activities	Year End	Percentage of Ordinary Shares Held
Inmedia Communications Group Limited	United Kingdom	Dormant Holding Company	30 June	100%
Arqiva Defined Benefit Pension Plan of Trustees Limited	United Kingdom	Pension Fund Management	30 June	100%
Scanners (Europe) Limited	United Kingdom	Dormant Holding Company	30 June	100%
Arqiva SAS	France	Trading Company	30 June	100%
Arqiva SRL	Italy	Trading Company	30 June	100%
Arqiva Inc	United States	Trading Company	30 June	100%
Macropolitan Limited	United Kingdom	Site management	30 June	100%
JFMG Limited	United Kingdom	Spectrum and transmission management	18 Feb	100%
<b>Joint venture</b>				
Arts Alliance Media Investment Limited	United Kingdom	Spectrum and transmission management	30 June	16.4%

## Arqiva Limited

Annual Report and Financial Statements - Year ended 30 June 2009

### 14 Debtors: amounts falling due within one year

	30 June 2009	30 June 2008
	£'000	£'000
Trade debtors	44,208	52,674
Amounts owed by parent undertakings	17,338	16,117
Amounts owed by subsidiary and other group undertakings	63,978	21,079
Other debtors	5,354	4,247
Prepayments and accrued income	24,726	19,730
	<b>155,604</b>	<b>113,847</b>

Amounts owed by parent undertakings are secured and repayable on demand. Interest has been charged on these balances at a fixed rate of 9.75%

Amounts owed by subsidiary and other group undertakings are non interest bearing, unsecured and are repayable on demand.

The Directors consider that the fair value of debtors closely approximates to book value.

### 15 Cash at bank and in hand

	30 June 2009	30 June 2008
	£'000	£'000
Cash at bank	2,653	2,518
Short term deposit	17,033	100,245
	<b>19,686</b>	<b>102,763</b>

### 16 Creditors: amounts falling due within one year

	30 June 2009	30 June 2008
	£'000	£'000
Trade creditors	54,510	50,595
Amounts owed to parent undertakings	92,496	38,950
Amounts owed to subsidiary and other group undertakings	63,531	61,261
Other taxes and social security costs	663	6,925
Other creditors	13,941	8,269
Accruals and deferred income	126,402	123,619
Finance lease	255	-
	<b>351,798</b>	<b>289,619</b>

Amounts owed to parent undertakings are unsecured and repayable on demand under the terms of the loan agreements, Macquarie UK Broadcast Limited ('MUKBL') and MUKBV may only demand repayments of loans provided that such a repayment would not cause the Company to become insolvent.

Amounts owed to subsidiary and other group undertakings are secured and are repayable on demand.

The Directors consider that the fair value of creditors due within one year closely approximates to book value. Under the terms of the inter-company agreement with its parent, the Company has agreed to make funds available for it to meet its debts as they fall due.

## Arqiva Limited

Annual Report and Financial Statements - Year ended 30 June 2009

### 17 Creditors: amounts falling due after one year

	30 June 2009	30 June 2008
	£'000	£'000
Amounts owed to group undertakings	5,285	5,285
Accruals and deferred income	5,865	-
Finance lease	15,798	16,253
	<b>26,948</b>	<b>21,538</b>

Amounts due to subsidiaries are repayable in more than five years. The Directors consider that the fair value of creditors falling due after more than one year closely approximates to book value.

	30 June 2009	30 June 2008
	£'000	£'000
<b>Maturity of loans</b>		
Within one year	255	-
In more than one year, but not more than five years	1,759	2,244
In more than five years	14,039	14,009
	<b>16,053</b>	<b>16,253</b>

#### Finance leases

Future minimum payments under finance leases are as follows:

	30 June 2009	30 June 2008
	£'000	£'000
Within one year	1,483	1,434
In more than one year, but not more than five years	6,307	6,206
After five years	24,807	26,329
Total gross payments	32,597	33,969
Less finance charges included above	(16,544)	(17,716)
	<b>16,053</b>	<b>16,253</b>

### 18 Provisions for liabilities and charges

	Onerous contracts	Deferred tax	Total
	£'000	£'000	£'000
At 1 July 2008	6,907	10,000	16,907
Profit and loss account	-	(489)	(489)
Utilised in the period	(3,015)	-	(3,015)
At 30 June 2009	3,892	9,511	13,403

A provision has been made for certain onerous supplier contracts on a discounted basis. It is anticipated that these provisions will be utilised as the contracts progress within the next three years.

	30 June 2009	30 June 2008
	£'000	£'000
<b>Provision for deferred tax comprises:</b>		
Accelerated capital allowances	7,507	9,435
Short term timing differences	2,004	565
Undiscounted provision for deferred tax	<b>9,511</b>	<b>10,000</b>

No deferred tax has been recognised in respect of future tax on gains arising from revaluation of fixed assets, as the Company is not committed to the disposal of the assets.

## Arqiva Limited

Annual Report and Financial Statements - Year ended 30 June 2009

### 19 Share capital

	30 June 2009 £'000	30 June 2008 £'000
<b>Authorised:</b>		
30,000,300 (2008: 30,000,300) ordinary shares of £1 each	30,000	30,000
<b>Allotted, called up and fully paid:</b>		
30,000,201 (2008: 30,000,201) ordinary shares of £1 each	30,000	30,000

### 20 Profit and loss reserve

	£'000
<b>At 1 July 2008</b>	<b>240,560</b>
Transfer from the revaluation reserve	3,225
Actuarial loss on pension scheme	(5,220)
Movement on deferred tax relating to pension liability	1,462
Exchange adjustment offset in reserves (translation of foreign investments)	(212)
Dividends paid	(103,153)
Retained profit for the financial year	96,437
<b>At 30 June 2009</b>	<b>233,099</b>

During the year £3,225,000 (2008: £751,000) was transferred from the revaluation reserve to the profit and loss account.

### 21 Other reserves

	Share premium account £'000	Revaluation reserve £'000	Capital reserve £'000	Total £'000
<b>At 1 July 2008</b>	<b>90,800</b>	<b>182,775</b>	<b>13,396</b>	<b>286,971</b>
Transfer to profit and loss account	-	(3,225)	-	(3,225)
<b>At 30 June 2009</b>	<b>90,800</b>	<b>179,550</b>	<b>13,396</b>	<b>283,746</b>

### 22 Reconciliation of movement in shareholders' funds

	30 June 2009 £'000	30 June 2008 £'000
Profit for the financial year	96,437	102,975
Dividends	(103,153)	(61,997)
Other recognised gains and losses relating to the year	(3,970)	(3,534)
<b>Net addition to shareholders' funds</b>	<b>(10,686)</b>	<b>37,444</b>
 Opening shareholders' funds	 557,531	 520,087
<b>Closing shareholders' funds</b>	<b>546,845</b>	<b>557,531</b>

## Arqiva Limited

Annual Report and Financial Statements - Year ended 30 June 2009

### 23 Commitments for expenditure

#### Capital commitments

Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as a liability are payable as follows:

	30 June 2009 £'000	30 June 2008 £'000
Within one year	25,958	28,573
Later than one year but not later than five years	1,408	15,096
Later than five years	11	-
<b>Total</b>	<b>27,377</b>	<b>43,669</b>

#### Operating leases

Annual commitments in relation to non-cancellable operating leases for land, buildings and other infrastructure locations expiring:

	30 June 2009 £'000	30 June 2008 £'000
Within one year	215	83
Later than one year but not later than five years	2,035	2,228
Later than five years	6,924	5,860
<b>Total</b>	<b>9,174</b>	<b>8,171</b>

#### Other commitments

Other annual lease commitments in relation to transmission activities expiring:

	30 June 2009 £'000	30 June 2008 £'000
Within one year	119	277
Later than one year but not later than five years	585	671
<b>Total</b>	<b>704</b>	<b>948</b>

### 24 Contingent liabilities

Under the terms of the Group debt facilities, the Company has entered into charges over the fixed and other assets as security under fixed and floating charges.

The Company has inter-company agreements with MUKBV, Macquarie UK Broadcast Enterprise Limited ('MUKBE'), Macquarie UK Broadcast Limited ('MUKBL'), Arqiva Services Limited ('ASL'), Arqiva Telecoms Investment Limited ('ATIL'), Arqiva Holdings Limited ('AHL'), Lattice Telecommunications Asset Development Company Limited ('TADCO'), and Arqiva No 2 Limited, which provide that these companies will give financial support to each other so that they can meet their liabilities as they fall due and they agree not to demand repayment of the inter-company loans if this would cause the borrower to become insolvent.

The Company has provided an indemnity to the two Inmedia trading companies whose assets and liabilities were acquired during the year to 30 June 2006 in respect of any actions and claims made against those companies.

The Company is the lessee for various properties occupied by companies forming part of Virgin Media (formerly NTL group). The Company is in the process of assigning these leases to Virgin Media companies, but this process was incomplete at 30 June 2009. The Virgin Media companies continue to occupy the buildings concerned and to bear all costs associated with the properties, which carry an annual rental of £2,237,000 in total. The total rentals remaining on the outstanding lease terms (which all expire in more than five years and by November 2014 at the latest) at 30 June 2009 total £12,003,000 (2008: £14,240,000). Although Virgin Media have indemnified the Company for these costs, the Company remains ultimately liable for the costs concerned.



## Arqiva Limited

Annual Report and Financial Statements - Year ended 30 June 2009

### 25 Pension commitments

#### Defined benefit scheme

The Company operates two defined benefit pension schemes; the 'Arqiva Defined Benefit Pension Plan' and the 'Arqiva Services Limited Pension Scheme'.

#### Defined benefit scheme - the Arqiva Defined Benefit Pension Plan

The assets of the scheme are held separately from those of the Company in trustee administered funds.

As required by FRS17, the value of the defined benefit liabilities has been measured using the projected unit method.

The FRS17 assumptions used for the scheme are set out below, along with the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS17 liabilities and the deficit of assets below the FRS17 liabilities (which equals the gross pension liability).

#### Assumptions

An actuarial valuation was carried out at 30 June 2009 in consultation with an independent firm of consulting actuaries, KPMG LLP. The principal assumptions made are:

	30 June 2009	30 June 2008	30 June 2007
Price inflation	3.75%	4.15%	3.1%
Discount rate	6.45%	6.1%	5.7%
Pension increases (LPI with a minimum of 3%)	3.85%	4.1%	3.5%
Salary growth	4.25%	5.65%	4.6%
Life expectancy of a male age 60	25.5yrs	25.8yrs	25.7yrs

#### Asset distribution and long term rate of return expected

	30 June 2009 Expected return	30 June 2009 Fair value £'000	30 June 2008 Expected return	30 June 2008 Fair value £'000	30 June 2007 Expected return	30 June 2007 Fair value £'000
Equities	7.2%	18,236	8.2%	16,100	8.2%	12,100
Cash	0.5%	564	4.9%	500	4.9%	500
<b>Total</b>		<b>18,800</b>		<b>16,600</b>		<b>12,600</b>

#### Balance sheet

Total fair value of assets	18,800	16,600	12,600
Present value of scheme liabilities	(23,500)	(21,800)	(13,600)
Gross pension liability	(4,700)	(5,200)	(1,000)
Deferred tax asset	1,316	1,456	280
Net pension liability	(3,384)	(3,744)	(720)

Employer contributions have been at a rate of 25.5% of pensionable salaries with effect from 1 February 2007.

The Company has agreed with the Trustees to make additional contributions, if required, that will eliminate the pension deficit by the next formal actuarial valuation.

## Arqiva Limited

Annual Report and Financial Statements - Year ended 30 June 2009

The post retirement deficit under FRS17 moved over the period as follows:

	Year ended 30 June 2009	Year ended 30 June 2008
	£'000	£'000
Deficit at 1 July	(5,200)	(1,000)
Current service costs	(5,200)	(5,700)
Settlements	(600)	-
Contributions	4,400	5,500
Other net finance income	-	300
Actuarial gain / (loss)	1,900	(4,300)
Deficit at 30 June	(4,700)	(5,200)

The following amounts have been included within operating profit:

	Year ended 30 June 2009	Year ended 30 June 2008
	£'000	£'000
Current service cost (employer only)	5,200	4,800
Settlement	600	-
Total operating charge	5,800	4,800

The following amounts have been included as net finance income under FRS17:

	Year ended 30 June 2009	Year ended 30 June 2008
	£'000	£'000
Expected return on pension scheme assets	1,500	1,200
Interest on post retirement liabilities	(1,500)	(900)
Net return to credit to finance income	-	300

The following amounts have been recognised within the statement of total recognised gains and losses ('STRGL') under FRS17:

	Year ended 30 June 2009	Year ended 30 June 2008
	£'000	£'000
Actual return less expected return on scheme assets	(4,000)	(2,600)
Experience losses arising on scheme's liabilities	(300)	(300)
Gains / (losses) due to changes in assumptions underlying the FRS17 value of scheme liabilities	6,200	(1,400)
Actuarial gain / (loss) recognised in the STRGL	1,900	(4,300)

## Arqiva Limited

Annual Report and Financial Statements - Year ended 30 June 2009

The history of experience gains and losses is:

	2009	2008	2007	2006	2005
Actual return less expected return on scheme assets (£'000)	(4,000)	(2,600)	800	(200)	-
Percentage of Scheme's assets	(21%)	(16%)	6%	(4%)	-
Experience (losses) and gains arising on scheme's liabilities (£'000)	(300)	(300)	800	400	-
Percentage of the FRS17 value of the scheme's liabilities	(1%)	(1%)	6%	5%	-
Total amount recognised in the STRGL (£'000)	1,900	(4,300)	2,300	100	(100)
Percentage of the FRS17 value of the scheme's liabilities	8%	(20%)	17%	1%	(3%)

The scheme is closed to new entrants and, under the method used to calculate pension costs in accordance with FRS17, the cost as a percentage of covered pensionable payroll will tend to increase as the average age of the membership increases.

### Defined benefit scheme – the Arqiva Services Limited Pension Scheme (formerly 'National Grid Wireless Pension Scheme')

Arqiva Services Limited, part of the former NGW group, operated a defined benefit pension plan, the 'Arqiva Services Limited Pension Scheme'. As part of the TUPE transfer on integration of the NGW group into the Company, the Company became the employer of the scheme. The assets of the scheme are held separately from those of the Company in trustee administered funds.

As required by FRS17, the value of the defined benefit liabilities has been measured using the projected unit method.

The FRS17 assumptions used for the scheme are set out below, along with the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS17 liabilities and the deficit of assets below the FRS17 liabilities (which equals the gross pension liability).

### Assumptions

An actuarial valuation was carried out at 30 June 2009 in consultation with an independent firm of consulting actuaries, KPMG LLP. The principal assumptions made are:

	30 June 2009
Price inflation	3.75%
Discount rate	6.45%
Pension increases (RPI capped at 10%)	3.75%
Salary increases	4.25%
Life expectancy of a male age 60	25.5yrs

## Arqiva Limited

Annual Report and Financial Statements - Year ended 30 June 2009

### Asset distribution and long term rate of return expected

	30 June 2009 Expected return	30 June 2009 Fair value £'000
Equities	7.2%	21,363
Bonds	6.25%	26,827
Cash	0.5%	1,490
<b>Total</b>		<b>49,680</b>

#### Balance sheet

Total fair value of assets	49,680
Present value of scheme liabilities	(55,020)
Gross pension liability	(5,340)
Deferred tax asset	1,495
Net pension liability	(3,845)

With effect from October 2007, members contribute at a rate of 9.0% of pensionable salaries. With effect from 1 April 2007 the Company contributes at a rate of 21% of pensionable salaries plus £1.1m each April between 2008 and 2012 inclusive.

The post retirement deficit under FRS17 moved over the period as follows:

	Year ended 30 June 2009 £'000
Asset transferred from Arqiva Services Limited	1,170
Current service costs	(1,200)
Settlements	(130)
Contributions	1,770
Other net finance income	170
Actuarial losses	(7,120)
Deficit at 30 June 2009	(5,340)

The following amounts have been included within operating profit:

	Year ended 30 June 2009 £'000
Current service cost (employer only)	1,200
Settlement	130
Total operating charge	1,330

## Arqiva Limited

Annual Report and Financial Statements - Year ended 30 June 2009

The following amounts have been included as net finance income under FRS17:

	Year ended 30 June 2009 £'000
Expected return on pension scheme assets	1,910
Interest on post retirement liabilities	(1,740)
Net return to credit to finance income	170

The following amounts have been recognised within the statement of total recognised gains and losses ('STRGL') under FRS17:

	Year ended 30 June 2009 £'000
Actual return less expected return on scheme assets	(2,350)
Experience losses arising on scheme's liabilities	(652)
Gains due to changes in assumptions underlying the FRS17 value of scheme liabilities	(4,118)
Actuarial loss recognised in the STRGL	(7,120)

The history of experience gains and losses is:

	2009
Actual return less expected return on scheme assets (£'000)	(2,350)
Percentage of Scheme's assets	(5%)
Experience losses arising on scheme's liabilities (£'000)	(652)
Percentage of the FRS17 value of the scheme's liabilities	(1%)
Total amount recognised in the STRGL (£'000)	(4,118)
Percentage of the FRS17 value of the scheme's liabilities	(7%)

The scheme is closed to new entrants and, under the method used to calculate pension costs in accordance with FRS17, the cost as a percentage of covered pensionable payroll will tend to increase as the average age of the membership increases.

### Other pension schemes

#### Arqiva Limited

The Company operates two defined contribution schemes, for those employees who are not members of the Defined Benefit schemes described above. One scheme is for the legacy Arqiva employees and one for the legacy NGW employees. As part of the TUPE transfer the legacy NGW scheme transferred to the Company.

#### Legacy Arqiva scheme

Contributions payable in respect of this scheme for the year were £2,411,000 (2008: £1,960,000). The assets of the scheme are held outside of the Company.

An amount of £250,000 (2008: £165,000) is included in accruals being the outstanding contributions to the defined contribution scheme.

#### Legacy NGW scheme

Contributions payable in respect of this scheme for the 9 month period since TUPE transfer were £1,447,000 (2008: £nil). The assets of the scheme are held outside of the Company.

An amount of £148,000 (2008: £nil) is included in accruals being the outstanding contributions to the defined contribution scheme.

## **26 Related party disclosures**

On a company basis, the Company has taken advantage of the exemptions available under FRS 8 for disclosure of transactions with entities that are part of the Group as related parties in these financial statements.

During the year the Company traded with Airwave a related party by virtue of common control. The value of turnover in the year totalled £3,313,000 (2008: £4,584,000) and administrative expenses incurred £3,000 (2008: £nil). The amount owed to Airwave at the end of the year amounted to £861,000 (2008: £857,000).

During the year the Company advanced a loan of £1,600,000 to Arts Alliance Media Investment Limited, a joint venture company, at a fixed interest rate of 15%. The amount outstanding at 30 June 2009 including accrued interest was £1,607,000 (2008: £nil).

There are no other related party transactions.

## **27 Immediate parent company and ultimate UK parent undertaking**

The Company's immediate parent company is MUKBL. MUKBV is the parent undertaking of the smallest group to consolidate these financial statements. The ultimate UK parent undertaking is MUKBHL.

Copies of the MUKBHL consolidated financial statements, and the MUKBV financial statements can be obtained from the Company Secretary of each company at Crawley Court, Crawley, Winchester, Hampshire, SO21 2QA.

## **28 Controlling party**

At 30 June 2009, the Group was owned by a consortium of seven shareholders. The majority of the shares were held by investment funds managed by the Macquarie group, including MCG.

The ultimate parent undertaking is MCG, which is the parent undertaking of the largest group to consolidate these financial statements.

MCG was a listed security quoted on the Australian Securities Exchange (ASX code: MCG). One MCG stapled security comprised a unit in Macquarie Communications Infrastructure Trust, a share in Macquarie Communications Infrastructure Limited and a share in Macquarie MCG International Limited. Copies of the MCG consolidated financial statements can be obtained from 1 Martin Place, Sydney, NSW 2000, Australia, or from the website [www.macquarie.com.au/au/mcg](http://www.macquarie.com.au/au/mcg).

## **29 Post balance sheet events**

MCG is the parent undertaking for accounting purposes of the largest group to consolidate these financial statements. A meeting of shareholders of MCG took place on 30 June 2009 where the proposed takeover of MCG by CPPIB was approved by shareholders. The transaction completed on 21 July 2009. As a result of the transaction CPPIB hold a 48% stake in the Group, Macquarie European Infrastructure Fund ('MEIF II') 21%, other Macquarie Funds 13% and minorities 18%.

On 25 August 2009, the Company completed the acquisition of the video-on-demand platform developed by UK VOD LLP, a joint venture set up by BBC Worldwide, ITV and Channel 4