Arqiva Group Limited

Registered number 05254001

Annual Report and Financial Statements

For the year ended 30 June 2021

Corporate Information

As at the date of this report (20 September 2021):

Group Board of Directors

Mark Braithwaite	
Mike Darcey	
Sally Davis	
Paul Donovan	(Chief Executive Officer)
Neil King	
Peter Adams (alternate)	
Nathan Luckey	
Batiste Ogier	
Mike Parton	
Christian Seymour	
Max Fieguth (alternate)	
Sean West	(Chief Financial Officer)

Company Secretary
Jeremy Mavor

Group website:
www.arqiva.com

Registered Office
Crawley Court
Winchester
Hampshire
SO21 2QA

Independent Auditors
PricewaterhouseCoopers LLP,
1 Embankment Place
Charing Cross
London
WC2N 6RH

Company Registration Number
05254001

Cautionary Statement

This annual report contains various forward-looking statements regarding events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of the Group to differ materially from the information presented herein. When used in this report, the words “estimate”, “project”, “intend”, “anticipate”, “believe”, “expect”, “should” and similar expressions, as they relate to the Group, are intended to identify such forward looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Save as otherwise required by any rules or regulations, the Group does not undertake any obligations publicly to release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

The risks and uncertainties referred to above include:

- actions or decisions by governmental and regulatory bodies, or changes in the regulatory framework in which the Group operates, which may impact the ability of the Group to carry on its businesses;
- changes or advances in technology, and availability of resources such as spectrum, necessary to use new or existing technology, or customer and consumer preferences regarding technology;
- the performance of the markets in the UK, the EU and the wider region in which the Group operates;
- the ability of the Group to realise the benefits it expects from existing and future projects and investments it is undertaking or plans to or may undertake;
- the ability of the Group to develop, expand and maintain its broadcast and machine-to-machine infrastructure;
- the ability of the Group to obtain external financing or maintain sufficient capital to fund its existing and future investments and projects;
- the Group’s dependency on only a limited number if key customers for a large percentage of its revenue; and
- expectations as to revenues not under contract.

Guidance note to the annual report:

In this document, references to ‘Arqiva’ and ‘the Group’ refer to Arqiva Group Limited (‘AGL’) and its subsidiaries and markets as the context may require. References to the ‘Company’ refer to the results and performance of Arqiva Group Limited as a standalone entity

A reference to a year expressed as 2021 is to the financial year ended 30 June 2021. This convention applies similarly to any reference to a previous or subsequent financial year. Additionally, references to ‘current year’, ‘this year’ and ‘the year’ are in respect of the financial year ended 30 June 2021. References to the ‘prior year’ and ‘last year’ are to the financial year ended 30 June 2020.

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Arqiva in 2021

ENABLING A SWITCHED-ON WORLD TO FLOW

Who we are

Arqiva is a leading UK communications infrastructure business. We are behind the scenes delivering millions of vital connections to enable millions of people, businesses, and machines to connect wherever they are through TV, radio and machine-to-machine data services, enabling a switched-on world to flow.

Our Infrastructure

c. 1,450 **broadcast transmission sites in the UK**	1,150 TV transmissions sites
98.5% **of the UK population reached through our TV services**	275 channels **delivered into the UK and Ireland**
Market leader for commercial DTT[1] spectrum **owning two of the three main national commercial multiplexes**	1,100 TV channels **delivered internationally** via satellite to 5 continents
99.5% targeted network coverage **across the North of England and Scotland on our smart energy networks**	c.80 satellite dishes **accessing** 30+ satellites
12 million premises **can connect to our smart meter networks**	50 million data points **delivered every day on our smart metering networks**

[1] Refers to Digital Terrestrial Television best known for supporting Freeview

How we operate

During 2021, following the sale of the Telecoms business, Arqiva has implemented a new single business organisation structure, moving away from the traditional business units and to an integrated structure that will help better serve our customers, their delivery requirements and the products and services that we provide across our Media Distribution and Smart Utilities Networks markets

Key Strategic ambitions

Undisputed leader in UK TV and radio broadcast

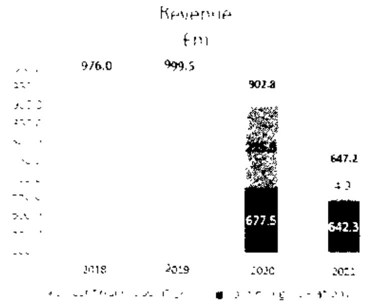
Transition global media to cloud solutions

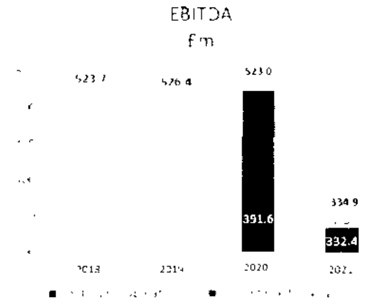
UK's leading smart utilities platform

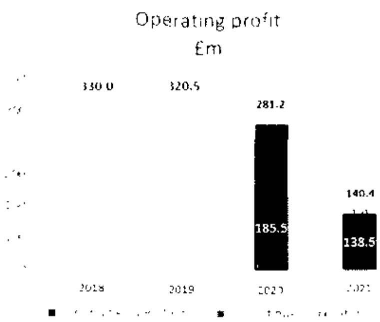
Innovator of scalable solutions for new connectivity sectors

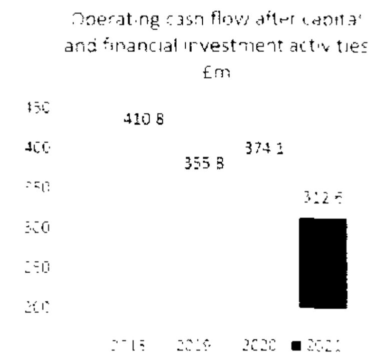
Highlights

Following the sale of the Telecoms business at the beginning of the year, 2021 has continued to see a period of change for Arqiva with expected lower activity on certain major programmes as they reach completion. Whilst core media distribution and smart utilities networks products have remained strong the Group has had decreases on DTT multiplexes and has also seen the planned reduction in project levels related to the completion of the 700 MHz Clearance programme. The Group is now also adapting to focus on key new products for the future sustainability of the business.





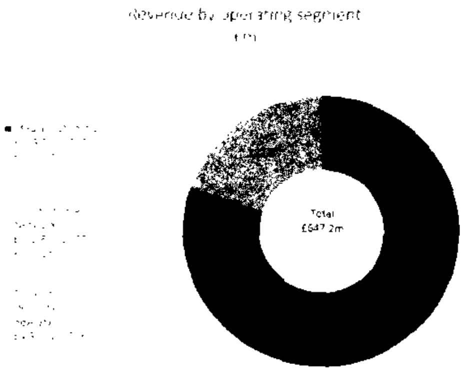


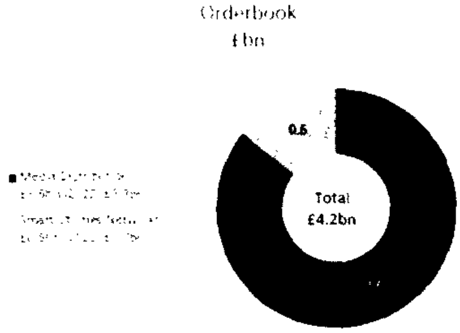


Key financials in the year:

- Revenue decrease of 28.3% (5.2% from continuing operations) and EBITDA decrease of 36.0% (15.1% from continuing operations)
- Managed reductions in revenue and EBITDA from the 700MHz clearance programme as the major works on the programme successfully completed in August 2020;
- Decreases due to lower renewal pricing following the end of legacy contracts on the main DTT multiplexes;
- New revenues and EBITDA generated from utilisation of broadcast sites for telecommunications equipment and transitional services following Telecoms sale;
- Continuing the delivery of the core smart energy metering contracts with max network coverage of 99.5% now reached;
- Increase in revenue from ramp up of activity on smart water metering networks and device sales following contract wins in the prior year;
- Disposal of the Group's Telecoms business for consideration of c. £2.0bn. A profit on disposal of £1,038.3m is recognised in the Income statement;

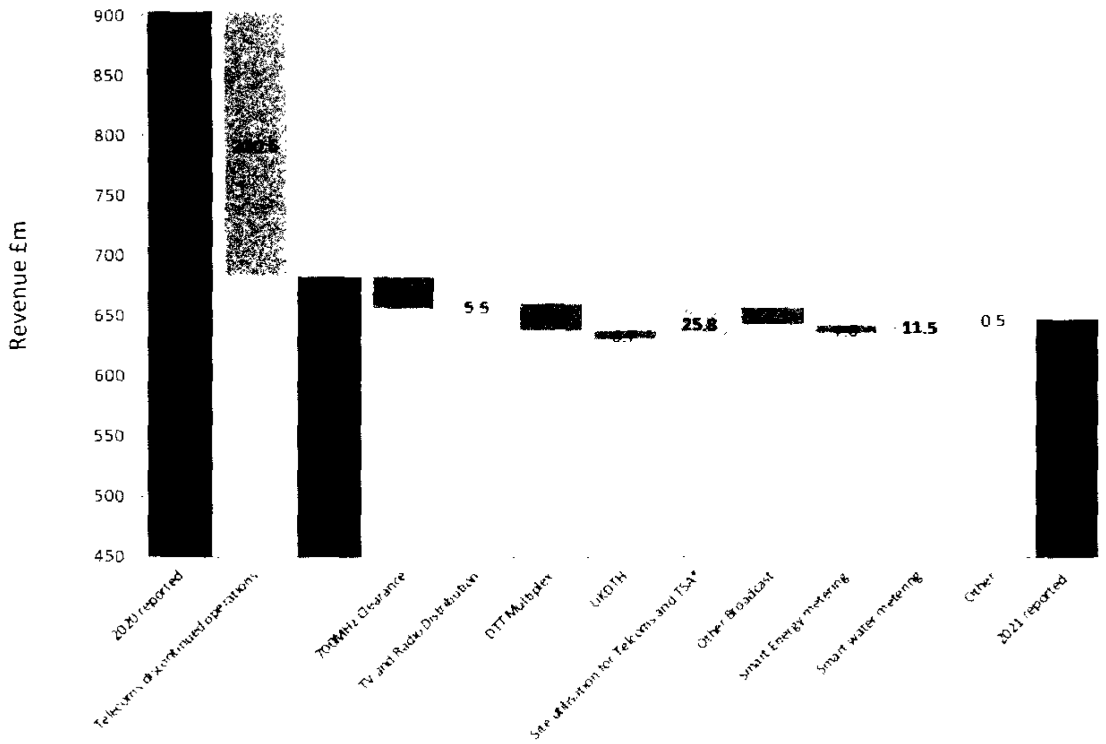
- Deleveraging of the Group following repayment of debt and swap instruments including £550.0m *facilities drawn, £108.0m senior term debt and £563.5m of senior bonds and notes.*





Key influences on revenue

Group revenue has decreased 28.3% in total and 5.2% from continuing operations reflective of the change in focus of the business following discontinued operations and the expected wind down of certain areas of the business such as 700 MHz clearance following peak project activity in previous years.



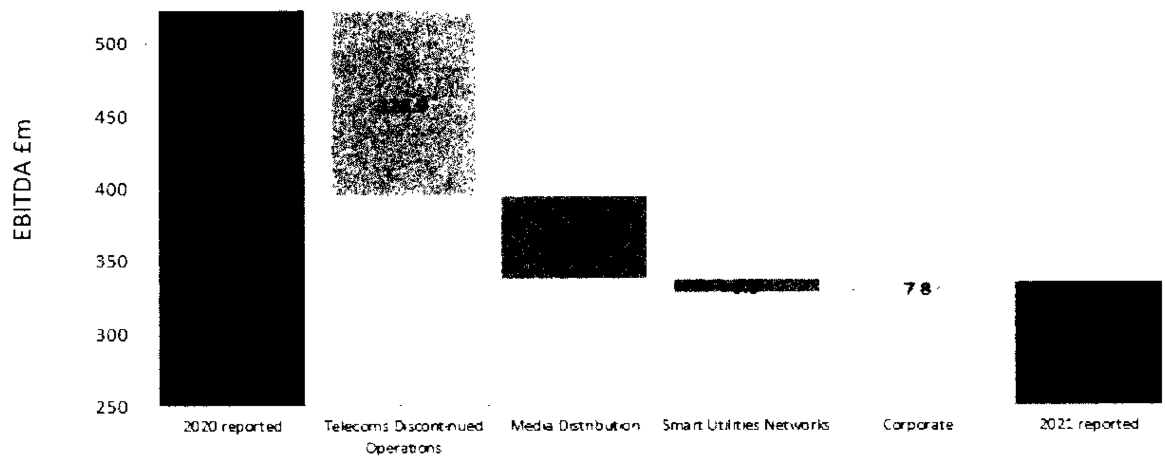
*TSA refers to revenue for Transition Services Agreement following the sale of the Telecoms business

Key
Discontinued operations
Increase in revenue
Decrease in revenue

Key Influences on EBITDA

The following waterfall chart demonstrates the year on year impact of total EBITDA for both continuing and discontinued operations reflecting the key financial factors:

- Discontinued operations: Sale of the Telecoms business, completed on 8 July 2020
- Media Distribution: lower activity on 700MHz clearance programmes, pricing pressures and utilisation on the main DTT multiplexes and increased site costs
- Smart Utilities Networks: Increased activity from water metering device sales
- Corporate: Focus on cost management and reduced staff costs



Chairman's Introduction

2021 Performance

2021 has continued to be a year of challenge and change for the business. Following the sale of the Telecoms business at the beginning of the year, we have continued to invest in our infrastructure and deliver services in our core media distribution and smart utilities networks markets.

Despite the continuing backdrop of the COVID-19 pandemic, we have extended our presence in the utilities sector with growing activity in the smart water metering business following contract wins with water companies in the previous year. We have also had further wins in media distribution including new technology opportunities in the Low Earth Orbit Market. These wins are key to the strategic priorities of the Group as we continue to develop our business.

The continuing business has seen a decline in revenue from previous years reflecting the change in our markets. During the year, we have successfully completed the final 2 major activities for the 700MHz Clearance programme in August 2020 with revenues declining as expected now that the main activities have completed. Whilst we have also faced challenges on pricing on DTT multiplexes, utilisation has improved through the year with the launch of new channels including GB News.

Sale of the Telecoms Business

On 8 July 2020, Arqiva completed the sale of its Telecoms infrastructure to Cellnex in a circa £2.0bn deal. This transaction included the divestment of circa 7,400 of Arqiva's cellular sites, including masts and towers as well as urban rooftop sites, and the right to market a further circa 900 of Arqiva's retained sites across the UK. Relevant staff within the Telecoms business also transferred to Cellnex as part of the transaction. Through the year, Arqiva has continued to support the Cellnex UK business via Transitional Service Agreements (TSAs), the majority of which had successfully completed prior to the year end.

The disposal proceeds were used to repay a portion of Arqiva's debt and related swaps enabling a significant deleveraging of the Group's debt levels.

Business Structure

Following the sale of the Telecoms infrastructure business, Arqiva has adapted and changed how we operate. The Group has undergone a significant restructuring in the year in order to right size and focus on cost management for the smaller remaining business.

A key element of the Group reorganisation is a change in the operational structure. We have moved away from our previous traditional business unit structure and adopted a new integrated operating model. This change will allow the Group to focus on the commercial and operational opportunities for the business in order to better serve our customers in their requirements for our products and services, placing productivity, innovation and sustainability at the heart of what we do.

This restructuring, along with the transformation programme progressing across the business allows Arqiva to focus on its key markets with the priorities of becoming the undisputed leader in these sectors as well as expanding the product offerings through innovation to build on our sustainability and continuously improve.

Outlook

Our markets are continuously changing and developing as data is consumed in ever increasing ways. They are dynamic markets with evolving trends in how TV and radio content is delivered and the capabilities of machine-to-machine networks in enabling energy and water companies to meet their sustainability targets. As we look forward and turn our attention to our new strategy for the business, Arqiva can continue to build on our leading position in these markets and utilise our assets to consolidate this position but also take advantage of the many opportunities that our markets provide for our business to be able to continue to grow.

Finally, on behalf of the Board I would like to thank all of our employees across the business for their continued hard work and dedication to the successful provision of our services particularly through this period of significant change for the business and the continued backdrop of the COVID-19 pandemic.

Mike Parton

Chairman

September 2021

Strategic Report

Page

Chief Executive's Statement

Transformation and Restructuring

Arqiva has been transforming since 2018, and 2021 marked the start of the next chapter in this journey with the sale of our towers business; supporting our strategy to become a simpler business that is more focussed and effective.

We have reduced costs and implemented a new integrated operating model, designed to enable us to focus on driving improvements in operational delivery and efficiency. Our focus now moves to the commercial and operational streams in order to give a clearer line of sight, and a shared accountability for customer delivery and achievement of our business objectives. Importantly, this change during the year took a holistic approach to the requirements of our business and customers, and the expertise needed to achieve this. This has resulted in a headcount reduction in Q4, allowing us to start 2022 with a right-sized business as well as investing in new skills aligned to our strategic and growth priorities.

We have also progressed the phased delivery of our Digital Transformation Programme through the year, successfully launching the Service and Finance modules, with the implementation of our new ServiceNow and Oracle ERP platform respectively. Our Digital Transformation Programme will take until early 2022 to be fully complete, but the benefits are already being realised across the business due to the phased roll out approach.

Financial Performance

Our financial results for the year are reflective of the period of change being faced across both our media distribution and smart utilities networks markets. Revenue has decreased 5.2% from continuing operations. This reflects the expected decrease in activity on externally funded major projects such as 700MHz clearance, which peaked in previous years and successfully completed in August 2020. Our TV and radio broadcast products in the media distribution market remain strong and whilst we saw revenues reduce year on year from our DTT multiplexes reflecting a resetting of market pricing, underlying performance was strong with a number of renewals and new contract wins such as GB News and Sky Arts increasing the channel utilisation on our main multiplexes to 97%.

In the Utilities market, the core CSPN energy metering network has shown stable performance. In the water metering markets, we have experienced growth with increased activity following contract wins with Anglian Water in the prior year. Device sales in particular have grown as our customers benefit from increased deployment across all of our smart utilities networks.

Across the board we have focussed on new product development trials that have met with positive customer response and that will drive growth in future years.

Response to COVID-19

Through the year we have continued to maintain the high availability of our services across the country despite the constraints imposed by the COVID-19 pandemic. We have carefully balanced the safety of our employees while allowing our key workers to deliver services for our customers, and were well prepared for the almost overnight changes required to provide alternative working arrangements to support remote working for office-based staff. We have responded and adhered to the government guidelines, ensuring that all our sites fully conformed. In response to the dramatic fall in advertising revenues we stepped in to provide a package of deferred and reduced transmission fees; this enabled many smaller commercial and community radio stations to weather the pressure on cash flows and enable their survival.

Strategy

We acknowledge the world is changing. Considering this, over the last year we have evaluated market trends and worked closely with our customers and policy makers to establish a new vision, purpose, strategy and operating model. Our enduring purpose is 'Enabling a switched-on world to flow' and this will guide us to build a sustainable future for Arqiva. We have four clear ambitions, each with clear strategies:

- To remain the undisputed leader in UK TV and radio broadcast
- To transition our global media portfolio to cloud solutions
- To become the UK's leading smart utilities platform
- To innovate providing of scalable connectivity solutions in new markets

More information on our strategy can be found on page 19.

Outlook

Arqiva enjoys a large number of long-term inflation-linked contracts which provide good visibility of future revenues. However, in order to enable business growth we will continue to evolve our product and service portfolios in both media distribution and smart utilities networks markets.

In our Media Distribution markets this has begun with the development of new solutions using cloud-based IP technology, and in opening new revenue streams in the Low Earth Orbit satellite market, utilising Arqiva's unique infrastructure assets and spectrum to deliver connectivity solutions to this fast growing market segment.

We have also engaged widely with the utility industry to establish a number of proof of concept trials which build on our existing capabilities and infrastructure. These include trials of "hybrid connectivity" services that utilise our satellite and private radio capabilities.

More content is being delivered through more devices and on more channels than ever before. Our markets are looking for seamless access to connectivity and information that continues to meet the speed of technology changes and delivers mission critical data reliably. These new products and services along with our enduring and sustainable strategy are fundamental to how we operate in the future.

Paul Donovan

Chief Executive Officer

September 2021

Business Overview

Enabling a switched-on world to flow

At the heart of media distribution and smart utilities networks in the UK and abroad, Arqiva provides critical data, network, and communications services.

Arqiva works in partnership with our customers, in the UK and around the world, building and operating the complex ecosystems and infrastructures through which data and content can move effectively, securely, and sustainably at scale – whether that's through broadcasting and transmission services, or smart networks for energy and water.

Arqiva is the only national provider of terrestrial television and radio broadcasting and provides machine-to-machine connectivity for smart metering within the utilities sector. Arqiva has invested significantly allowing it to develop its communications infrastructure and technology as markets evolve.

Arqiva earns network access and transmission service revenues from its customers, as well as fees for engineering services and new projects. Arqiva's services tend to be mission-critical for its customers, as well as providing the network coverage necessary for the fulfilment of the universal service obligations ('USOs') for terrestrial broadcast customers as set out in their operating licences from the UK government.

Whilst we have a small overseas presence, Arqiva's assets, operations and markets are predominantly within the UK and our business is driven from this region; therefore, we have minimal exposure to international markets, Brexit impacts or foreign exchange.

Arqiva has invested significantly into our capital infrastructure and has £1.4bn of property, plant, and equipment at 30 June 2021. We are financed through a mixture of equity and long-term debt, with an average maturity debt profile of over 4 years. The Group's senior debt has an investment grade (BBB) rating from Standard and Poor's and Fitch and a junior debt rating of B-B1 from Fitch and Moody's.

Attractive UK communications infrastructure market

DTT (Freeview) is the most popular TV platform in the UK covering 98.5% of the population

Smart networks deliver around 50 million data points every day

A market leader

Sole provider of terrestrial television network access (Freeview)

Owner of 2 of the 3 main national commercial multiplexes

Pre-eminent role in radio broadcasting both locally and nationally

High barriers to entry

Owner of critical national UK infrastructure that enables Public Service Broadcasters (PSB's) to meet their government mandated universal coverage obligations

Significant investment would be required to replicate the infrastructure, including planning permissions to erect new masts

Long established relationships with its customers spanning more than 80 years

Since 1922, Arqiva has been enabling a switched-on world to flow.

We delivered the world's first TV broadcast for the BBC from the tower at London's Alexandra Palace in 1936.

We also developed satellite TV in the 1970's, Teletext, and launched the UK's national DAB radio and digital television networks in the 2000s.

There's no resting on our laurels though. We were the first company in Europe to trial 5G fixed wireless access technology in 2017, and we are currently working with our media distribution partners to develop new ways to reach their viewers and listeners via the Cloud.

Plus, we have moved into new sectors, like Utilities. We won our first contract to deliver gas and electricity metering in the north of England and Scotland in 2013 and followed that in 2015 with a partnership with Thames Water *to set up and run the world's largest smart water metering network. More recently we have launched* our dual band communications device for further improved connection capabilities.

The Group's technology and infrastructure, combined with our history and experience, enable us to work with everyone from major broadcasters (such as the BBC, ITV, Sky, Turner and Canal+) to independent radio groups *and utility companies (such as Thames Water and Anglian Water) to the Data Communications Company (DCC).*

Business model

The demand for information, content and entertainment is greater than ever. We all want to be connected 24/7. This is the challenge that our customers are facing, delivering more content on more devices than ever before.

At Arqiva we are enablers, applying our knowledge and expertise to technologies in order to unlock new opportunities for our customers. We work in partnership, building and operating the infrastructure through which data and content can flow effectively, securely, and sustainably.

Arqiva seeks to maximise shareholder value by investing in our considerable site portfolio to not just maintain reliability, but also to maximise its potential. Our infrastructure and commercial operations cover the following key sectors:

- Media Distribution
- Smart Utilities Networks

Sale of Telecoms

On 8 July 2020, Arqiva successfully completed the sale of our Telecoms business to Cellnex in a circa £2.0bn deal. The transaction comprised the divestment of c. 7,400 of Arqiva's cellular sites, including masts and towers as well as urban rooftop sites, and the right to market a further c. 900 sites across the UK. In the execution of the agreement, the Group has sold six subsidiary entities, the largest being Arqiva Services Limited.

Following this disposal, the Group entered a period of evolution launching a new purpose and strategy. There has been a change in the organisational structure of the Group, moving away from the traditional business units and adopting an integrated operating model in order to better serve our customers with their requirements for our products and services.

Media Distribution

The UKs only supplier of national terrestrial television and radio broadcasting services

7 out of 10 UK households receive content for their main TV service through our Satellite and DTT network

Our radio infrastructure supports a range of services across the UK with 300 stations on DAB and 380 stations across FM, AM, and MW

Media distribution services remain incredibly important for viewers and listeners in the UK. Even as viewing habits change, Ofcom reports 85% of people continue to watch broadcast content every week. And 9 out of 10 UK adults listen to over 20 hours of radio each week.

In an intensely competitive world, large media companies are increasingly focused on monetising content that is distributed multi-market, multi-platform and multi-device. This means increased complexity in reaching their audiences, whilst also trying to reduce costs. To achieve a truly global reach, a shift of focus is needed to IP-based delivery through the cloud and we are well positioned as the UK media hub to do this.

Media Distribution at Arqiva

The media distribution infrastructure includes sites for the transmission of terrestrial TV and radio, operates the Group's licensed multiplexes, owns and operates teleports at key locations in the UK, as well as international terrestrial fibre distribution network, media facilities, leased satellite capacity and delivers related engineering projects.

The Group utilises a network of 1,150 TV sites to carry Freeview into circa 24 million households every day, making it the UK's most popular TV platform. Arqiva's critical national infrastructure provides coverage to 98.5%

of the UK's population. Within the sector, Arqiva holds a regulated position as the sole provider of network access for terrestrial television broadcasting.

Arqiva is a market leader in commercial DTT spectrum, owning the licences for two of the three main national commercial DTT multiplexes, enabling leading broadcasters such as Sky, UKTV, CBS and Turner to deliver broadcasting content using our channel capacity.

Arqiva also owns the HD-enabled DTT multiplex licences that provide services to Freeview and other DTT-related platforms. Additionally, Arqiva operates more than 1,500 transmission sites for TV and radio, providing coverage to the circa 90% of the UK population that listen to the radio. Arqiva is a shareholder in, and operator for both commercial national DAB radio multiplexes and it is the service provider for the BBC national DAB radio multiplex.

During the year the Group has successfully completed the programme to clear the 700MHz frequency range of television signals.

The Group is also the UK's leading independent owner and operator of teleports and media management facilities, serving many of the world's largest multi-channel broadcast and sports-right organisations, as well as providing data connectivity to the utilities and natural resources sectors.

Arqiva manages the distribution of more than 1,100 international TV channels for high profile customers including Al Jazeera, Discovery, BT Sport, Sky, NBCU, Sony and Turner including coverage of high-profile sporting events. Arqiva's operation of reliable and secure VSAT (Very Small Aperture Terminal) communications networks across the globe utilises a world class satellite and fibre network, providing real-time critical communications to remote locations. Arqiva uses our expertise and experience to enable us to keep pace with rapidly changing dynamics and technology advancements, thereby underpinning the longevity and success of the product base. Arqiva's satellite network delivers content to the UK's major Direct-to-Home (DTH) platforms including Sky and Freesat as well as the increasingly popular IPTV, mobile and web TV platforms. We have also recently engaged with the Low Earth Orbit satellite sector.

Media distribution contributes significant and stable cash flows to the Group with a long-term contracted, substantially RPI-linked order book of £3.6bn (2020: £3.3bn) which includes major contracts running as far as 2050.

Smart Utilities Networks

Advanced networks support the critical flow of data and content from connected TVs and smart meters for water, gas, and electricity in the utilities sector.

Ambitious environmental and sustainability agendas from regulators are driving change across utility sectors, providing huge opportunity for growth. Today less than 10% of UK premises have a smart water meter, and less than 30% have a smart energy meter. With 20% of water lost through leaks, water authorities are focused on reducing them, and eliminating pollution caused by sewer flooding. Smart meters are providing an opportunity to meet sustainability targets through reducing the UK's overall greenhouse gas emissions.

Smart Utilities Networks at Arqiva

Arqiva generates revenues with respect to the build and operation of the smart 'machine-to-machine' networks and other data transmission services applications. With a continuing focus on innovation and market opportunities, Arqiva is embracing the fast-developing machine-to-machine sector, particularly for utilities, for which we utilise our Flex-net network across our smart metering contracts with utility and water companies. The Group has invested in building M2M networks, which support major energy metering contracts spanning 15 years and covering more than 9 million premises, and water metering contracts which will cover 3 million homes.

Arqiva has invested substantially in infrastructure as a result of these contracts which now result in recurring cash flows during the long-term operational phases of the network delivery. The utilities business remains a key part of the Arqiva business and is a key strategic priority for growth with potential to become the UKs leading smart utilities platform.

The smart utilities network has an order book of £0.6bn (2020: £0.7bn), with contracts running as far as 2035.

Corporate

Corporate functions at Arqiva comprise Finance, Legal & Regulatory, Information Technology and People and Culture.

Strategic Overview

PURPOSE

Enabling a switched-on world to flow

AMBITIONS

Undisputed leader in UK TV and radio broadcast	Transition global media to cloud solutions	UK's leading smart utilities platform	Innovator of scalable solutions for new connectivity sectors

STRATEGIC FOCUS

Customer, industry and operational excellence	Innovation and product development	[redacted]	[redacted]

ENABLERS

Culture	People	Technology	Products and Services	Brand	Partnerships

arqiva

Our four strategic ambitions will guide the key focus of the business. Our priorities in how we aim to achieve these ambitions are set out below:

To be the undisputed leader in UK TV and radio broadcast

- Deliver sustainable TV and Radio broadcast, focusing on customer and operational excellence and managing capacity and margins
- Leverage our scale and the cloud, enabling industry efficiency
- Expand services and drive renewals delivering greater value by selling across our portfolio of services, creating long term partnerships while also developing value-added services in new areas

To transition global media to cloud based solutions

- Scaling IP and cloud-based services; investing in building broadcast quality cloud processing and extending our footprint in live and events content
- Becoming the go-to choice for our partners in cloud distribution so they can better manage their global content flows across all formats
- Growing multiplex service, using our infrastructure to provide virtual, cost-effective, and scalable services to TV cable operators outside of the UK

To be the UK's leading smart utilities platform provider

- Leading in connecting UK smart meters, maintaining market leadership, and scaling our operations to drive and accelerate the roll-out of domestic smart meters
- Broadening our product offering, developing new value-added data-driven services in monitoring and control, that reduce energy use, water wastage and pollution
- Diversifying through forging partnerships and widening technology choice, to deliver new hybrid connectivity solutions and real time network monitoring

To be an innovator of scalable solutions for new, high connectivity sectors

- Working with partners, building new solutions for new and emerging sectors that have growing and more complex connectivity needs including those that make the most of our infrastructure, spectrum, and satellite expertise

Business Update

The Group's contracted order book value for continuing operations at 30 June 2021 was £4.2bn (2020: £4.0bn), including £100m of new contracts for DTT and £660m for utilisation of broadcast sites. A significant proportion of the value of this order book relates to medium to long-term contracts which includes DTT and radio transmission and smart energy and water metering, as well as other infrastructure services. The Group remains focused on growth opportunities on targeted core infrastructure areas.

__Media Distribution__

700 MHz Clearance and DTT spectrum

The final stage auction results of the 700MHz and 3.6-3.8GHz spectrum was announced by Ofcom on 27 April 2021. Ofcom showed the four major operators BT/EE, Three, Telefonica UK (O2) and Vodafone acquired all of the 200MHz available across the 700MHz and 3.6-3.8GHz bands. Subject to the 3 months notice period being triggered by the acquirors, Arqiva will continue to have the right to remain in this spectrum with our DVB-T2 multiplex until June 2022. EE has been awarded the spectrum and stated in its press release that it secured it for long-term strategic reasons and that it acknowledged that there were no handsets currently in the market to support the band.

This will not affect Arqiva's main national multiplexes.

The main substantive works on the 700MHz Clearance project completed in August 2020. The final project completion activities continue with a project team until around October 2021. Principal site works include completion of permanent antenna works at Emley Moor, scheduled for Autumn 2021, and the removal of the temporary mast at Emley Moor in 2022. The team size continues to reduce as the project ramps down in accordance with the agreed plan, with efforts focused on commercial and financial close-out.

DTT Multiplex

During the year the Groups signed and renewed a number of contracts which included new contracts with GB News, Sky Arts and UKTV, and renewals with Dave, Yesterday and Dave Ja Vu. These contracts mature/extend – The majority of these contracts have been extended to 2026. DTT multiplex channel utilisation has remained high finishing the year at 97%.

TV viewing on the DTT/Freeview platform has remained strong during the pandemic period as more people stayed at home. TV has provided a vital way of keeping people informed, helping with social isolation and entertainment. The wide reach of the DTT platform has been of vital national importance for delivering news and other information to the whole nation and for supporting society during the current pandemic. TV advertising, an important driver for DTT has also been showing positive trends. Media markets have been recovering and some industry sources expect TV advertising to grow in excess of 10% this year. In May, ITV reported that TV advertising trends have been positive since March and that it forecasts over 20% increase in advertising revenues for the 2021 calendar year compared to 2020.

Government (DCMS) updates

In August 2021 the DCMS published the outcome of its consultation on DTT Multiplex licences. It has allowed all national multiplexes to renew for a further period until 2034 and provides Ofcom with the powers to renew the licences until this date. The decision included a provision for Ofcom to revoke the licences on spectrum management grounds subject to 5 years notice but that this could not come into effect until 2030 at the earliest. The decision and statement demonstrate strong long-term Government support for the DTT platform.

Separately, the Government continues its ongoing strategic review of public service broadcasting. There are a number of strands to this. In June 2021 the DCMS outlined plans to consult on the sale of Channel 4 with the consultation opening in June and running until September 2021. It also announced plans to review the regulation of video on demand platforms. In July 2021 Ofcom published a set of recommendations to the Government on the future of Public Service Media (PSM) as part of its 'Small Screen: Big Debate' review.

Ofcom's report makes clear the ongoing importance of public service media and the importance of continuing to reach the widest possible audience and deliver universality. The Government is now considering these recommendations and plans to publish a white paper later this year.

Radio

Arqiva continues to play an active part in shaping the outcome of the DCMS led Radio and Audio review. It was expected that the final report would be published before Parliament's summer recess but that has now been delayed until the start of the autumn. The review will support the need to protect spectrum for Radio until at least 2030 and states there will be no analogue switch-off within this period. This is consistent with our long-term planning assumptions.

On 22 July 2021 the DCMS published their consultation for National commercial DAB licencing. Arqiva holds an interest in both of the national commercial multiplexes: D1 licence (Arqiva 100% ownership) expiring in November 2023 and SDL (Arqiva has 40% ownership) expiring in March 2028. Arqiva will lobby to secure an automatic licence renewal to 2035.

The pandemic has underlined the public service role of both commercial radio and the BBC. Arqiva continues to deliver the levels of availability and consistency that our broadcast partners expect. The company's role in supporting the radio sector financially during the year has been recognised by Government and key stakeholders.

Customers continued to launch new stations on Arqiva's local DAB digital radio multiplexes across the country. On the Sound Digital national multiplex (a joint venture of Arqiva 40%, Bauer 30% and Wireless Group 30%) a 21st station, Boom Radio, launched in March bringing Sound Digital up to 100% occupancy. On Digital One (the national multiplex wholly owned by Arqiva) some capacity was released by a data service and, following a competitive tender, GB News has announced the launch of a radio station which will run in parallel with its new TV channel. As a result, Digital One also continues to operate at full capacity.

Advertising revenues in both the local and national sectors have continued to improve following the easing of restrictions. With the current trajectory suggesting there will be no more lockdowns and our customer's revenues returning, the right decision was made in March to cease any lockdown discounts and return more to normal business. In addition to this we have launched national station Boom radio and are set to launch another one shortly leaving our national muxes at full capacity again.

Low Earth Orbit Market

Arqiva has been developing opportunities in the Low Earth Orbit market. This is a new technology that relies on a constellation of thousands of small satellites orbiting the earth. By establishing multiple connections to multiple satellites, the technology can for example provide satellite broadband anywhere in the world. Key players are SpaceX, Blue Origin and the recent UK Government investment in OneWeb plus established satellite operators such as Telesat and ViaSat. This opportunity requires groundstations and therefore Arqiva has the capability to serve this market. The Group has now secured two customers.

Smart Utilities Networks

New proof of concepts

Arqiva has engaged with utility customers and industry suppliers as we look to expand our presence in the utilities industry. Building on our established credibility in critical national infrastructure and security we are leveraging our relationships with existing and new utility customers by exploring a number of proof of concepts (PoCs). This includes a trial of "hybrid connectivity" services by utilising our satellite, cellular and private radio solutions. This trial with SGN is on-going. We are also continuing water product trials demonstrating both sewer level monitoring and leakage monitoring as a service. The PoCs will give our utility customers the opportunity to improve the management of their operational networks and achieve their regulatory targets.

Anglian Water

In June 2020, following a competitive procurement process, Arqiva was selected to deliver a smart metering fixed network for Anglian Water. Designed to enhance Anglian's water management capabilities, Arqiva's contract will support them on their mission to achieve leakage and consumption savings and meet Ofwat's water leakage targets for the next five-year period and beyond. During this initial five-year period, Arqiva will deploy the fixed network infrastructure to support the operation of over three-quarters of a million (789,000 target by 2025) smart water meters across 24 planning zones. Arqiva will then operate this network for a further 15 years. Covering both household and non-household properties, the project will support Anglian Water's target planning zones including Norwich, Lincoln, Northampton and Peterborough, among others.

Anglian successfully commenced their meter rollout on 6 July 2020 which was less than one month from contract signature and as at 30 June we were providing services to over 225,000 installed meters.

Thames Water

Since April 2015, Arqiva has delivered a smart metering network that enables the collection, management and transfer of metering data for Thames Water. At 30 June 2021, there were over 540,000 meters installed and well over 12 million meter readings being delivered per day. It is currently the largest smart water metering network in the UK and has high coverage across the Thames Water London region. Recently we have installed network in the Haslemere, Guildford area which is Thames' first smart meter deployment outside London.

In April 2021 Thames Water announced this development and that by using the smart metering data it has helped to detect and prevent leaks on 28,000 customers' private supply pipes which has saved 43 million litres per day. Smart meters have helped Thames Water achieve what it described as the water industry's "biggest reduction in leakage this century" and also having hit its regulatory target.

Northumbrian Water

Following a public competitive procurement, Arqiva has been selected by Northumbrian Water Group to deliver an initial roll-out of a smart metering network in Essex, where it operates as Essex & Suffolk Water. The project will support Northumbrian Water in its commitment to deliver smart metering to customers within the current Asset Management Plan (AMP 2020-2025), as well as meeting the company's target to ensure all domestic meters are smart by 2035.

The five-year contract will see Arqiva build and monitor the fixed-network infrastructure, delivering connectivity to up to 11,000 domestic meters, replacing both meters already installed and installing new meters for un-metered supplies in empty meter chambers which have been identified. Meters are provided by Arqiva's metering partner Sensus, a Xylem brand. The network went live and installations began in May 2021.

Lessons learned from this initial implementation will be used to guide the subsequent smart-meter roll-out over the rest of Northumbrian Water Group's operating regions.

Yorkshire Water

Arqiva was selected by Yorkshire Water to deliver and monitor a smart metering fixed-network trial as part of its plans to revolutionise its leakage detection programme. This two-year exercise will see Arqiva build and monitor the fixed-network infrastructure to facilitate the operation of new smart water meters for non-household customers across 30 of Yorkshire Water's areas. Designed to facilitate real-time monitoring, the collection and presentation of frequent meter reading data provided by the service will allow Yorkshire Water to reduce demand for water by rapidly identifying leaks and helping customers understand their usage. Meter installations began in mid-May 2020 and our network went live at the end of June 2020.

Other smart water metering trials
In the Midlands, Arqiva has been participating in a multi-vendor, multi-technology smart water metering evaluation trial with a major water company. Over this period, we have again proven the excellent performance of our technology and managed service. We are extending and expanding the trial for a further 12 months, on an exclusive basis, enabling the water company to evaluate fully the benefits and establish a business case for a future full smart metering roll-out.

In May 2021, with Final Determinations announced mid July 2021, under the Government special Green Economic Recovery funding programme, OfWat has allowed significant spend for additional Smart Water Metering Programmes to be completed by April 2025. These awards have been made to Thames Water, Severn Trent Water and South West Water.

Smart energy metering rollout
The Group's smart metering communication network in the North of England and Scotland now covers 99.5% of premises. There are currently over 1 million communications hubs operating on the network representing 20% of the total UK communication hub installations. The customer, Smart DCC Ltd, (DCC), continues to submit change requests that reflect new industry requirements, but at a reduced volume compared to the previous periods.

The Group continues to support the DCC and their users ahead of meter rollout programmes. DCC has reported that there are now c.8.5 million SMETS2 meters on the national network.

Corporate updates

COVID 19
As lockdown eases Arqiva continues to provide essential communications infrastructure for our media distribution and smart utilities networks customers. We have deployed business continuity plans as part of our operational and financial risk mitigation, to ensure the safety of our staff and the ongoing provision of services for our customers.

Measures are still in place across a number of areas including:

- Ensuring workplaces and activities conform to the Government's COVID Secure guidelines;
- Using rapid flow antigen tests for our key workers and encouraging all employees to order their own rapid flow antigen tests;
- Implementing alternative working arrangements and technology to keep our employees and contractors safe;
- Ensuring that we plan and deliver our activities in line with government alert levels;
- Ensuring regular communication with critical suppliers, identifying and managing any risks;
- Ensuring disaster recovery plans can be invoked for critical assets and systems;
- Considering risks to cyber security, which we have reviewed and further strengthened;
- Financial liquidity, which we review continually to ensure a robust position. We benefitted from the Government's VAT deferral scheme but repaid the full amount in December 2020; and
- Following the change in government guidance on 19 July 2021 the measures implemented across workplaces have been relaxed whilst seeking to ensure the safety of employees and contractors.

Management changes
On 1 March 2021, Adrian Twyning joined Arqiva as Chief of Operations. Adrian comes with significant experience of leading large-scale operations, designing systems and leading sizeable business change. Most recently Adrian was Director of Transformation at Dixons Carphone, where he implemented new IT platforms, launched a new service proposition and oversaw a programme of retail rationalisation. Previously Adrian was at British Gas where he led a 4,000 strong Field Operations team and led changes to culture, process and technology. He replaces Neil Taplin, who left the company at the end of March 2021.

Transformation update

The Transformation Programme continues to deliver to plan with several releases to the business successfully implemented in March, May and July 2021. These deliveries have provided the business with industry-leading applications and integrations across Service Management (Service Now), OSS, Asset Management (Siterra) and Financial Management (ERP) capabilities. In turn, this prepares Arqiva to be more responsive, agile and efficient in its existing day-to-day operations as well as in any future markets where it intends to compete.

Over the remainder of the 2021 calendar year, Transformation continues to deliver incremental enhancements to these applications alongside the conclusion of the Cellnex TSA Exit obligations. Whilst the original 'big 4' components should conclude delivery in the 2021 calendar year, there are further deliveries currently underway within the Utilities and Site management spaces. These are likely to spill over into the first calendar quarter of 2022.

Sale of telecoms business

The sale of the Telecoms business to Cellnex completed in July 2020 and the Group's operational and asset separation has now largely been completed. Operationally, Arqiva has been supporting Cellnex's UK business via Transitional Services Agreements (TSA) originally planned for a period of up to 18 months from the deal completion date. The majority of the TSAs have now completed, we expect the remainder to complete on or before scheduled end dates across the various areas.

Financial review

Financial Performance

For the year ended 30 June 2021, revenue for the Group was £647.2m, a decrease of 28.3% from £902.8m in the prior year on a total reported basis. Revenue from continuing operations for the year of £642.3m is a decrease of 5.2% year on year from £677.5m in 2020. This decrease year on year is reflective of a period of change for the Group and the markets in which we operate.

[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	519.5	556.4	(6.6)%
[illegible]	122.8	121.1	1.4%
[illegible]	**642.3**	**677.5**	**(5.2)%**
[illegible]	4.9	225.3	(97.8)%
[illegible]	**647.2**	**902.8**	**(28.3)%**

Revenue from discontinued operations relates to the Group's telecoms infrastructure business and related assets which were sold on 8 July 2020.

Media Distribution

Total Media Distribution revenue has decreased 6.6% from £556.4m to £519.5m year on year. Our core broadcast TV and radio distribution products have remained strong and stable during the year with inflationary increases due to RPI linked long term contracts. This area has been marginally impacted by the COVID-19 pandemic with discounts provided to our independent commercial radio customers to support them through this period.

These increases have however been offset by a decrease in revenue from the 700MHz Clearance programme. This multi-year engineering programme saw completion of major works in August 2020 and expected lower activity levels throughout FY21 as a result. Further decreases are due to reduced revenues on the main DTT multiplexes owing lower renewal pricing following the end of legacy contacts. Utilisation in this area has however increased in the second half of the year due to new contracts and channel launches for example with GB News, Sky Arts and UKTV.

Also included within Media Distribution is £26m of new revenues related to the utilisation of broadcast sites for telecommunications equipment and transitional services provided following the sale of the telecom's towers business to Cellnex.

Smart Utilities Networks

Revenues from Smart Utilities Networks have increased 1.4% year on year from £121.1m to £122.8m. This increase is due to the ramp up of activity on water metering contracts that were won in the prior year, primarily with higher revenue from sale of devices. The core energy metering contracts have increased revenues, although have seen slight decreases in project revenues due to incremental change requests activities which continue but at a lower level than the previous years which benefitted from additional testing services provided to the DCC.

Gross profit was £415.1m, representing a 34.3% decrease from £632.2m in the prior year. Gross profit from continuing operations decreased by 14.6% year on year from £482.4m to £412.2m. The decrease in gross margin is driven by the reductions in revenues described above, particularly the expected reduction from the 700MHz Clearance programme. There have been increases in cost of sales as a result of power and site costs on broadcast sites together with changes in product mix with higher volumes of lower margin device sales within the Smart utilities networks area which has caused the gross profit on continuing operations to decline more than revenues.

Other operating expenses from the continuing business were £79.8m, down 12.1% from £90.8m in the prior year (total Group 2021: £80.2m; 2020: £109.2m). This decrease in operating expenses is largely driven by lower labour costs following the sale of the Telecoms business and the initial savings from the subsequent restructuring of the business. *This has been partially offset by increases in other areas such as IT licence and maintenance due to news systems established as part of the Group's digital transformation that has progressed in the year.*

EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation' and includes add-backs for certain items charged to operating profit that are not considered to reflect the underlying *performance of the business. A reconciliation of EBITDA to operating profit is presented on page 28.*

[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	327.1	384.2	(14.9)%
[illegible]	41.8	51.7	(19.1)%
[illegible]	(36.5)	(44.3)	17.6%
[illegible]	**332.4**	**391.6**	**(15.1)%**
[illegible]	2.5	131.4	(98.1)%
[illegible]	**334.9**	**523.0**	**(36.0)%**

Total EBITDA was £334.9m, a 36.0% decrease from the prior year of £523.0m and a 15.1% reduction in the continuing business. The decrease in EBITDA from continuing operations has been driven by the reductions in revenue as well as changes in product mix with increases in lower margin areas.

Within the Media Distribution business, EBITDA has reduced by 14.9%, from £384.2m to £327.1m. This has been driven by the lower activity levels on the 700MHz clearance programme as well as lower pricing and channel utilisation on the main DTT multiplexes. EBITDA has also been impacted by increased site costs.

EBITDA for the Group's Smart Utilities Networks business has decreased from £51.7m to £41.8m, a decrease of 19.1%. Whilst revenues in the water metering areas have increased and new contracts won in the prior year have ramped up, this change in product mix impacts margins due to revenues driven by high volumes of low margin device revenues. Further decreases are due to the decrease in the core energy metering contracts.

Other EBITDA comprises costs for the non-revenue generating corporate areas of the business. The decrease in these costs reflects the focus on cost management and transformation following the reorganisation of the business including lower staff costs.

Depreciation has decreased £38.7m in total and £22.9m from the continuing business (2021: £167.9m; 2020: £190.8m). Amortisation has decreased £0.7m in total and £0.6m from continuing operations (2021: £9.7m; 2020: £10.3m). The collective decrease of depreciation and amortisation of 18.1% from continuing operations is driven by a reduction in accelerated depreciation from the prior year period, particularly in connection with assets replaced under the 700MHz clearance programme due to the lower activity in this area as the programme winds down. Accelerated depreciation is expected to further decrease in subsequent years as these programmes and the Group's transformation programme progress.

Exceptional items charged to operating profit were £25.6m, increased from £15.5m in 2020 in relation to the continuing business. Exceptional costs in the current year predominantly relate to the implementation of changes in the organisational design and structure of the business as well as corporate finance and refinancing costs.

Operating profit has decreased 50.0% (2021: £140.4m; 2020: £281.2m) across the Group and 25.2% in relation to continuing operations (2021: £138.5m; 2020: £185.1m). This decrease is primarily driven by the impacts from the trading performance of the business and increased exceptional expenditure due to projects undertaken in the year, partially offset by the savings in depreciation due to managed lower activity levels on major capital programmes and operating costs savings.

A reconciliation between operating profit and EBITDA is presented below:

Operating profit	140.4	281.2
Exceptional items charged to operating profit	25.6	34.7
Depreciation	168.5	207.2
Amortisation	9.7	10.4
Other Income	(9.3)	(10.5)
Total EBITDA	**334.9**	**523.0**
EBITDA from discontinued operations	***2.5***	***131.4***
EBITDA from continuing operations	***332.4***	***391.6***

Finance costs (net of finance income) were £660.4m, a decrease of 7.6% from £714.9m in 2020. This decrease is predominantly due to the reduced principal debt amounts following the repayment of debt principal and swap portfolio closed out in the year, as well as a reduction in interest on lease obligations following the Telecoms sale. This decrease has been partially offset by the compounding effect of interest on outstanding shareholder loan note principal and accrued interest.

On 8 July 2020, Arqiva successfully completed the sale of its Telecoms business to Cellnex in a circa £2.0bn deal. The transaction comprises the divestment of c. 7,400 of Arqiva's cellular sites, including masts and towers as well as urban rooftop sites, and the right to market a further c.900 sites across the UK. In the execution of the agreement, the Group has sold six subsidiaries, the largest being Arqiva Services Limited. The Group has recognised a £1,038.3m profit on disposal in exceptional gains for the year. The profit on disposal is recognised net of deferred income generated in relation to future services for TSAs and utilisation of broadcast sites for telecommunications equipment.

The significant majority of the proceeds have been utilised to repay debt and related recoupon interest rate hedging derivatives. On exit and recouponing of swap arrangements in the year, the Group has recognised £7.6m of losses on the swaps and incurred £55.9m of break costs included in the other gains and losses balance in the income statement. Further losses recognised in the year include £0.8m (2020: £8.1m loss) in relation to foreign exchange movements on foreign denominated debt instruments prior to their settlement in July 2020. A loss of £11.1m (2020: £121.7m gain) is recognised as a result of fair value movements of swaps, principally attributable to the servicing of derivatives and changes in market yields and credit spreads.

Profit before tax for the Group was £442.9m, an increase from a loss of £319.0m in the prior year. From continuing operations, the loss before tax has increased from £400.3m in 2020 to £597.2m in the current year. The profit/loss before tax is reported after non-cash charges of £756.9m (2020: £621.2m) as shown below:

Profit / (loss) before tax	442.9	(319.0)
Depreciation	*168.5*	*207.2*
Amortisation	*9.7*	*10.4*
Accrued interest on shareholder loan notes	*529.8*	*465.9*
Other non-cash financing costs[2]	*37.0*	*51.3*
Foreign exchange revaluations on financing	*0.8*	*8.1*
Fair value movements on derivative financial instruments	*11.1*	*(121.7)*
Total non-cash charges	***756.9***	***621.2***
Adjusted profit before tax and non-cash charges (including the disposal of the Telecoms business of £1,038.3m)	***1,199.8***	**302.2**

Cash Flow

Net cash inflow from operating activities was £398.7m, a 18.5% decrease from £489.0m in 2020. This decrease is driven by the sale of the Telecoms business decreasing total operating profit and related operational cash flows. This has been partially offset by higher working capital inflows. Working capital inflows have increased due to the recognition of one-off deferred income on additional contract liabilities offset by a decrease in accruals following the payment of VAT deferred at 30 June 2020 under the government COVID-19 deferral scheme that has now been fully repaid. Other working capital decreases are due to utilisation of cash received from customers in advance (decreasing deferred income contracts liabilities) and timing of payments.

Capital expenditure on the purchase of tangible and intangible assets has decreased principally owing to decreased expenditure on significant capital projects such as the 700MHz Clearance programme as activity levels continue to wind down following completion of main activities and lower growth capex on towers following the Telecoms disposal. This has been partially offset by increases in maintenance transformation capital expenditure which has increased in the year as the Group continues to deliver its digital transformation across the business.

Net cash inflow from operating activities	398.7	489.0
Purchase of tangible and intangible assets	(86.1)	(115.4)
Net capital expenditure and financial investment	**(86.1)**	**(115.4)**
Operating cash flow after capital and financial investment activities	**312.6**	**373.6**
Cash Conversion as a % of EBITDA		
Operating cash flow after capital and financial investment	93.3%	71.4%

[2] Includes amortisation of debt issues costs, unwinding of discount on provisions, imputed interest and interest on lease liabilities

Operating cash flow after capital and financial investment activities was £312.6m, a decrease of 16.3% from £373.6m in the prior year. This decrease has been principally driven by the change in the Group's operations following the sale of the telecoms business reducing operating cash flows and working capital movements explained above, partially offset by the reduction in capital expenditure as capital programmes progress. With strong cash conversion levels benefiting from high working capital inflows and continued reductions in capital expenditure following completion of major programmes such as 700MHz Clearance.

The total cash flow for the year was a £133.4m inflow (2020: £89.8m inflow). This increase is owing to the disposal proceeds received on sale of the telecoms business largely offset by the repayment of borrowings and exit of swap arrangements and related costs incurred on deleveraging of the Group, as well as changes in operating cash flows explained above.

Financial Position

Net liabilities were £3,570.3m, representing a decrease of 12.8% from £4,095.1m in the prior year. The net liability position is primarily driven by the capital structure reflecting the shareholder loan notes, borrowings, lease liabilities and derivative financial instruments held, with decreases in these areas as a result of the deleveraging of the Group with the proceeds on the sale of the Telecoms business in July 2020. Our assessment of going concern is set out on page 31.

Financing

The Group established our Whole Business Securitisation ('WBS') structure in February 2013, and since then we have continued to refinance elements of our debt structure further extending our maturity profile.

In July, disposal proceeds from the sale of the Telecoms business were utilised to repay debt and swaps including £550.0m of facilities drawn at the previous year end, £108.0m of senior term debt and £563.5m of senior bonds and notes resulting in a significant deleverage of the Group.

Standard and Poor's and Fitch reconfirmed their rating of Arqiva senior debt at BBB and Fitch and Moody's confirmed the junior rating at B-/B1 respectively.

At 30 June 2021 the Group's debt finance[3] comprised:

	< 1 year £m	**1-2years £m**	**2-5 years £m**	**>5 years £m**	**Total £m**
Facilities drawn	-	-	-	26.1	**26.1**
Finance lease obligations	21.0	20.7	37.7	27.9	**107.3**
Senior term debt	-	-	262.0	-	**262.0**
Senior bonds and notes	56.7	50.1	168.6	488.7	**764.1**
Junior bonds	-	-	625.0	-	**625.0**
Shareholder loan notes	-	-	2,148.1	-	**2,148.1**
Total	**77.7**	**70.8**	**3,241.4**	**542.7**	**3,932.6**

Included within the above is £3,351.1m of fixed rate debt and £581.5m of floating rate debt. All debt held at 30 June 2021 is sterling denominated. The Group holds interest rate swaps (including inflation-linked interest rate swaps) to hedge our interest rate exposures. This hedging strategy is employed to ensure the certainty of future interest cash flows. The Group does not apply hedge accounting to these swap arrangements.

[3] Excluding unamortised debt issue costs and accrued interest

The Group continues to comply with all financial covenant requirements including the following historic covenant ratio requirements at the senior financing level:

[illegible]	[illegible]	[illegible]
[illegible]	6.00	7.50
[illegible]	2.44	4.17
[illegible]		
[illegible]	1.55	1.55
[illegible]	5.16	2.98

Liquidity

To ensure we have sufficient available funds for working capital requirements and planned growth the Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. At 30 June 2021 the Group had a cash balance of £243.5m (2020: £110.1m). The Group carefully manages the credit risk on liquid funds and derivative financial instruments with balances currently spread across a range of major financial institutions, which have satisfactory credit ratings assigned by international credit rating agencies. The levels of credit risk are monitored through the Group's on-going risk management processes, which include a regular review of counterparty credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.

[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	250.0	-	250.0
[illegible]	30.0	26.1	3.9
[illegible]	**280.0**	**26.1**	**253.9**

Post year end on 9 July 2021, the Group refinanced our bank facility and now has access to a £100.0m Working Capital Facility maturing in 2024 and a £150.0m Liquidity Fund. These facilities are floating rate in nature with a margin over SONIA between 120 and 130bps. Arqiva Financing No.1 Limited (a subsidiary of the Group) is the borrower under these arrangements.

Going Concern

The Group meets our day-to-day working capital and financing requirements through the net cash generated from our operations. The Group performs a review of going concern through a review of forecasting including cash flow forecasts and considering the requirements of capital expenditure and debt repayments. The Group has sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund our current operations, including our contractual and commercial commitments both in terms of capital programmes and financing. For this reason, the Directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing this financial information.

Following the sale of the Group's Telecoms infrastructure and related assets on 8 July 2020, management has significantly deleveraged the Group, and maintain a cash position sufficient to meet current liabilities as they fall due.

The Directors have also taken into account the potential implication of the current COVID-19 situation and have determined that given there will continue to be demand for services provided by the Group and the Group has a mixed customer base, the going concern basis remains appropriate.

[4] 'Cash flow' as defined under the Group's financing common terms agreement, i.e. this is not a GAAP measure.

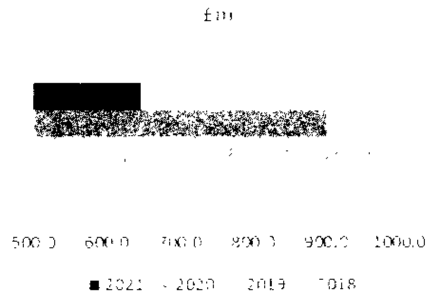
Key Performance Indicators

The Group uses a combination of financial and non-financial key performance indicators ('KPIs') to measure against our strategic ambitions.

See page 19 for further information on our strategic ambitions:

Financial KPIs

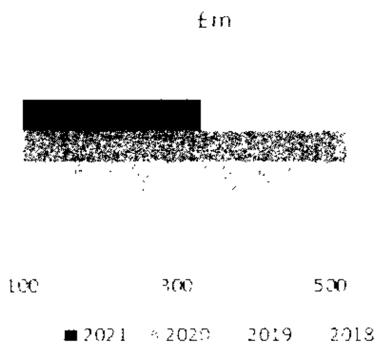
Revenue



Definition – Revenue is presented as per the financial statements, and in accordance with IFRS 15

Revenue has decreased 28.3% from the prior year for total revenue (2021: £647.2m; 2020: £902.8m) and 5.2% on a continuing operations basis (2021: £642.3m; 2020: £677.5m). Despite revenue growth in the broadcast TV and radio distribution business due to inflation linked contracts, the overall decrease for the year has been driven by the expected reduction throughout the year due to the successful completion of major works on the 700MHz Clearance programme and lower pricing renewals on the main DTT multiplexes This has been partially offset by new revenues related to use of broadcast sites for telecommunications equipment and the ramp up of activity on water metering contracts won in the prior year mainly due to the sale of devices.

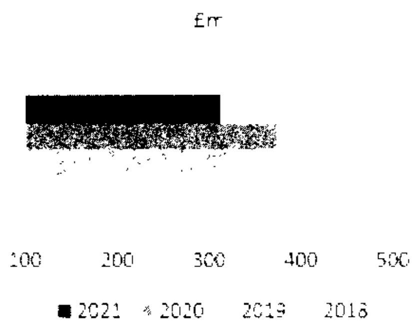
EBITDA



Definition – EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation' and includes add-backs for certain items charged to operating profit that do not reflect the underlying business performance. See page 28 for its reconciliation to operating profit.

Total EBITDA has reduced 36.0% and 15.1% from continuing operations (2021: £332.4m; 2020: £391.6m). The reduction in the year has been driven by the decrease in revenues explained above particularly around the 700MHz clearance programme and the product mix with revenue increases driven in lower margin areas. A reduction in corporate costs due to a focus on cost management and transformation including lower staff costs have partially offset the decrease.

Operating cash flow after capital and financial investment



Definition – Operating cash flow after capital investment activities represents the cash generated after spending required to maintain or expand its asset base. This is calculated as the net cash flow from operations minus the net cash flow from capital expenditure and financial investment. See page 29 for its reconciliation to net cash flow from operations.

Cash generated has decreased 16.3% from £373.6m to £312.6m. This has predominantly been driven by the decrease in operations following the sale of the telecom business. The decrease has been partly reduced through a reduction in capital expenditure principally owing to lower expenditure on major capital programmes such as the 700MHz Clearance programme following successful completion of major works partially offset by an increase in expenditure related to the digital transformation programme for the business.

Non financial KPIs

700 MHz Clearance Programme

The major activities on the Clearance programme have successfully completed following the completion of the last two clearance events by August 2020

Utilities

The final network milestone for the Smart energy metering contract, BMax (99.5% network coverage), was achieved in December 2020

[illegible]

[illegible]	[illegible]	[illegible]
[illegible]	99.99%	99.99%
[illegible]	99.99%	99.98%
[illegible]	99.99%	99.99%
[illegible]	99.99%	99.99%

Definition – Arqiva strives to provide consistently high service levels and look to manage and monitor the total annual level of network availability across both TV and radio infrastructure as a percentage across all multiplexes

Result – Through careful management Arqiva has consistently been able to achieve excellent levels of network availability

Making Arqiva a great place to work

[illegible]	[illegible]
[illegible]	Gold
[illegible]	Gold
[illegible]	Gold
[illegible]	Silver

Definition – The Group takes part in the 'Investors in People' accreditation for which more than 16,000 UK businesses take part.

Result – Arqiva holds an Investor in People Gold award. This is the highest level in the Investors in People Recognition available. The achievement of the Gold award is an outstanding recognition reflecting the commitment and hard work put in by colleagues across the business and commitment to our values, clear focus on individual and team objectives and team objectives aligned with business goals and focus on continuous improvement.
Arqiva has also been awarded an Investors in People 'Health and Wellbeing Good Practice Award' demonstrating our investment in the health and wellbeing of colleagues across the business.

Corporate Responsibility

Doing business the right way and sustainably is vital to Arqiva. Arqiva endeavours to conduct its business in a way that benefits all our stakeholders including customers, suppliers, employees, shareholders and communities in which we operates as well as creating a sustainable future for the business

Our ethics, values and behaviours are weaved through every aspect of what we do.

Charity

Arqiva continues to be a proud supporter of Cancer Research UK (CRUK) recognising them as our national corporate charity. Activities are organised by Charity Champions across our sites with colleagues getting involved in a variety of ways including:

- Participating in an Arqiva organised event
- Matched funding if employees participate in any CRUK event
- Taking on a personal challenge

Since the partnership began in 2019, Arqiva and our employees have raised over £60,000 for CRUK. Our partnership also extends beyond just fundraising – it is also about ensuring our colleagues are equipped with the support they may need should they, or their family, be affected by cancer.

Our major corporate sites also provide support to a range of chosen charities in their local communities. These include organisations supporting adults with learning difficulties, homeless people, veterans and local food banks.

We also understand that supporting a charity can be a very personal decision, so our matched funding scheme enables colleagues to fundraise for their chosen local and national charities, from Diabetes UK and the NSPCC to local community projects, children's clubs and sports teams.

Our colleagues are also able to provide support to a charity of their choosing through the 'Give As You Earn' scheme, working in partnership with the Charities Aid Foundation, for which we retained our Bronze Award in 2021. This allows colleagues to get tax relief on donations and the amount provided to charities through this scheme has reached over £100,000 over the past three years.

People – living our purpose

We aim to create a workplace where people feel engaged, energised and respected, where they can do their best, and look after their personal wellbeing, both in and out of work.

Wellbeing

The Group has an ongoing commitment to the health and emotional wellbeing of our people. Arqiva runs an annual event focusing on both organisational and personal resilience, which includes wellbeing sessions and training courses. We also have a network of mental health first-aiders, who are equipped to listen without judgement, reassure and respond to colleagues, even in a crisis.

This activity is supplemented by further focused activity aligned with national weeks around mental health and wellness. As well as these specific activities, our colleagues have access to a wealth of support through our Employee Assistance Programme and our partnership with Cancer Research UK.

Health and Safety

Health and safety of individuals is vital, whether in the office or repairing an antenna on a 1,000ft mast. We are committed to complying with applicable health and safety legislation, and to continual improvement in achieving a high standard of health, safety, and welfare in its operations and for all those in the organisation and others who may be affected by its activities. The Group operates a robust integrated management system that is certified to ISO14001, ISO45001, ISO90001 and ISO270001 as well as offering training programmes covering specific skills and general awareness. We have been a driving force in developing the Mast and Tower Safety Group, run our own accredited IOSH Working Safely training scheme for our engineers and we collaborate with the union BECTU on our annual employee safety conference.

Diversity and Inclusion

Valuing diversity and being inclusive is key. Our diversity and inclusion programme ensures we continually focus on what's needed for everyone to feel included and able to perform. We have moved beyond building awareness around unconscious bias and are now supporting colleagues to understand the difference between intent and impact.

Our Diversity Ambassadors have been instrumental in encouraging and engaging other workplace communities. We now have an active Women at Arqiva network, a Working Families group, and a Neurodiversity network, so we can listen, support and take opportunities to make lasting, tangible changes so our working practices are even more inclusive.

Environment

We continue to be aware of the impact our activities and our infrastructure may have on local communities. We always strive to minimise the impact we make on sites across the country, especially at remote locations with protected wildlife; and we work closely with planning authorities and local communities to find the best acceptable solution for locations of masts and other infrastructure essential to keeping both rural and urban communities connected.

Energy

Given the nature of the Group's activities, Energy consumption is a key area of interest both economically and environmentally. Our energy policy reflects the company's commitments to improving energy efficiency by:

- Reducing energy consumption
- Investing in energy efficient technology; and
- Monitoring carbon emissions

We are always looking at new and innovative ways of driving down our carbon footprint. Responsible management of energy has a key role in minimising environmental impacts and is embedded within Arqiva. We investigate how emerging technologies and ingenious ways of working can help us and our customers become environmentally friendly.

See page 59 in the Directors report for details on our annual emissions.

Waste Management

The nature of our business means that we also have certain responsibilities particular to our industry. For example, as new technologies emerge and legacy equipment is replaced, we look for the most environmentally friendly ways to dispose of redundant hardware. We also consider the environmental risk of every investment made.

Information Security

Due to the critical importance of our sites and systems to the Group, our customers and, in some cases, as Critical National Infrastructure, we take information security very seriously.

We hold certification to ISO/IEC 27001:2013. ISO27001 is an internationally recognised specification for an information security management system (ISMS), a framework of policies and procedures that includes all legal, physical and technical controls involved in an organisation's information risk management processes. This allows us to compete for new business which requires us to demonstrate the robustness of our security controls.

Through independent review and accreditation, supported by internal monthly audits, we continue to confidently demonstrate our commitment to security and secure working practices. We have held this certification since 2013 and recertify every three years with recertification last given in May 2020.

We also hold Cyber Essentials certification. Cyber Essentials is a government-backed, industry-supported scheme to help organisations guard against the most common cyber threats and demonstrate their commitment to security. We have held this certification since 2016 and recertify annually.

Employees

The average number of persons employed by the Group during the year was 1,528 (2020: 1,864). Arqiva recognises the significant contribution of our employees and makes every effort to create a rewarding and engaging work environment.

Our policy is to provide equal opportunities for all employees, irrespective of race, nationality, gender, sexual orientation, marital status, religion or political beliefs, disability or age. Like many engineering-based businesses we recognise that Arqiva has a higher proportion of men than women and we are working to address this with the Employers Network for Equality and Inclusion through our diversity and inclusion programme.

The table below provides a breakdown of the gender of Directors and employees as at 30 June 2021:

Board of Directors	1 / 8%	11 / 92%
Executive Committee	1 / 14%	6 / 86%
Group Employees	328 / 21%	1,200 / 79%

The Group continues to address training and development requirements for employees at all levels within the organisation. The Board also reviews future management requirements and succession plans on an on-going basis.

The Arqiva Employee Board ('AEB') has continued throughout the year. The AEB is a democratically elected Board that acts as a voice for employees across Arqiva and provides a clear and direct link between the Group's employees and the Executive Committee. The AEB continues to meet on a monthly basis to discuss key matters such as performance management, or efficiencies and process to develop responsive action plans. Furthermore, the AEB (as well as the Executive Committee) interacts with representatives of BECTU (the Broadcasting, Entertainment, Cinematograph and Theatre Union) regarding employee matters.

The Group's employee forums provide an effective channel for communication and collective consultation across the Group. They play an important role in enabling employees to help the Group manage change effectively. The goals of each forum are to act as the formal consultative body for its part of the business within Arqiva, provide a voice to management on employee issues, initiate and support social activities, and promote consultation and sharing information.

Significant emphasis is placed on employee communication. The Group intranet, 'The Hub', makes information available to employees on all matters including performance, growth, and issues affecting the industry. The embedded values "Ingenious, Straightforward, and Collaborative", continue to form the fundamental basis of all Arqiva business conduct and communication.

Arqiva wants all our employees to benefit from our success and growth as a business. The annual bonus scheme recognises the importance of high performance and is designed to reward employees for achieving targets and continuous improvement in overall performance, in line with our values and strategy. The scheme takes into account the targets that have been set by the Group. The Group must achieve a minimum EBITDA and operating cash performance before a bonus becomes payable which is then calculated based on these financial KPIs. The bonus payment for the 2021 financial year is expected to be made in October 2021. In addition, certain members of our senior management participate in a long-term incentive plan which is typically 3 years in duration and is designed to recognise the value of strategic initiatives being undertaken by the Group during the longer-term. As with the annual bonus scheme, the Group must achieve a minimum threshold of financial performance before a bonus becomes payable under the long-term incentive plan which is then calculated based upon the 3-year Group financial KPIs of EBITDA and operating cash performance. All such arrangements are cash-based incentive schemes which operate against documented performance targets and are reviewed at least annually by the Remuneration Committee (which comprises members of the Board of Directors).

Gender Pay Gap

The full annual gender pay gap report is available on the company website. The latest report has shown a mixed picture for the gender pay gap for the reporting period with an improvement in the main but an increase in the median pay gap and includes details on why we have a pay gap, the reasons for the increase in the year and the actions we are taking to address the issue.

Modern Slavery Act

Arqiva is committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. The supplier Code of Conduct reflects the commitment to acting ethically and with integrity in all business relationships and to implement and enforce effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains. The full statement is included on page 40 and is also available on the company website at www.arqiva.com.

Anti-Bribery and Anti-Corruption

In conjunction with the UK Bribery Act 2010, the Group has adopted a Code of Conduct for employees which incorporates all its anti-corruption policies and procedures. The policies apply to all Arqiva employees employed on both a permanent and temporary basis. The Code of Conduct also sets out the policies and procedures on the giving and receiving of gifts and hospitality.

Taxation

The Group's approach to tax is to ensure compliance with all legal and statutory obligations. Arqiva is committed to maintaining a transparent and constructive working relationship with HM Revenue & Customs and with local tax authorities in the jurisdictions in which we operate. The total contribution to UK tax receipts including business rates and NI paid by both Arqiva and employees, totalled £65.4m for the financial year (2020: £92.6m).

The Arqiva Group is a primarily UK based infrastructure group. There are some trading operations outside of the UK, however these generate less than 1% of operating profit and there are no tax planning activities taken which seek to reduce the Group's UK profits or revenues by transferring revenue or profit out of the UK. The Group's small overseas trading entities deal directly with customers in their area of residence and fulfil their tax requirements in the local jurisdictions.

This report was approved by the Board on XX September 2021 and signed on its behalf by:

Mike Parton

21 September 2021

Corporate Governance Statement

The Companies (Miscellaneous Reporting) Regulations 2018 (the "Regulations"), requires companies that meet certain thresholds to report on the Directors' application of their section 172 duty to promote the success of the Company, as set out in the Companies Act 2006, along with stakeholder and employee engagement.

Section 172 Statement

The Companies Act 2006 sets out a set of general duties owed by directors to a company, including a list of matters to which directors must have regard, which are set out in s.172(1)(a) to (f). During FY21, in continuing to exercise their duties, the Directors have had regard for these matters, as well as other factors, in considering proposals from the Executive Committee and continuing to govern the Company on behalf of our shareholders.

Consequence of any decision in the long-term	Strategic overview	19-20
Interests of employees	Employee Engagement	39
	People – living our purpose	34 (Corporate Responsibility)
	Employees	36
Fostering relationship with suppliers, customers and others	Stakeholder Engagement	Below
	Business Update	21-25
Impact of operations on the community and the environment	Environment	35
	Energy Consumption and Waste management	35
	Charity	34
Maintaining high standard of business conduct	Governance	43-47
	Health & Safety	34
	Modern Slavery Act, Anti-Bribery & Corruption	41
Acting fairly between members	Stakeholder Engagement	Below
	Accountability	56

Stakeholder Engagement Statement

Throughout the year, the Board has continued to ensure engagement with relevant stakeholders both in day to day business and as part of key developments this year such as COVID-19. Examples of the way in which this engagement has taken place are set out in the table below.

Employees	Please see our Employee Engagement Statement below and Corporate Responsibility statement (pages 34-37) for full details
Regulatory Bodies	We have good relationships with representatives in all relevant regulatory bodies and engage regularly with Ofcom; the Department for Culture, Media and Sport (DCMS); the Department for Business Enterprise and Industrial Strategy (BEIS), as well as monitoring relevant developments with Ofwat and Ofgem as regulators of customers of our Utilities business, We participate in consultations and consult with government departments and regulators when setting strategy and making decisions that affect industry generally; during the 2021 financial year this has included working closely with regulators during the COVID-19 pandemic.
Investors	Quarterly reports to investors are published on our website and available to all; an annual investor call is held, in which we review our annual results and invite questions from investors. We worked closely with our investors in relation to the sale of our Telecoms business to secure their ongoing positions.
Customers	Our relationships with our customers are very important to us, and we maintain regular contact through account managers; Executive Committee members; and

	where appropriate our Chairman. As part of COVID-19 we have sought to understand and support customers who have been affected and ensure continued delivery of services.
Suppliers	Our Procurement team oversees supplier relationship management, with a category management structure so that employees have relevant expertise for each supplier. We work closely to ensure positive relationships, seeking to agree fair terms and conditions and ensure timely payment, through adherence to and reporting on the Prompt Payment Code.
Shareholders	Shareholder Representatives on the Board report back to shareholders on the business and take their interests into account when making decisions, while operating in accordance with their Companies Act duties. The Group's corporate governance specifies a number of categories of decision which are Shareholder Reserved Matters, ensuring that the decisions affecting shareholders are subject to necessary regulations of all shareholders. This governance was followed when agreeing and implementing the sale of the Telecoms business and associated investment decisions.
Stakeholders	As part of our infrastructure projects, we engage with planning authorities and local communities to foster positive relationships. Arqiva's charitable engagement also seeks to support communities local to the areas in which it operates.

Employee Engagement Statement

1. *Information*
   Regular all company updates are provided to all employees via Arqiva's Hub (intranet) and email updates; Management have conducted company-wide live broadcasts through the year to update employees on performance, strategy and other key developments; with opportunities for employees to ask questions in real time.

2. *Consultation*
   Arqiva has active union representations through the Broadcasting Entertainment Communications and Theatre Union (BECTU); strategic decisions which may affect employees (including business change; pay; and terms and conditions) are discussed with BECTI representatives in advance of action being taken. Similar engagement also takes place with the Arqiva Employee Board (AEB), which is elected by employees, and their feedback and views are taken into account when making decisions affecting the workforce, (for example in setting timescales and the content of communications).

3. *Involvement*
   Employees participate in annual bonus schemes which are based upon performance of the business throughout the year, encouraging employees to contribute to the success of the business. The Group's values of Ingenious and Collaborative encourage new ideas and fostering strong relationships across the organisation, supporting overall performance of the business.

4. *Common Awareness*
   Financial and economic factors affecting the business are described to employees throughout the year during Management broadcasts; regular email communications with business updates and through the Arqiva Hub.

Modern Slavery Act: Slavery and Human Trafficking Statement

Overarching Statement
This statement sets out the steps we are implementing to combat slavery and human trafficking. We remain committed to further improving our practices in the future to combat slavery and human trafficking.

Organisation's Structure
We are a communications infrastructure and media services provider, operating at the heart of the broadcast and satellite markets. We're at the forefront of network solutions and services in the digital world. We provide much of the infrastructure behind television, radio and satellite communications in the UK and have a presence in Ireland, mainland Europe, Asia and the USA.

During the financial year ended 30 June 2021, Arqiva Limited and its subsidiaries, Arqiva Muxco Limited and Arqiva Smart Metering Limited were part of the Arqiva Group with head offices in the UK and over 1,300 employees. We operate in the UK, Europe, Asia and the USA.

Arqiva Limited (including its subsidiaries), Arqiva Muxco Limited and Arqiva Smart Metering Limited each have an annual turnover of in excess of £36 million.

Our Supply Chains
The Arqiva Procurement team works in partnership with our suppliers, ensuring we meet our internal customer needs. The Arqiva values of Ingenious, Straightforward and Collaborative are core to how we interact with suppliers whether a high-volume preferred supplier or one-time only supplier.

We have an exceptionally diverse range of services and goods that are required by the business and sourced by our Procurement team including:

- Transmission – Arqiva has numerous transmission sites throughout the UK;
- Construction – Arqiva undertakes a broad range of construction activities from small changes to the construction of new transmission towers;
- Maintenance & Repairs;
- IT software and managed services;
- Satellite Capacity; and
- Corporate facilities (including corporate sites, stationery, recruitment, legal and professional fees).

Our Policies on Slavery and Human Trafficking
We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part our business. Suppliers are required to comply with our Supplier Code of Conduct, which reflects our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains.

Due Diligence Process for Slavery and Human Trafficking
As part of our initiative to identify and mitigate risk we:

- Aim to identify and assess potential risk areas in our own business and our supply chains;
- Try to mitigate the risk of slavery and human trafficking occurring in our business and our supply chains;
- Monitor potential risk areas in our own business and our supply chains;
- Where possible we build long standing relationships with suppliers and make clear our expectations of their business behaviour;
- Expect our suppliers to comply with the Modern Slavery Act 2015 and have their own suitable anti-slavery and human trafficking policies and processes; and
- Encourage the reporting of concerns and support the protection of whistleblowers.

Supplier Adherence to our Values

We have zero tolerance to slavery and human trafficking. We expect all those in our supply chain to comply with those values and our Supplier Code of Conduct.

Our Procurement team, reporting into our CFO, is responsible for promoting and ensuring compliance with the Modern Slavery Act 2015 as part of our supplier relationships.

Training

To ensure a high level of understanding of the risks of modern slavery and human trafficking in our supply chains and our business, all Directors and members of the Executive Committee have been briefed on the subject and we continue to assess training needs for all relevant members or our staff.

Our Effectiveness in combating Slavery and Human Trafficking

We will use the following key performance indicators (KPIs) to measure how effective we have been to ensure that slavery and human trafficking is not taking place in any part of our business or supply chains:

- *Use of robust supplier selection process including supplier questionnaires and compliance with* Arqiva's Supplier Code of Conduct; and
- Use of our payroll systems to ensure that purchase orders and payments to suppliers are limited to *those who comply with our standards.*

Steps taken during the financial year to 30 June 2021

In the past financial year, we have taken the following steps to ensure that slavery and human trafficking is not taking place in our supply chains, and in any part of our own business:

a) We have continued to implement a qualification process for all of our suppliers, using our e-procurement system. This process includes background checks and either (a) confirmation of acceptance of the *Arqiva Supplier Code of Conduct (which covers modern slavery and human* trafficking); or (b) demonstration that the Supplier has its own equivalent policies covering modern slavery and human trafficking. Purchase Orders cannot be placed with new suppliers before the confirmation has been given;

b) The migration to a new version of Oracle financial systems has presented an opportunity to further reduce our number of trading suppliers, and we are working to a pool of approximately 600 suppliers on go-live of the upgraded systems (this figure has reduced from >2,300 in 2018);

c) We have introduced a new e-learning system for colleagues, using LinkedIn Learning, which includes content on modern slavery;

d) We have refreshed our "Speak Up" reporting website and telephone line to enable people to notify concerns. These are overseen by the Internal Audit function and regular updates given to the Group's Audit & Risk Committee.

Statement

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes Arqiva Limited, Arqiva Muxco Limited and Arqiva Smart Metering Limited's slavery and human trafficking statement for the financial year ending 30 June 2021.

Note: The signed statement is available on the Company website at www.arqiva.com

Governance

Board of Directors and Executive Committee

Ownership

The Company is owned by a consortium of shareholders comprising Canada Pension Plan Investment Board (48%), Macquarie European Infrastructure Fund II (25%), plus other Macquarie managed fund (1.5%), Health Super Investments (5.5%), IFM Global Infrastructure Fund (14.8%) and Motor Trades Association of Australia (5.2%). There is no ultimate controlling party of the Company, as defined by IAS 24 'Related parties'.

In accordance with IAS 24, there are two investor companies which are related parties with the Group, by virtue of significant shareholding in the Group:

- Frequency Infrastructure Communications Assets Limited ('FICAL') (48%), a company controlled by Canada Pension Plan Investment Board. The Canada Pension Plan Investment Board is a professional investment management organisation in Toronto which invest the asset of the Canada Pension plan. The Canada Pension Plan Investment Board was incorporated as a federal Crown corporation by an Act of Parliament in December 1997.
- Macquarie European Infrastructure Fund II ('MEIF II') (25%), an investment fund managed by the Macquarie Group. Macquarie European Infrastructure Fund II is a wholesale investment fund focusing on investments in high-quality infrastructure businesses across Europe. Macquarie Group Limited is listed in Australia (ASX:MQG ADR:MQBKY).

Arqiva Board of Directors

The Group's Board of Directors is comprised of ten Directors representing our shareholder consortium as well as two members of the Executive Committee. The following Board members were in office during the year and up to the date of the signing of the annual report and financial statements.

Board Committee Membership

A – Audit and Risk Committee
G – Governance and Nomination Committee
R – Remuneration Committee
O – Operational Resilience
Bold – Committee Chair

Mike Parton, Chairman and Governance and Nomination Committee Chair

Mike brings a wealth of experience from his background in the telecoms and technology industry. Mike started his career as a Chartered Management Accountant, working for a number of UK technology companies including ICL, GEC, STC and Marconi, Mike has held the roles of CEP of Marconi plc. Chairman of Damovo Group and Chairman of Tele2 AB.

In addition to his role at Arqiva, Mike is currently also Chairman of TDC Group and a trustee of a young people's charity, Grit.

A G R

Paul Donovan, Chief Executive Officer

Prior to his appointment to Chief Executive Officer, Paul acted as a non-executive director on the Arqiva Board.

Paul has over 20 years' experience in senior executive roles across the technology, media and telecommunications sectors. Between 2014 and 2016 Paul led the transformation of Europe's leading cinema operator, Odeon and UCI Cinemas Group, ahead of its successful sale to AMC Theatres. Paul's leadership led to innovations in pricing, digital marketing and guest experience which laid the foundations for improvements in business performance and public perception.

Prior to this Paul was CEO of Irish Telecoms Group eir. His background also includes senior executive appointments with a number of significant global organisations including Vodafone, Cable & Wireless, One2One and Optus as well as senior commercial roles at BT, Apple Computers, Coca-Cola and Schweppes Beverages and Mars Inc.

Sean West, Chief Financial Officer

Sean was appointed Chief Financial Officer in September 2019, having joined Arqiva in 2015 as Director of Treasury and Corporate Finance and appointed Interim Chief Financial Officer in May 2019.

Sean has a background in all areas of corporate finance and financing, and as Director of Treasury and Corporate Finance was responsible for all aspects of the Group's capital structure.

Prior to joining Arqiva, Sean held senior corporate finance and treasury positions at the Immediate Capital Group (ICG) and LandSec and brings a wealth of experience across a range of industries and financial markets.

Appointed by IFM Investors and Motor Trades Association of Australia (joint appointment)

Sally Davis, Director and Remuneration Committee Chair
With over 30 years in the TMT sector Sally has held a number of senior product, strategy and chief executive roles including being a former Chief Executive of BT Wholesale, one of four operating divisions of BT. Prior to this, Sally had an early product management career at Mercury Communications before becoming a director at NYNEX during its merger with Bell Atlantic to become Verizon.

Sally is also a Non-Executive Director on the Board of Telenor and is Chairman of Leonard Cheshire.
R

Appointed by Frequency Infrastructure Communications Assets Limited

Mike Darcey, Director and Operational Resilience Chair
Mike has over 25 years' experience in the technology, media and telecommunications industry with numerous positions held ranging from CEO of News International to COO of British Sky Broadcasting Group. He has also provided strategic advisory services to a range of clients in the media industry.

Mike has served or is currently serving on Boards including Dennis Publishing (UK) Ltd (Chairman), M247 (Chairman), Home Retail Group (Senior Independent Director) and Sky New Zealand (Director). He is also Chairman of British Gymnastics and Senior Expert Advisor to MTM Consulting.
O G

Batiste Ogier, Director
Batiste is a Senior Principal in the Portfolio Value Creation at CPP Investments. He has responsibility for oversight of CPP Investments' global Infrastructure and Power & Renewables portfolios including helping establish each investment's asset management priorities. In his role, Batiste is also a Director on the Board of Renewable Power Capital, a renewable energy investment platform he helped found in 2020 and is Board representative for CPP Investments at Anglian Water. Prior to joining CPP Investments, he was a Director in the Infrastructure team at First State Investments, during which time he was a member of the Supervisory Board of the Coriance Group and a Board representative for FSI at Anglian Water.

Neil King, Director
Neil runs the European infrastructure business at CPP Investment Board. He has over twenty-five years of experience in the infrastructure market, including ten years at 3i as a founding partner in its infrastructure investment business before joining CPPIB in 2015.

Neil is also a Non-Executive director at Interparking S.A., a European car parking business which is in CPPIB's infrastructure investment portfolio.
G R

Peter Adams, Director (alternate)
Peter is a Principal in the Infrastructure group at CPP Investment Board, based in London.

Prior to joining CPP Investment Board in September 2010, Peter was with the Boston Consulting Group, where he advised clients in the U.S., Canada and Europe on strategy and operations.

Appointed by Macquarie European Infrastructure Fund II

Nathan Luckey
Nathan was reappointed to the Board on 1 July 2021.

Nathan is a Senior Managing Director in Macquarie Infrastructure and Real Assets (MIRA), and leads MIRA's Digital Infrastructure team in Europe. Nathan holds a number of non-executive directorship roles for companies within MIRA's investment portfolio. He is a qualified Mechanical Engineer, with expertise across the telecommunications, media, transportation and utilities sectors.

Mark Braithwaite, Director
Mark is a Senior Managing Director in Macquarie Infrastructure and Real Assets. Mark was previously Chief Financial Officer of Thames Water, the UK's largest water and wastewater services company. Prior to joining Thames Water, Mark was Finance Director of the customer and energy divisions at EDF Energy plc, and before that held a number of senior Finance positions at Seboard plc.

Mark has other non-executive directorship roles for companies within MIRA's investment portfolio and is also a trustee of Leadership through Sport & Business, a UK social mobility and employability charity.
A G R

Appointed by IFM Investors

Christian Seymour, Director
Christian is Head of Infrastructure at IFM Global Infrastructure Fund, responsible for the business expansion in Europe and oversight of IFM's existing European asset portfolio, of which Codan Trust is an investment vehicle.
A G R O

Max Fieguth, Director (alternate)
Max is responsible for asset management of existing investments for IFM Global Infrastructure Fund, as well as supporting the execution of infrastructure transactions. Prior to joining IFM Investors, Max worked as a Consultant in the Operations Practice at McKinsey and prior to that at Bechtel on a number of infrastructure projects. He holds a Masters in Mechanical Engineering from Imperial College London, an MBA from INSEAD and is a Chartered Engineer with the Institution of Mechanical Engineers in the UK.

Independent Board Advisor

Frank Dangeard, Independent Board Advisor and Audit and Risk Committee Chair

Frank Dangeard resigned as a Director on 1 July 2021. He still attends Board and Audit and Risk Committee meetings as an Independent advisor to the Board.

In the telecom, media and technology sector, Frank has held various positions at Thomson S.A., including Chairman & CEO, and was Deputy CEO of France Telecom. He served on the boards of SonaeCom and Orange, and was Deputy Chairman of Telenor. He is currently of NortonLifeLock (ex-Symantec, US) and is on the board of HIS (Cayman). In the financial sector, he was a Managing Director of SG Warburg and Chairman of SG Warburg France. He served on the boards of Crédit Agricole CIB and Home Credit. He is currently on the board of NatWest Group (UK), and Chairman of NatWest Markets (UK). Frank also held board positions at EDF, RPX and various listed and non-listed companies in Europe, the US, India and the Middle-East.

A O

Executive Committee

(also includes the Chief Executive Officer and the Chief Financial Officer on pages 44)

Shuja Kahn
Chief Commercial Officer

- Joined **Arqiva** in January 2020 as Chief Operating Officer, moving to Chief Commercial Officer role in July 2020.
- 20 years in leadership roles within telecoms, media and broadcasting. Most recently Chief Commercial Officer at **Cable and Wireless**
- Other senior positions at **Liberty Global.**

Vivian Leinster
Chief People Officer

- Joined **Arqiva** in June 2020
- Extensive experience in people, organisation and cultural changes.
- Previous positions including Chief People Officer at **MS Amlin** and **Bupa UK.**

Alex Pannell
Executive Director, Commercial Broadcast and Utilities

- Joined **Arqiva in** 2012, appointed to the Executive Committee in 2018 within the Satellite and Media business.
- Previously Director in **BT Wholesale.**
- Other previous positions at **Concert Communications.**

Adrian Twyning
Chief of Operations

- Joined **Arqiva** in March 2021 with experience in energy, retail, health construction and professional services.
- Previously Director of Transformation at **Dixons Carphone**
- Other senior positions at **British Gas** and **Brighton and Sussex Hospitals NHS Trust**

Clive White
Chief Technology and Transformation Officer

- Joined **Arqiva** in April 2018.
- Previous transformation positions at **RSA, Lloyds Banking Group, Accenture, AT&T Global Network** and **BSkyB.**

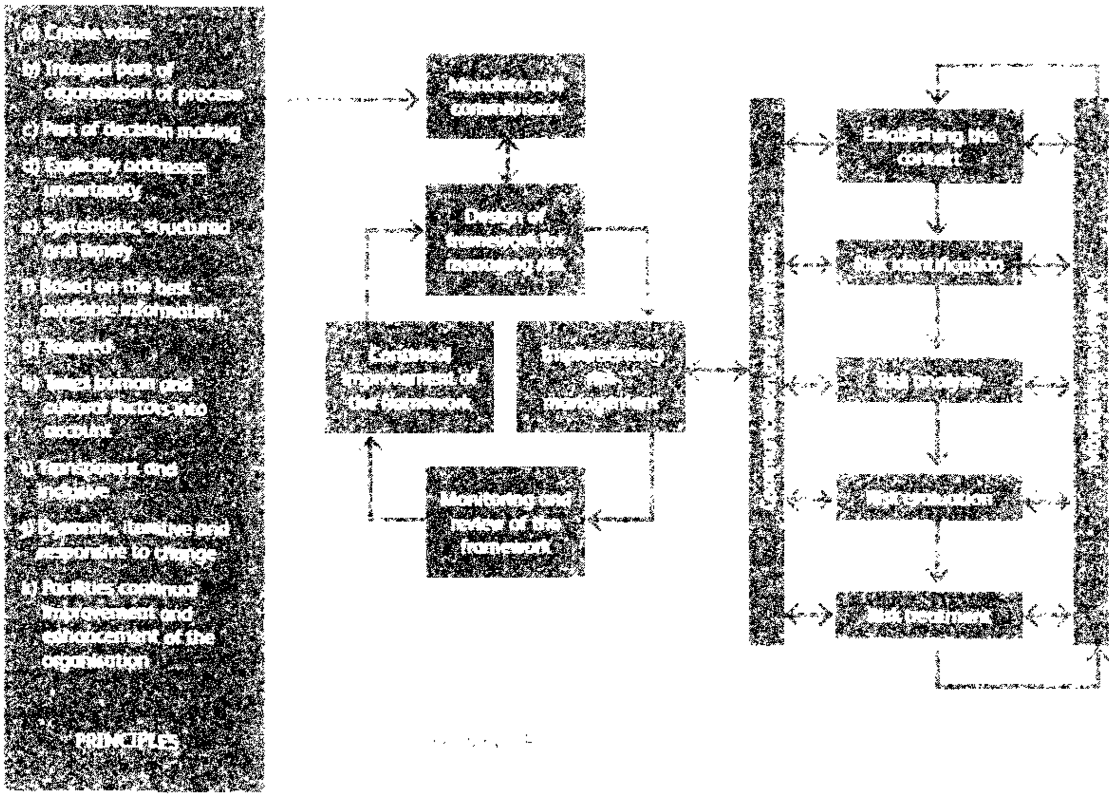
Principal Risks and Uncertainties

Arqiva's approach to risk management is as follows:

- Arqiva recognises that the effective management of risk is essential to achieve our business objectives
- Arqiva adopts an Enterprise Risk Management ('ERM') approach, which is recognised as 'best practice' for top performing companies
- Managing risk is a core responsibility of management at all levels and is a key component of governance and compliance
- Arqiva aims to embed risk management principles into the culture of the organisation

Enterprise wide management of risk is important for Arqiva to meet our corporate objectives and for us to protect future competitive advantage. The strategic importance of risk management is recognised by top performing companies and is an important part of good corporate governance. Arqiva subscribes to the Enterprise Risk Management approach to managing our risk profile.

Arqiva has adopted ISO31000 as its Enterprise Risk Management standard and ISO Guide 73 terminology. Arqiva has also adopted the ISO 27000 series for Information Security including ISO/IEC 27005 for Security Risk Management which operates within the Arqiva ERM Framework. Our statements and principles are linked to our process through our risk management framework.



The Executive Committee has responsibility for maintaining and updating their line of business risk register which includes utilising the standardised approach to risk assessment and risk monitoring. The Group's centralised Internal Audit and Risk function provides training and support to ensure risks are captured effectively and on a timely basis. The Audit and Risk function works with the Chief Executive Officer to review and consolidate the most significant business risks into a corporate risk register for scrutiny at quarterly Executive Committee and Audit and Risk Committee meetings. The Executive Committee takes recommendations for ensuring the risk management framework remains effective going forward.

Business Management:
First defence is the day to day controls and processes put in place by management to identify risks and develop mitigating actions.

Senior Executive Management:
Quarterly review of the corporate risk register to include review of risk management policies, setting of risk appetite, monitoring compliance and reporting of significant risks to the Board of Directors.

Audit and Risk function / Audit committee:
Independent business assurance provided over the effectiveness of the Group's system of internal controls and processes, and the effectiveness of the risk management framework.

Management has identified the following risks as the most significant business risks affecting the Group, presented together with identified mitigating actions.

The COVID 19 health pandemic is a risk to demand and operational capabilities	Arqiva maintains regular dialogue with customers and other stakeholders with regard to impact of the pandemic.	Discounts to local commercial radio customers have been extended during the year to continue to support these customers through the COVID-19 pandemic.
	Management continue to review the working capital and liquidity facilities available to the Group. Arqiva maintains an operational Resilience team who monitor latest restrictions and guidelines from the Government. Business Continuity Plans are established for each key site and business area.	Financial liquidity is continually monitored and reviewed with regard to available facilities for the Group. Post year end in July 2021, the Group has renegotiated our available facilities with a new £100.0m facility available until 2025. Business Continuity Plans have continued to be enacted with sites adhering to government COVID secure guidelines. Alternative working arrangements and technology to support these arrangements have been enacted to enable the continued provisions of the Group's services and safe working conditions for employees.

Bad publicity damages Arqiva's reputation and customer and business partner confidence and its ability to do business as a result of: - A major event or incident impacting ours services; - Untimely delivery on major projects; - Repeated unexpected service outages; - Security breach or cyber attack on networks; or - Major network or equipment failure or obsolescence or inability to configure to comply with information security standards	Arqiva carefully engages with our customers to ensure that project milestones are carefully managed and management regularly reviews the progress of all projects. Through continuous measurement of operational KPIs and addressing shortfalls in performance through process excellence the risk around service reliability is carefully managed. The Group has in place a crisis management plan for public relations and external communications to provide support should there be any major events. This is regularly monitored and reviewed. Cyber-attacks and trends in this area are continually monitored. The Group continues to invest in our infrastructure.	Arqiva has continued to achieve our target result for 'network availability', achieving over 99%. The Group has completed the 700MHz programme during the year ahead of schedule. The Group maintains ISO27001 certification regarding information security and holds periodic reviews of the security environment and training to employees. The Business Continuity Group continues to meet regularly and will test and roll out the Disaster Recovery Plan. There has been continued capital expenditure in the year to improve infrastructure. The Group has continued with our digital transformation programme with Finance transformation and implementation of a new Oracle ERP system and IT service portal during the year.
Risk of incident causing death or serious injury during site works or engineering.	Training and rescue skills courses are required on an annual basis for field employees, and rescue kits are provided.	Arqiva has maintained compliance with OHSAS18001 regarding safety management.
Risk of mental health issues as a result of significant organisational changes	Arqiva maintains and regularly reviews our policy on workplace safety and site security.	Mental health and wellness continue to be of focus. Arqiva runs annual events focusing on personal resilience including wellbeing sessions and training courses. The Group also has a network of mental health first aiders across the organisation.
Developments in alternative broadcast technologies, which compete against the DTT transmission business; or the evolution of DAB against Arqiva's existing analogue radio transmission business. Technical refresh in machine-to-machine markets impacting potential obsolescence of legacy systems.	DTT retains the largest share of broadcast transmission in the UK, and IPTV remains constrained by limited high speed broadband uptake and variable reliability levels. In addition, Arqiva has mitigated some of this risk by investing in YouView TV Limited, a joint venture formed to develop and promote the DTT platform together with involvement in Freeview Play.	Arqiva remains in dialogue with relevant stakeholders for the review into timeframes for full analogue switchover. Upgrades to our DAB network in recent years mean Arqiva continues to be in a strong position to support future switchover. The new strategic priorities of the Group for the next 10 years put a focus on the sustainable future of the business including the development of solutions for new and emerging sectors to make the

		most of our infrastructure and expertise.
Change in government plans, policy or priorities could lead to unforeseen changes in scope on major engineering programmes and licencing.	Arqiva maintains regular dialogue with our stakeholders to ensure the delivery of our programmes are efficient, timely and to specification. Where specification changes occur, Arqiva provides a detailed assessment of the potential costs of the scope change and seeks an informed recovery of these costs through mechanisms in our contracts.	Arqiva has successfully agreed scope and change requests on our smart energy metering programme with our customer demonstrating the customer's continued focus on network roll out. Arqiva has continued engagement with Ofcom regarding licensing arrangements.
	Arqiva's assets and operations remain predominantly in the UK and therefore our business has minimal exposure to the changing relationships with international markets. Additionally, we expect the infrastructure Arqiva provides to continue to be demanded and that these services evolve as markets and consumer tastes evolve.	Debt markets have continued to be monitored for accessibility and open dialogue maintained with ratings agencies. Evolving commercial negotiations are closely monitored.
Information, networks and systems infrastructure may be subjected to cyber security threats leading to a loss or corruption of data, penalties and impacting the operational capacity of Arqiva.	The Group maintains an ISO270001 certification regarding information security, which includes Cloud Security Services. Employee training on information security is mandatory and quarterly reviews are undertaken by external consultants to examine the robustness of the security environment.	Arqiva has implemented detection and prevention solutions on networks. Arqiva has continued to pass our quarterly security reviews and has consequently retained ISO certification. Communication and training have been maintained with employees to ensure awareness of potential cyber security threats.
Critical transmission structures or IT infrastructure supporting key operational processes could fail leading to operational outages.	Arqiva ensures data is regularly backed up and Business Continuity Plans have been established for each key site and each business area. A Business Recovery Working Group meets regularly to stress test these plans and continually review the Group's approach to disaster recovery and operational resilience.	Site inspections are completed with a focus on older sites and structural maintenance plans have been implemented. Business Continuity Plans have been enacted through the COVID-19 pandemic with keyworks on sites able to continue the seamless delivery of our operational services whilst adhering to COVID secure workplace guidelines.
The scale and complexity of Arqiva's major programmes bear an inherent risk of unforeseen delays through the supply chain and therefore challenges to delivery.	Arqiva maintains a robust oversight of the delivery of our major programmes. This includes identifying the key personnel and resources required for delivery and working closely with its suppliers and customers to	Arqiva has completed the 700MHz Clearance programme during the year in line with contractual milestones. The Group's smart metering communication network in the North of England and Scotland

		ensure that these requirements are sufficiently available.	now covers 99.5% of premises. Arqiva continues to support the DCC on the meter roll out programme.
	Customer relationships operations and project delivery could be damaged if there were significant loss of people with critical skills and knowledge unique to Arqiva's competitive position.	Arqiva recognises the importance of our people and seeks to make Arqiva a rewarding and enjoyable place to work. The Group operates a competitive annual bonus plan for all employees and a long-term incentive plan for our leadership team. Additionally, the Group operates formal retention and succession planning in knowledge-critical areas of the business.	Arqiva has continued to focus on supporting individuals with increased support and training for new managers and emerging talent. Regular meetings are held to identify critical issues and ensure timely intervention. Retention plans have continued to be implemented for key individuals particularly through significant organisational changes that have taken place across the workforce in the year.

Details of the financial risks and details of mitigating factors are set out in the Directors' report on pages 61-62.

Directors' Report

The Directors of Arqiva Group Limited ('AGL'), registered company number 05254001, ("the Company") and its subsidiaries ("the Group") submit the annual report and audited consolidated financial statements ("the financial statements") in respect of the year ended 30 June 2021.

The Company is a holding company with an investment in a group of operating companies, financing companies and other holding companies.

The Directors' report for the Company is set out on page 130.

Wates Corporate Governance Statement

For the year ended 30 June 2021, under The Companies (Miscellaneous Reporting) Regulations 2018, Arqiva has applied the Wates Corporate Governance Principles for Large Private Companies (as published by the Financial Reporting Council (FRC) in December 2018 and available on the FRC website).

Companies are able to adopt the Wates principles as an appropriate framework when making a disclosure regarding corporate governance arrangements. We have adopted the disclosure in our 2021 Annual Report and Financial Statements and we set out below how the principles have been applied over the past year.

PRINCIPLE ONE - PURPOSE AND LEADERSHIP – *An effective board promotes the purpose of a company and ensures that its values, strategy and culture align with that purpose.*

Purpose/focus and activities during the year.

The divestment of the Group's Telecoms business was successfully completed in early July 2020. Subsequently, the focus of the Board and Executive Committee during the year has been to lead Arqiva through an uncertain Covid 19 period and to re-set the business' purpose with a particular emphasis on its core broadcast, media networks and utilities businesses and its customers. The following items were the key areas of focus during the year:

Item	Summary
Headline purpose and strategy matters	The development of a new and updated purpose for Arqiva – which is "***Enabling a switched-on world to flow***" - and also the Vision 2031 work which has brought our purpose, our vision and our strategy together has been the focus for building a sustainable future for Arqiva. The Board has overseen these matters alongside the development and adoption of a detailed and robust long-term plan for the business with appropriate cost and investment assumptions which now underpin the business. This was the first long-term plan for the 'new' business, following the divestment of the Telecoms business to Cellnex which was completed in July 2020.
Capital structure	Following the divestment of the Telecoms business, the Board has overseen a restructuring of its capital structure through the repayment of a significant portion of its external debt and also the rationalisation of its derivatives positions associated with that debt. An indicative credit upgrade was confirmed by the rating agencies at the end of the year.
Customers	Arqiva is a smaller and less complex business post the Telecoms divestment, and the Board has sought to ensure senior engagement with key customers and stakeholders to cement working relationships, share Arqiva's new purpose and to open up further opportunities for collaboration. In addition, a significant customer engagement survey was carried out in May 2021. This provided valuable insights in to Arqiva's performance, what it needs to do to maintain its position in certain areas, and what it needs to do to prepare for the future.

Integrated organisation	The Board has overseen the implementation of an integrated organisational design whose purpose is to more directly and effectively serve our customers and ensure alignment across our functions with the business' purpose and direction.
People & Culture	A particular focus has been on ensuring the right levels of skills and experience amongst our employees which was important to deliver Arqiva's new purpose in the new organisational design. The Board has overseen a company wide restructuring and redundancy programme which was carried out during the year. This resulted in a significant number of changes in the employee mix – with a number of individuals leaving the business, others being successful in being appointed to new roles, and also a significant recruitment exercise to fill vacant roles. A new senior leadership group was formed in the summer of 2020. This group has benefitted from significant investment through personal and leadership development activities throughout the year. The leadership group has been key to certain Culture transformation initiatives over the course of the year and bringing to fruition a target culture blueprint for the business. In addition, the implementation of our post-pandemic "Work. Life. Smarter." practices has started and will continue to be rolled out. The intention is to enable a migration to a hybrid home/office working model for our people.
Operational performance	The operational performance of the business has been closely monitored by the Board as part of the regular Board meeting agendas. In particular, the impact of Covid 19 on the performance of the business has been considered on a more frequent basis, and the relevant operational risks associated with Covid 19 continue to be carefully managed. In addition, the global component shortage has had an impact on meter supply schedules and this has been frequently considered by the Board and senior management.
Governance	A number of appointments/changes have been made to the Group's executive committee during the year. In addition to the business' new integrated organisational design, a number of improvements and updates have been made to the business' internal governance structures and delegated authorities.
Covid 19	The principal aims of the Board in its response to the ongoing Covid 19 pandemic were to ensure the safety of its employees and assist individuals with the evolving lockdown situations and 'working from home' realities, and also maintain operational capability and delivery to the Group's customers. In addition, the Board continued to oversee the Group's engagement with its most affected and key customers.
Transformation	The Board has continued to oversee the programme to upgrade the Group's IT, systems and processes to enhance operational capability and bring efficiencies to the Group's operations.

Values and culture

Arqiva's values are embedded throughout the organisation, and adherence to them forms part of employees' performance reviews and reward structure. Independent surveys of both employee and customer engagement are undertaken. Engagement with BECTU is described under Principle 6 (Stakeholders) below. The Group's People & Culture team monitors absenteeism rates and processes are also in place to encourage and monitor exit interviews. These form part of matters reported upon to the Operational Resilience Committee, which reports in to the Board.

PRINCIPLE TWO - BOARD COMPOSITION - *Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company*

Chair

The Group's corporate governance structure creates a clear separation between the role of the Chair and that of the Chief Executive Officer.

The Chair (who is independent of the Group's Shareholders) is a highly experienced business executive having held many senior executive roles in the technology and telecoms sectors. The Chair has actively encouraged open debate and discussion in the appropriate forums including main Board meetings which are scheduled to take place at least six times per year, and also at Board sub-committee meetings (those committees being the Audit & Risk Committee, Nominations & Governance Committee, Operational Resilience Committee, Capital Structure Committee and the Remuneration Committee).

Balance and diversity

The Board has deep and relevant experience which has provided invaluable external industry input to assist more effective decision-making in relation to a number of key matters brought before the Board. The Group operates in a number of diverse and complex markets which require the Board to have a detailed understanding of the relevant sector in order to arrive at informed decisions.

Arqiva is actively working with Inclusive Employers in relation to diversity and inclusion. The Group recognises that there is further work to do in this area and continues to promote relevant initiatives. Page 36 of the Annual Report provides a breakdown of the gender of Directors and employees.

Size and structure

The size and structure of the Board remains under periodic review so that it is best organised to meet the needs and challenges of the Group. In terms of Board size, a balance has been struck between ensuring Shareholders are adequately represented via their nominated Directors but also identifying directors with relevant industry experience to be appointed together with the Group's CEO and CFO (see pages 43-47 of the Annual Report for full details of the composition of the Board of Directors and Senior Executive Management). Whilst Frank Dangeard, Mike Darcey and Sally Davis all originally joined Arqiva as independent non-executive directors, each of them were also Shareholder directors representing Macquarie, CPPIB and MTAA/IFM respectively in the year to 30 June 2021.

We acknowledge that there is a relative lack of diversity on the Board. As part of the new appointments to the Senior Leadership groups, improvements have been made to broaden diversity and this will continue in the future.

Effectiveness

The Group undertook an extensive Board effectiveness/evaluation exercise in December 2020 using an external online platform together with relevant diagnostics, and the results of the exercise were considered and discussed at a meeting of the Nominations & Governance Committee and the Board of directors in February 2021. The key action recommendations from the exercise included the following:

- Arqiva's sustainability activities should be an increasing priority that form part of the company's value creation and strategic objectives.
- Diversity & inclusion and sustainability matters will be a more prominent agenda item at relevant committee meetings and also at the Board twice a year from FY22 onwards.
- Succession planning and talent review matters will be regular agenda items for the Nominations & Governance Committee.
- The composition of the Board (and/or the potential for a Board observer or external advisor) would be kept under review to ensure the right breadth of experience and input at the Board.
- An increased focus by the Audit & Risk Committee in appraising strategic risk factors and whistleblowing matters.

PRINCIPLE THREE - DIRECTOR RESPONSIBILITIES – *A board should have a clear understanding of its accountability and terms of reference. Its policies and procedures should support effective decision making and independent challenge*

The Board has a programme of six principal meetings every year, with additional meetings arranged for key projects, strategic matters or circumstances such as Covid 19, as may be required.

Accountability
Decisions which are within the remit of the Board or Shareholders are set out in a Shareholders' Agreement (as Board Reserved Matters and Shareholder Reserved Matters). There is a comprehensive Delegation of Authority policy which sets out the responsibilities that are delegated to the Executive and those decisions which must be made at Board or Shareholder level. This policy was updated and a revised policy brought to the June 2021 Board meeting for approval. Typically, Board or Shareholder Reserved Matters are raised at regular Board meetings and written resolutions are obtained where otherwise required.

A Conflicts of Interest paper is maintained and regularly updated with details of Board or Shareholder conflicts. Any conflicts which may compromise independent decision making would be raised by the Company Secretary at the relevant Board meeting; a Director having a conflict is not entitled to discuss or vote on the relevant matter, or to count in the quorum.

Committees
Five Board sub-Committees have been instituted. Pages 63-64 of the Annual Report provides an overview and description of each of the Board sub-Committees comprising: Audit & Risk, Remuneration Committee, Nominations & Governance and Operational Resilience. The Capital Structure Committee was established in summer 2020, principally to oversee and recommend the activities associated with the restructuring of Arqiva's capital structure through the repayment of a significant portion of its external debt and also the rationalisation of its derivatives positions associated with that debt. The Capital Structure remains in place, its core focus being the consideration and optimisation of Arqiva's capital structure. The Board sub-Committees promote effective decision making and greater accountability and focus in relation to each of the areas covered by the respective Board sub-Committees.

Integrity of information
The Board receives regular reports from the Executive and Senior Management on key matters for which the Board has responsibility, including strategic projects; comprehensive financial reporting; key customer and regulatory matters; updates on operational resilience (including physical and cyber security as well as health and safety and environmental issues); details of major bids and performance of key contracts and market issues faced by the Group as well as developments in technology and regulation.

The Group uploads papers to a board portal for ease of review and administration. Other than in exceptional cases papers are submitted in advance and taken as read at Board meetings, allowing any presentations to focus on highlighting key issues, discussion and dealing with questions. The Chairs of each of the Board Committees are aware of the importance of their position and during FY20 they have each met (virtually) with key employees of the Group to build relationships and gain direct access to those dealing with the day to day business of the Group.

PRINCIPLE FOUR - OPPORTUNITY AND RISK – *A Board should promote the long term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.*

Opportunity
The Group's Board maintains a focus on how the Group creates and preserves value over the long-term which is principally achieved through a well-developed strategic and long-term planning process. The Board keeps its strategy under review which provides a forum to present future business opportunities. Appropriate governance mechanisms are in place to ensure that new business opportunities above a certain value are considered and approved by the Board.

Risk
The Group has a well-developed risk management process in place and continues to utilise its an online risk assessment tool, which is used throughout the business (which is described on pages 49 of the Annual report). The Group's Audit and Risk function works with the Chief Executive Officer to review and consolidate the most significant business risks into a corporate risk register for scrutiny at quarterly Executive Committee and Audit & Risk Committee meetings.

Arqiva's key operational risks and mitigations are outlined in detail on pages 51-52 of the Annual Report.

Responsibilities
The Group has adopted the Enterprise Risk Management approach to managing its risk which has been approved by the Group's Audit & Risk Committee. This incorporates an internal control framework clearly defining roles and responsibilities of those involved. Responsibilities include the following:

- The Group's Executive Committee takes recommendations for ensuring the risk management framework remains effective going forward;
- Processes are in place for managing the principal risks and uncertainties;
- The internal control framework (described on page 49 of the Group's annual report) confirms that there is a monitoring and review process in place to evaluate risks at both business unit and Board level.

<u>PRINCIPLE FIVE - REMUNERATION -</u> *A board should promote executive remuneration structures aligned to the long term sustainable success of a company, taking into account pay and conditions elsewhere in the company.*

Remuneration
A consistent approach has been adopted in setting the level and structure of remuneration in relation to each member of the Executive Committee to secure appropriate and fair levels of remuneration. Benchmarking and advice from external remuneration consultants is obtained. Remuneration comprises of a number of elements including base salary, an annual bonus and a long-term incentive plan.

Page 37 of the Group's annual report provides more detail and explains how remuneration is structured to recognise high performance reward for achieving targets in line with the Group's sustainable success and values. This aligns with remuneration arrangements for the remainder of the organisation where every employee's remuneration is made up of a combination of base salary and annual bonus (which, again, is linked to personal performance and achieving financial targets in line with the Group's objectives). Following a review of the Group's remuneration structures by the new Chief People Officer, initiatives in the year to 30 June 2021 have included new approaches to reward and incentives that underpin future cost savings while ensuring transparency and alignment with shareholder objectives.

Policies
The Group has delegated remuneration matters to the Remuneration Committee (which is a committee of the Board). The Remuneration Committee operates in accordance with documented terms of reference. The Remuneration Committee is committed to take into account the pay and employment conditions of the Group's wider workforce when making recommendations in relation to Executive pay.
The Group's bonus and long-term incentive plans are documented in writing and reviewed at least annually by the Remuneration Committee and any payments made operate against documented performance targets.
In addition, the Remuneration Committee considers the company wide annual pay increase on an annual basis. As part of this process, the Remuneration Committee will assess increases against certain criteria including taking into account other comparative pay metrics in the industry, discussions held with BECTU, the existing and future financial capacity of the business, and also aligning with the long term sustainable success of the company. In the year to 30 June 2021, annual pay negotiations were concluded with BECTU with agreement to go to a ballot of its members. This occurred in early July 2021 and agreement was reached on the business' proposals.

<u>PRINCIPLE SIX - STAKEHOLDERS</u> – *A board has a responsibility to oversee meaningful engagement with material stakeholders, including the workforce, and have regard to that discussion when taking decisions. The board has a responsibility to foster good stakeholder relationships based on the company's purpose.*

Stakeholders
The Group's key Stakeholders include its employees; customers; suppliers; debt investors; Shareholders; pensions trustees; and regulatory and government bodies including Ofcom, DCMS and BEIS. Senior Management and the Strategy and Regulatory team work closely with industry and lobby groups and representatives of the various regulatory bodies, and the Board is regularly briefed informally and formally on developments. The value of good relationships with local communities, in the context of planning requirements for example, is understood and focus is given to fostering these relationships. The Group provides reports to investors and creditors as part of its listed debt obligations and conducts regular investor calls which give the opportunity for debt investors to raise questions with the Group. The Group's procurement operations function actively undertakes reviews of its supplier base and to enhance its best practice in this field.

Workforce
Arqiva communicates to its employees through regular email newsletters, updates over email directly from the CEO and local messaging from the Executive Management. The CEO and Executive Management have also conducted small listening groups in person where possible. However, due to the Covid 19 pandemic, the use of live broadcasts and presentations streamed online (rather than roadshows) has continued and this has been well received by employees. This has been done alongside interactive question functionality which enables a live dialogue with the workforce. Individual video interviews with members of the Executive Management have also been published on the Arqiva intranet. During the Covid 19 pandemic in particular, the Executive Management team has been the principal conduit through which the Board has been able to assess workforce considerations and related views for the purposes of their decision making processes.

The Group has active union representation from BECTU, as well as an elected Employee Board, and employee forums throughout the different functions. The People & Culture team work closely with each of these bodies, consulting on any proposed changes to terms; policies and processes; as well as seeking feedback on workplace morale, culture and issues of concern or interest to the workforce. In the year to 30 June 2021, due to the company wide restructuring and redundancy programme, the interaction between Arqiva, its Employee Board and BECTU has been heightened. A constructive and pro-active dialogue was swiftly established between the parties and a constructive relationship has been cemented as a result.

External impacts
The Group's Corporate Responsibility statement sets out, on pages 34-37 of the Directors' Report, a description of the Group's focus areas used to ensure that it acts responsibly, ethically and safely, from a Corporate; Community; Employee; and Business perspective. The statement also includes a summary of the Group's approach to environmental factors.

Streamlined Energy and Carbon Reporting (SECR)

UK Greenhouse gas emissions and energy use data for the period 1 July 2020 to 30 June 2021	**Year ended 30 June 2021**	**Year ended 30 June 2020 (Restated)***
Energy consumption used to calculate emissions (kWh)	222,357,758	290,282,567
Energy consumption break down (kWh):		
Gas	2,055,282	2,207,196
Electricity	215,261,826	279,439,417
Transport fuel	5,040,650	8,635,954
Scope 1 emissions in metric tonnes TCO2e		
Gas consumption	376	406
Owned transport (fleet)	1,120	1,557
Total Scope 1	1,496	1,963
Scope 2 emissions in metric tonnes TCO2e		
Purchased electricity		
Market Based	639	-
Location Based	46,471	65,148
Scope 3 emissions in metric tonnes **TCO2e**		
Business travel in employee owned vehicles / hire	129	387
Total gross emissions in metric tonnes TCO2e		
Market Based	2,264	-
Location Based	48,096	67,498

Intensity Ratio

	Year ended 30 June 2021	**Year ended 30 June 2020**
Intensity ratio of Total TCO2e / £m revenue – market-based method	3.49	-
Intensity ratio of Total TCO2e / £m revenue – location-based method	74.31	74.76

** Prior year balances have been restated to take into account bills received for the 2020 financial year after the signing date of the prior year financial statements.*

Energy Efficiency Action taken

Video conferencing capability has been vastly improved through the introduction of more stable software and efficient technology enabling the opportunity from working from the home environment a more sustainable option negating the need for business travel and personal commuting.

LED lighting has continued to be deployed in both office and meeting room refurbishments across the corporate and technical estate.

A significant proportion of the reduction in electricity consumption is attributable to the sale of the telecoms division to Cellnex, however a number of energy efficiencies were identified during the COVID -19 pandemic in particular reducing office heating, lighting and maintenance obligations across the estate reducing business travel.

Arqiva continue to purchase over 99% of its energy consumed in the transmission networks and buildings (office and technical) from renewable energy supplies supported by REGO certification

Quantification and Reporting Methodology

Our electricity consumption data for the financial year is taken from billing data received plus an estimate has been made for bills still to be received in respect of the 2021 financial year as at the date of these financial statements.

Emissions figures include costs that are passed through to customers but are not disclosed separately within these financial statements.

Our Carbon accounting methodology is based on the following guidance:

- Greenhouse Gas Protocol Corporate Standard – World Resources Institute
- 2021 UK Government's Conversion Factors for Company Reporting.
- Environmental reporting Guidelines 2019 (including streamlined energy and carbon reporting guidance) March 2019

Directors Report

Financial Risk Management

The principal risks and uncertainties of the Group have been outlined previously in this report (see pages 48-52). As a result of these, as well as the on-going business activities and strategy of the Group, Arqiva is exposed to variety of financial risks that include financing risk, purchase price risk, credit risk, liquidity risk, interest rate risk and foreign exchange risk.

The key financial risks affecting the Group are set out below, together with a summary of how these risks are managed.

The Group will need to refinance at least part of our debt as it matures and may need additional financing to cover capital expenditure and certain other expenses to support its growth plans. The Group cannot be certain that such financing will be readily available on attractive or historically comparable terms.	The Group mitigates this risk by the strength of the stable long-term investment grade capital structure in place. Our BBB ratings reflect our string ability to service and repay debt from our cash flows over a reasonable period of time, maintaining debt with a variety of medium and long term maturities, so that over time we do not have a significant concentration of debt due for refinancing in any given year, and aiming to refinance debt well in advance of the maturity date.
Breach of debt covenants and/or a downgrade in our rating could impact the availability of finance or the comparability of terms.	With regards to covenants the Group maintains financial covenant monitoring and modelling, both retrospectively and prospectively and maintains regular dialogue with credit ratings agencies.
Energy is a major component of the Group's cost base and is subject to price volatility.	A large proportion of this risk is managed via pass-through arrangements to customers. The Group's residual exposure to fluctuations in the electricity price is managed by forward purchasing the majority of power requirements. Key revenue and cost milestones are set on larger projects to ensure the financial risks of volatile market pricing are mitigated.
The Group is exposed to credit risk on customer receivables.	Credit risk is managed through appropriate credit checking procedures prior to taking on new customers; and higher risk customers paying in advance of services being provided. Performance is closely monitored to ensure agreed service levels are maintained reducing the level of queried payments and mitigating the risk of uncollectible debts.
The Group is exposed to counterparty risks in its financing operations.	The Group carefully manages the credit risk on liquid funds and derivative financial instruments with balances currently spread across a range of major financial institutions which have satisfactory credit ratings assigned by international credit ratings agencies. The levels of credit risk are monitored through the Group's on-going risk management processes, which include a regular review of the credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.

Ensuring the Group has sufficient available funds for working capital requirements and planned growth and funding for the Defined Benefit pension scheme.	The Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. As at 30 June 2021 the Group had £243.5m cash available and £250.0m of liquidity facilities available to cover senior interest payment if required. This facility was refinanced to a £150m facility shortly after the reporting date together with a £100m working capital facility. The Group also has a £30.0m facility to support 'Comms Hub Receivables Purchasing'. The Board considers the availability and adequacy of working capital funding requirements in conjunction with forming its long-term financial plan for the business.
Exposure to interest rate risk due to borrowing variable rate bank debt.	The Group uses derivative contracts to hedge its exposure to rising interest rates. The Group maintains a hedging policy to manage interest rate risk and to ensure the certainty of future interest cash flows and compliance with debt covenants. The derivative contracts held are fixed rate hedging, split between interest rates and inflation-linked swaps. The Group has, however, elected not to apply hedge accounting meaning gains and losses are recognised through the income statement as fair values fluctuate (2021: £11.1m loss; 2020: £121.7m gains). Interest rate swaps convert variable rate interest costs to fixed rate interest costs while inflation-linked swaps convert fixed or floating rate interest costs to RPI-linked costs, which fluctuate in line with the RPI index as do a significant proportion of the Group's revenue contracts.
The Group operates from UK sites and predominantly in the UK market. While some customer and supplier contracts are denominated in other currencies (mainly US Dollars and Euros), the majority of the Group's revenues and costs are sterling based, and accordingly exposure to foreign exchange is limited.	Management regularly monitors the impact of foreign exchange risks and assess the need to put any mitigating financial instruments in place. During the year the Group fully repaid its US Dollar denominated private placements notes and closed out the related cross currency swaps. No foreign currency denominated debt was held at 30 June 2021.

Internal control over financial reporting

The Board of Directors review the effectiveness of the Group's systems of internal control, including risk management systems and financial and operational controls (see page 48).

Audit and Risk Committee

The Audit and Risk Committee includes representation from the Board of Directors. Frank Dangeard stood down as a non-executive director of Arqiva Group Limited and relevant group companies with effect from 1 July 2021. Frank also stood down from Board committee memberships, including his role as chair of the Audit & Risk Committee. Since 1 July, Frank has been appointed as a board observer and has also conducted oversight responsibilities of the Audit & Risk Committee. The proposal is that this role will continue for an interim period and will be kept under review by the Chair and the Board of Directors. Mike Parton will chair Audit & Risk Committee meetings (or another committee member may be appointed to chair the meetings as required). The Audit & Risk Committee continues to have representation from the Board of Directors.

In addition, it has responsibilities of oversight of risk management procedures, monitoring compliance and regulatory issues (including whistleblowing arrangements) and reviewing the effectiveness of the Group's internal controls and internal audit function.

The Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties, and to obtain any external legal or other professional counsel it requires.

Meetings of the Committee are attended, at the invitation of the Chairman of the Committee, by the external auditors, the Chief Executive Officer, the Chief Financial Officer and representatives from the business as required.

Internal Audit

The Audit and Risk Committee is responsible for reviewing the work undertaken by the Group's internal audit function, assessing the adequacy of the function's resource and the scope of its procedures. The internal audit function agrees its annual audit plan with the Audit and Risk Committee and regularly reports its findings and recommendations. The Group's internal audit plan incorporates an annual rolling review of business activities and incorporates both financial and non-financial controls and procedures.

External Audit

The Audit and Risk Committee is responsible for making recommendations to the Board on the appointment, re-appointment and removal of the Group's external auditor. The Committee makes an assessment of the auditors' independence and objectivity taking into account the relationship with the auditors as a whole, including the provision of any non-audit services.

PwC were re-appointed as external auditor in 2016 following a competitive tender process.

The auditors have provided certain non-audit services, principally in relation to non-audit assurance. The Audit and Risk Committee considers the acceptability of all non-audit services with the auditors in advance of commencement of work to confirm acceptability and ensures that appropriate safeguards of audit independence are established and applied, such as partner rotation.

Remuneration Committee

The Remuneration Committee, chaired by Sally Davis, is established to make recommendations to the Board regarding executive remunerations, including pension rights and to recommend and monitor the level and structure of remuneration for each member of the Executive Committee. Additional oversight is extended to setting and monitoring reward and incentive policies, including the Group-wide annual bonus scheme, and reviewing and making recommendations in relation to wider reward policies.

Governance and Nomination Committee

The Governance and Nomination Committee, chaired by Mike Parton, is established to give oversight to the size, structure and composition (including skills, experience, independence, knowledge and diversity) of the Board to ensure that the continued leadership ability is sufficient to allow the business to compete effectively in the market. This also includes oversight of the succession planning for directors (and other senior executives where appropriate).

Operational Resilience Committee

The Operational Resilience Committee, chaired by Mike Darcey, has oversight of the adequacy and effectiveness of the operational resilience strategies and procedures of the Group (including principles, policies and practices adopted in complying with all statutory, and sub-statutory, standards and regulatory requirements in respect of safety, health and environment ('SHE') matters affecting the activities of the Group). This includes consideration and risk management of areas of significant and individual cyber security, physical security, business continuity and SHE risk.

Equal Opportunities policy

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 Group continues and the appropriate training arranged. It is the policy of the Group 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 have a disability. Further information on how Arqiva supports its employees can be found on page 36.

Political Donations

No political donations were made during the year (2020: none).

Charitable donations

The Group has made £0.1m (2020: £0.1m) of charitable donations in the year.

Research and development

The Group performs research and development into new products and technology, the costs of which are capitalised where they meet the criteria for capitalisation in accordance with the Group's accounting policy. The research costs expensed in the year were £2.0m (2020: £5.2m). In addition, the Group carries out research and development as part of its contract bid processes and these costs are expensed as part of the bid costs unless the development expenditure can be capitalised. The bid costs expensed during the year total £1.3m (2020: £4.1m).

Development costs incurred as part of capital expenditure projects, which support customers contracts, are included with the total project spend within property, plant and equipment. The Group's capital expenditure in the year was £104.0m (2020: £247.0m) and includes capitalised labour of £34.4m (2020: £39.3m). Other development costs are capitalised within intangible assets. In the year, new development costs capitalised total £0.3m (2020: £2.7m) with amortisation of £1.6m (2020: £1.6m) charged against such capitalised development costs.

Overseas branches

The Group has trading branches based in the Isle of Mann, the Channel Islands and France.

Events after the reporting date

On 9th July 2021, the Group refinanced its bank facilities and now has access to a £100.0m Working Capital Facility maturing in 2024 and a 25 year £150.0m Liquidity Fund. These facilities are floating rate in nature with a margin over SONIA of between 120 and 130bps. Arqiva Financing No1 Limited ('AF1') is the borrower under all of these arrangements.

On 10 August 2021 a fire broke out at our Bilsdale transmitter site. Our engineers have worked on a four-stage recovery plan to reinstate services present on the mast. Through phases 1 and 2 of our recovery plan, around 500,000 households have now been returned to a coverage area through utilisation of other sites and radio services (FM and DAB) have also been restored for many. Works have been completed for the improvement of TV coverage from our Eston Nab site and an additional 15metre mast has been installed at a site in Arncliffe Wood in order to extend coverage from this site to achieve this. Phase 3 of the recovery plan involves the erection of a temporary mast at the Bilsdale site which is expected to restore signals to over 90% of affected households. Work began on the temporary mast on 13 September following a legal process to secure access to the new site. Phase 4 of the recovery plan will be to complete the enduring solution. Management are still assessing the financial impact of the incident and the assets damaged by the fire, and have engaged with the Group's insurers.

Dividends and transfers to reserves

Now Digital (East Midlands), a Group company which includes a non-controlling interest, declared a dividend in the year of £0.4m (2020: £0.4m).

The Directors' of the Group have not recommended a dividend in the year (2020: nil).

The consolidated profit for the year of £504.9m (2020: loss of £322.8m) was transferred to reserves.

Going Concern

The Strategic report includes information on the structure of the business, the business environment, financial review for the year and uncertainties facing the Group. Notes 20, 23 and 25 of the consolidated financial statements include information on the Group's cash, borrowings and derivative respectively; and financial risk management information presented within this report.

The Group meets our day-to-day working capital and financing requirements through the net cash generated from our operations. The Group performs a review of going concern through a review of forecasting including cash flow forecasts and considering the requirements of capital expenditure and debt repayments. The Group has sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund our current operations, including our contractual and commercial commitments both in terms of capital programmes and financing. For this reason, the Directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing this financial information.

Following the sale of the Group's Telecoms infrastructure and related assets on 8 July 2020, management have significantly deleveraged the Group, and maintain a cash position sufficient to meet current liabilities as they fall due.

The Directors have also taken into account the potential implication of the current COVID-19 situation and have determined that given there will continue to be demand for services provided by the Group and the Group has a mixed customer base, the going concern basis remains appropriate.

Future Developments

The Group plans to continue in its commercial and operational business in accordance with its strategy. Further detail is contained within the Strategic report on page 19.

Ownership and Directors

A description of the ownership of the Group and the Board of Directors holding office during the year and up to the date of signing of the financial statements can be found on page 43.

At 30 June 2021, Mike Parton was the Group's independent Chairman. Rachael Whitaker was the Company Secretary at 30 June 2021. Rachael Whitaker resigned the role on 1 July 2021 and Jeremy Mavor was reappointed as the Company Secretary on 1 July 2021.

For details on the background of the Board of Directors and the Executive Committee please refer to page 43.

Details of the statutory directors of the Company are shown on page 130.

Directors Indemnities

The Company has provided an indemnity for its Directors and the Company Secretary, which is a qualifying third-party indemnity for the purposes of the Companies Act 2006. The indemnity was in force during the full financial year and up to the date of approval of the financial statements.

Disclosure of information to the Independent Auditors

The Directors of the Group 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 steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 Group and Company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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.

On behalf of the Board

Mike Parton

Director
21 September 2021

Financial Statements

Group Financial Statements

Company Financial Statements

Independent auditors' report to the members of Arqiva Group Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- [illegible] financial statements and Company financial statements [illegible] give a true and fair view of the [illegible] 30 June 2021 and of the [illegible] cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 [illegible] law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial [illegible] which comprise: the Consolidated and Company statements of financial position as at 30 June 2021; the Consolidated income statement; the Consolidated statement of comprehensive income; the Consolidated cash flow statement and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International [illegible] responsibilities under ISAs (UK) are [illegible] responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements [illegible] Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- For the Group financial statements we performed an audit of the complete financial information of three entities and the consolidation. We also conducted audit procedures on specific line items for 12 entities to ensure sufficient coverage. The audit work performed gave us coverage of 95% of revenue and 95% of [illegible] finance income, finance costs, other gains and losses and exceptional income and expenses. All entities have been audited by the Group team and hence no component auditor has been involved in the audit of the Consolidated financial statements.

Key audit matters

- Valuation of financial instruments (Group)
- Carrying value of goodwill (Group)
- Recognition and recoverability of deferred tax assets (Group)
- Valuation of defined benefit pension scheme liability (Group)
- Covid-19 impacts (Group and Parent)
- Accounting for gain on disposal (Group)

Materiality

- Overall Group materiality: £8,300,000 based on approximately 2.5% of Adjusted EBITDA.
- Overall Company materiality: £230,271 based on approximately 2% of Net Assets.
- Performance materiality: £6,225,000 (Group) and £172,704 (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters [illegible] judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Accounting for gain on disposal (Group) is a new key audit matter this year. Revenue and profit recognition on complex contracts (Group), IFRS 16 implementation (Group), Classification, presentation and disclosure of discontinued operations (Group) and also Investment in subsidiaries (Parent) which were key audit matters last year, are no longer included because of the following reasons. In relation to revenue and profit recognition on complex contracts, the matters giving rise to the complexities have been completed. Discontinued operations in the current year were limited, with the exceptional gain on disposal of discontinued operations being included as a new key audit matter this year. The implementation of IFRS 16 was applicable only in the first year of adoption of the standard. The investment in subsidiaries were fully impaired in the prior year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of financial instruments (Group) The Group holds a number of derivative financial instruments comprising interest rate and inflation linked swaps in relation to the financing of the Group. These derivative financial instruments are significantly out of the money on a net portfolio basis. The Group accounts for the valuations of these instruments using valuations provided by the counterparty institutions with adjustments made by management for counterparty credit risk. Whilst there has been settlement of several derivatives during the year, this continues to be a key audit matter due to the complexity of the valuations and the quantum of balances involved, amounting to £326.3m derivative financial instrument liabilities. Refer to page 87 and page 117 (note 3 - significant accounting policies - financial instruments and note 25 - financial instruments and risk management).	We engaged PwC valuations experts to assist with the audit of the counterparty valuations of each interest rate swap and inflation linked swap, and [illegible] risk of those instruments. Our experts recalculated the fair value using the internal PwC valuation model for a sample of instruments, which was then compared to the amount recognised in the financial statements. We also obtained independent confirmations of the swap arrangements and associated year end fair values and no material differences were identified. We have also understood and tested the impact on derivatives from the repayments during the year including accounting for the break costs on early debt repayments and derivatives of £55.9m which have been appropriately recognised and disclosed within the financial statements. As a result of our work performed no material differences were noted in respect of the valuation of financial instruments.
Carrying value of goodwill (Group) [illegible] to prepare annual impairment reviews in respect of [illegible] amounting to £1,457.4m, and the impairment reviews performed over goodwill include a number of assumptions which are subject to management judgement and estimates. Refer to page 92 and page 104 (note 4 - critical accounting judgements and key sources of estimation uncertainty - impairment of goodwill and note 14 - goodwill).	We obtained an understanding of the allocation of [illegible] impairment model and assessed its appropriateness. We tested the impairment model, assessing its mathematical accuracy, the accuracy of inputs to the model and the reasonableness of the assumptions applied by management in assessing the valuation of goodwill for each cash generating unit. These included the assumptions for revenue and cost growth, capital expenditure and the discount rate used. We tested the cash flows and agreed these to Board approvals and performed a look back test to assess accuracy of forecasting.

	We involved our PwC valuations experts to evaluate the discount rate used to calculate the present value of the cash flows and confirmed this was calculated using an acceptable methodology and concluded that the discount rate is materially in line with what we would expect. [illegible] performed our own sensitivity analysis considering various reasonably possible scenarios impacting key assumptions including forecast cash flows, terminal growth rate and discount rates. Based on this testing we considered whether the carrying value of the goodwill balances was adequately supported by the value-in-use impairment model prepared by management, and found there to be a significant level of headroom. Our testing did not identify any material differences to the position reflected in the financial statements.
Recognition and recoverability of deferred tax assets (Group) Following the introduction of legislation in previous years which restricts interest deductions, the Group recognised a significant deferred tax asset at that time. At year end, a deferred tax asset of £230.1m is capitalised on the balance sheet with a further £394.1m of potential deferred tax assets not recognised on the basis that they are not considered to be recoverable. There is judgement involved in the determination of the elements of the deferred tax asset to recognise and the value of that recognition, including the extent to which there are foreseeable taxable profits. Refer to page 92 and page 110 (note 3 critical accounting judgements and key sources of estimation uncertainty – deferred tax) and note 19 (deferred tax).	[illegible] set out the various elements of the deferred tax asset [illegible] recognised, and assessed the appropriateness of this in conjunction with our taxation specialists. [illegible] to tax losses and the evidence available to support the recognition of losses arising in various entities, including consideration of whether specific steps are required in order to enable the value of the losses to [illegible] recovery. [illegible] profits and agreed those to the approved [illegible] plan and also agreed these to be consistent with the forecasts used for the goodwill impairment assessment. The calculations of the forecast taxable profits were reviewed, and an analysis of the sensitivity of the utilisation horizon to variations in EBITDA was considered. As a result of our work performed no material differences were noted in respect of the amount of deferred tax asset recognised in the financial statements at 30 June 2021.
Valuation of defined benefit pension scheme liability (Group) The Group operates one Defined Benefit Plan which has a surplus at the year end of £47.1m.	We involved our actuarial specialists and reviewed the key assumptions used to derive the pension benefit obligation to assess whether they sit within our

The valuation of the plan liabilities (£248.8m) includes a high level of estimation uncertainty, comprising several different key assumptions. There is a risk that an error within one or a combination of those assumptions could lead to a material misstatement in the financial statements. Refer to page 124 (note 29 - retirement benefits)	acceptable ranges based on market data and can conclude that all of the key assumptions do sit within our acceptable ranges. We also tested the key inputs to supporting evidence with no exceptions noted. We reviewed the actuarial report and enquired of [illegible] management addresse[illegible] modelling accuracy and the controls in place for the modelling and performed our own data validation checks. We also performed risk assessment analytical procedures on both the financial and demographic assumptions. As a result of our work performed no material differences were noted in respect of the pension benefit obligation recognised in the financial statements at 30 June 2021.
Covid-19 impacts (Group and Parent) Since early 2020, the Covid-19 pandemic has impacted the globe, creating considerable uncertainty for economies and markets. Despite some challenges, Arqiva, as a critical national infrastructure business, have continued to operate throughout the pandemic and have continued to maintain services providing communications and broadcast capabilities across the country and management therefore consider the impact of Covid-19 to be limited. UK commercial radio has been impacted by Covid-19 with some reduction to revenue seen, as many businesses temporarily cut advertising budgets as a result of the lockdowns in the UK. Key programmes such as the 700MHz Clearance programme and the Smart metering rollout have also been impacted due to access to the sites being limited however this has not had a material impact on the business, and no additional provisions have been considered necessary. FY22 budgets have been revisited by management to ensure that any necessary revisions are made to take into account any known and expected impacts of Covid-19. These have [illegible] assessment. Refer to page 31, Going concern.	We discussed the impact of Covid-19 in each key meeting held with management at multiple levels across the Group. We considered the impact of Covid-19 as part of our going concern procedures including considering the updated FY22 budget, and extent of sensitivities applied to include severe but plausible downside scenarios, and we concur with the [illegible] going concern, with Covid-19 not having impacted this conclusion. We also considered the impact of Covid-19 as part of our impairment work by incorporating the expected impact on future cashflows noted above. As part of this work we challenged key assumptions as well as performing further sensitivity testing for reasonably possible change in assumptions, concluding that the impact of Covid-19 has not changed the conclusions reached in relation to the carrying value of Goodwill. We audited provisions associated with the delays experienced on key programmes and concluded that these are materially appropriate. [illegible] the disclosures in the financial statements are adequate and consistent with our audit work and understanding of the business and how it has been impacted by the pandemic.

Accounting for gain on disposal (Group) On 8 July the Group completed the sale of its Telecoms infrastructure and related assets at a value of £1,820.4m. A gain of £1,032.6m was recognised within the FY21 financial statements. On account of the quantum of the gain on disposal and the significant impact this item has had on statutory profit, we have included this as a key audit matter. Refer to page 77, page 99 and page 111 (Consolidated income statement, note 7 – Exceptional items and note 21 – Discontinued operations and disposal group held for sale).	We obtained the final sale documents and other supporting evidence including agreement to bank statements, to agree the sales proceeds received. We audited management's calculations of the amount to be treated as deferred revenue rather than sale consideration in relation to future services to be provided. We involved our valuations specialists to agree the reasonableness of the discount rate applied to the deferred revenue element and performed testing over the inputs to the calculation. We performed substantive testing over the Group's direct costs of the sale which were deducted when arriving at the profit on disposal. We also agreed the net asset value disposed to the trial balances of the related businesses which were audited at the prior year end, adjusted for the profit for the eight days in the current financial year prior to sale. We agreed the calculation of the gain based on the relevant inputs, including assessing whether the tax treatment of the gain was compliant. No issues were noted as a result of our work performed. We considered the related disclosures within the financial statements, with no material exceptions noted from our procedures.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they [illegible] business is carried out through a single principal trading subsidiary aligned into two customer facing business units, Media Distribution and Smart Utilities Networks. [illegible] functions. In addition, there are a number of entities which provide financing to the operations.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - Group	Financial statements - Company
Overall materiality	£8,300,000	£230,271.
How we determined it	approximately 2.5% of Adjusted EBITDA	approximately 2% of Net Assets
Rationale for benchmark applied	Based on our professional judgement, adjusted EBITDA is an appropriate adjusted measure to assess the performance of the Group, which focuses on the underlying trading results	Based on our professional judgement, net assets is an appropriate measure to assess the performance of the Company and is a generally accepted auditing bench mark. A rule of thumb of approximately 2% is appropriate given that the entity itself is not a PIE.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.1m and £7.9m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £6,225,000 for the Group financial statements and £172,704 for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £400,000 (Group audit) and £11,000 (Company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and [illegible] a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the [illegible] basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial [illegible] thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report [illegible] considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strat[illegible] Report for the year ended 30 June 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic [illegible]

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the [illegible] responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for [illegible] going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to [illegible] includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Communications Act 2003 and UK Tax law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We [illegible] and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management's manipulation of key performance measures such as earnings before taxation, interest, depreciation, and amortisation (EBITDA). We have determined EBITDA is the key metric for stakeholders, such as the Group's ultimate parents and lender. It is therefore the most likely for management manipulation through the posting of manual journals and judgements over significant accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with Management and Directors, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud
- Challenging assumptions and judgements made by Management and considering risk of management bias in their significant accounting estimates as disclosed in Note 4 of the financial statements
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or journals posted by unexpected users
- Reviewing minutes of meetings of those charged with governance
- Reviewing financial statement disclosures made by management on their significant accounting estimates and judgements as disclosed in Note 4 of the financial statements
- As required by ISA 240, incorporating an element of unpredictability into our audit testing

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the [illegible] www.frc.org.uk/auditorsresponsibilities. This description forms part of our [illegible] letter, we also agreed to describe our audit approach, including communicating key audit matters.

Use of this report

This report, including the opinions, has been prepared for and only for [illegible] accordance with Chapter 3 of Part 16 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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- [illegible] remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

N. Comello

Nigel Comello (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 September 2021

Consolidated income statement

	Note			Year ended 30 June 2021			Year ended 30 June 2020
				Total £m			Total £m
[illegible]	3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gross profit		412.2	2.9	415.1	482.4	149.8	632.2
[illegible]		*(167.9)*	*(0.6)*	*(168.5)*	*(190.8)*	*(16.4)*	*(207.2)*
[illegible]		*(9.7)*	-	*(9.7)*	*(10.3)*	*(0.1)*	*(10.4)*
[illegible]		*(25.6)*		*(25.6)*	*(15.5)*	*(19.2)*	*(34.7)*
[illegible]		*(79.8)*	*(0.4)*	*(80.2)*	*(99.8)*	*(13.4)*	*(109.2)*
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]		[illegible]	[illegible]		[illegible]
Operating profit		138.5	1.9	140.4	185.5	95.7	281.2
[illegible]		[illegible]		[illegible]	[illegible]	-	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]			[illegible]	[illegible]			
[illegible]		[illegible]		[illegible]	[illegible]		[illegible]
[illegible]		[illegible]		[illegible]	[illegible]		[illegible]
(Loss) / profit before tax		(597.2)	1,040.1	442.9	(400.3)	81.3	(319.0)
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(Loss) / profit for the year		(529.5)	1,034.4	504.9	(390.5)	67.7	(322.8)
[illegible]							
[illegible]				[illegible]			[illegible]
[illegible]							
				504.9			(322.8)

Further comments on consolidated income statement line items are presented in the notes to the financial statements

Consolidated statement of comprehensive income

	Note	Year ended 30 June 2021	Year ended 30 June 2020
		[illegible]	[illegible]
Profit / (loss) for the year		504.9	(322.8)
Items that will not be reclassified subsequently to profit or loss			
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]
		19.8	(9 6)
Items that may be reclassified subsequently to profit or loss			
[illegible]		[illegible]	
Total other comprehensive income / (loss)		20 0	(9.6)
Total comprehensive income / (loss)		524.9	(332 4)
[illegible]			
[illegible]		[illegible]	[illegible]
[illegible]		[illegible]	
		524.9	(332.4)

[illegible]

Consolidated statement of financial position

	Note	30 June 2021 £m	30 June 2020 £m
Non-current assets			
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	
		3,174.2	3,164.1
Current assets			
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]
		432.7	313.8
[illegible]	[illegible]		[illegible]
		432.7	1,500.2
Total assets		3,606.9	4,664.3
Current liabilities			
[illegible]		[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
		(2,555.6)	(2,592.4)
[illegible]	[illegible]		[illegible]
		(2,555.6)	(3,022.0)
Net current liabilities		(2,122.9)	(1,521.8)
Non-current liabilities			
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
		(4,621.6)	(5,737.4)
Total liabilities		(7,177.2)	(8,759.4)
Net liabilities		(3,570.3)	(4,095.1)

Consolidated statement of financial position (continued)

	30 June 2021	30 June 2020
	£m	£m
Equity		
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
Total equity	(3,570.3)	(4,095 1)

[illegible]

Mike Parton [illegible]

Consolidated statement of changes in equity

	Note	Share capital* £m	Share premium £m	Accumulated losses £m	Translation reserve £m	Total Equity attributable to owners of the Parent £m	Non controlling interests £m	Total equity £m
Balance at 1 July 2019		653.9	315.6	(4 732.4)	(0.7)	(3,763.6)	1.0	(3,762.6)
[illegible]				[illegible]		[illegible]	[illegible]	[illegible]
[illegible]				[illegible]		[illegible]		[illegible]
[illegible]				[illegible]		[illegible]		[illegible]
[illegible]	[illegible]						[illegible]	[illegible]
Balance at 30 June 2020		653.9	315.6	(5,065.1)	(0.7)	(4,096.3)	1.2	(4,095.1)
[illegible]				[illegible]		[illegible]	[illegible]	[illegible]
[illegible]				[illegible]	[illegible]	[illegible]		[illegible]
[illegible]				[illegible]	[illegible]	[illegible]		[illegible]
[illegible]							[illegible]	[illegible]
Balance at 30 June 2021		653.9	315 6	(4,540.7)	(0.5)	(3,571 7)	1.4	(3,570.3)

[illegible]

Consolidated cash flow statement

	Note	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Net cash inflow from operating activities	[illegible]	398.7	489.0
Investing activities			
[illegible]			[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	
Net cash inflow / (outflow) from investing activities		1,734.3	(115.0)
Financing activities			
[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]
[illegible]		[illegible]	[illegible]
[illegible]	24	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]			[illegible]
[illegible]		[illegible]	
[illegible]		[illegible]	–
Net cash outflow from financing activities		(1,999.6)	(284.2)
Increase in cash and cash equivalents		133.4	89.8
[illegible]		110.1	20.3
[illegible]		243.5	110.1

Notes to the Group financial statements

1 General information, authorisation of financial statements and Statement of Compliance

[illegible] limited by shares and incorporated in England, in the United Kingdom (UK) under the Companies Act 2006 under registration number 05254001. The address of the registered office is Crawley Court, Winchester, Hampshire, England SO21 2QA.

These consolidated financial statements of the Company and its subsidiaries for the year ended 30 June 2021 comprise the Company and its subsidiaries (together the 'Group').

[illegible] and its principal activities are set out in the Strategic Report on pages 12 to 52.

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the UK, interpretations of the IFRS Interpretations Committee (IFRS IC) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. At the point of exit by the UK from the European Union on 31 December 2020, the accounting standards followed changed from EU adopted standards to UK *adopted standards*. As at 30 June 2021 there were no differences between the two interpretations and therefore no impact on either the current or prior year figures presented.

The Company has elected to prepare its financial statements in accordance with FRS 101 Reduced Disclosure Framework. These are presented on pages 130 to 140.

2 Adoption of new and revised Standards

New and revised Standards

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements.

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IFRS 16	Covid-19 Related Rent Concessions
Annual Improvements to IFRS Standards 2018 – 2020 cycle	Various standards

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37 Annual	Onerous Contracts – Cost of Fulfilling a Contract
Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

3 Significant accounting policies

Basis of preparation

The financial framework which now applies to entities preparing financial statements in accordance with legislation, regulation or accounting standards applicable in the UK and the Republic of Ireland is FRS 100 Application of Financial Reporting Requirements, which was issued in November 2012.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the UK, interpretation of the IFRS Interpretations Committee (IFRS IC) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

At the point of exit by the UK from the European Union on 31 December 2020, the accounting standards followed changed from EU-adopted standards to UK adopted standards. As at 30 June 2021 there were no differences between the two interpretations and therefore no impact on either the current or prior year figures presented.

The financial statements have been prepared on the historical cost basis, except for the valuation of financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The principal accounting policies adopted are set out below. These policies have been applied consistently across the comparative financial periods included within these financial statements.

[illegible] ments have been prepared under FRS 101 and in accordance with the Companies Act 2006 and are included in this report – see page 130.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries, together the Group) made up to 30 June 2021.

Control is achieved when the Company:

- has demonstrable power over the relevant activities of the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Intra-group profits have been eliminated. Undertakings, other than subsidiary undertakings, in which the Group has an investment representing not less than 20% of the voting rights and over which it exerts significant influence are treated as associated undertakings. Where the Group has an investment that has joint control, this is treated as a joint venture. Associates and joint ventures are accounted for using the equity method of accounting in accordance [illegible]

Going concern

Historically the Group has reported losses and has a significant net liability position on the Statement of Financial Position, caused primarily by debt and the related financing costs. However, the Group has continued to generate strong operating cashflows.

The Group meets its day to day working capital and financing requirements through the net cash generated from its operations. The Group has access to sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments as set out in note 28.

The Group responded to the COVID 19 pandemic by taking deferrals on VAT payments which have since been repaid in full during December 2020, and also by offering discounts to commercial radio customers severely impacted by the economic implications of the pandemic through loss of advertising revenues. [illegible] business, and the fact many of the contracts in place are long term contracts, we do not anticipate a long lasting impact on the business as a result of the pandemic.

[illegible] Telecoms infrastructure and related assets on 8 July 2020, management has significantly deleveraged the Group, and maintain a cash position sufficient to meet current liabilities as they fall due.

In addition, forecast covenant compliance remains strong. For this reason the Directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future.

Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

Revenue recognition

Revenue represents the gross inflow of economic benefit for services [illegible] communications infrastructure, completion of significant engineering projects and the sale of communications equipment. Revenue is stated net of value added tax. Revenue is measured at the fair value of the consideration received or receivable.

On inception of a contract, performance obligations are identified for each of the distinct goods or services that have been promised to be provided to the customer. The consideration specified in the contract is allocated to each performance obligation identified based on their relative standalone selling prices and is recognised as revenue as they are satisfied. Determining the standalone selling price often requires judgement and may be derived from regulated prices, list prices, a cost-plus derived price, or the price of similar products when sold on a standalone basis by Arqiva or a competitor. In some cases it may be appropriate to use the contract price when this represents a bespoke price that would be the same for a similar customer in a similar circumstance.

Cash received or invoices raised in advance are taken to deferred income and recognised as contract liabilities, and subsequently recognised as revenue when the services are provided. Where consideration received in advance is discounted reflecting a significant financing component, it is reflected within revenue and interest payable and similar charges on a gross basis.

Revenue recognised in advance of cash being received or an invoice being raised is recognised as accrued income within contract assets, and subsequently reclassified to receivables once an invoice is raised. Invoices are issued in line with contract terms.

The Group recognises deferred income within contract liabilities which relates to cash received in relation to future services for TSAs and the utilisation of broadcast sites for telecommunications equipment as a result of the sale of the Telecoms business. This contract liability is expected to be released over the next 35 years.

The Group does not have any material obligations in respect of returns, refunds or warranties.

The following summarises the performance obligations we have identified and provides information on the timing of when they are satisfied and the related revenue recognition policy. The revenue expected to be recognised in future periods for contracts in place at 30 June 2021 that contain unsatisfied performance obligations is included in note 5.

Rendering of services

Performance obligations under contracts for the rendering of services are identified for each distinct service or deliverable to which the customer has contracted and are considered to be satisfied over the time period that the services or deliverables are delivered. Revenue is recognised over time in line with the service provision over the contractual period and appropriately reflects the pattern by which the performance obligation is satisfied. Such revenues include television and radio transmission services, media services and machine to machine connectivity.

For long term services contracts, revenue is recognised on a straight-line basis over the term of the contract. However, if the performance pattern is other than straight-line, revenue is recognised as services are provided, usually on an output or network coverage basis. Such revenues include Smart metering network build and service operation.

Pre-contract costs incurred in the initial set up phase of a contract are deferred. These costs are then recognised in the income statement on a straight-line basis over the remaining contractual term, unless the pattern of service delivery indicates a different profile is appropriate. These costs are directly attributable to specific contracts, relate to future activity, will generate future economic benefits and are assessed for recoverability on a regular basis. Costs related to delivering services under long-term contractual arrangements are expensed as incurred.

Delivery of engineering projects

Arqiva provides support to its customers by undertaking various engineering projects. Contracts for the delivery of engineering projects are split into specific performance obligations. Performance obligations relating to services are satisfied over the time period that services are delivered, performance obligations relating to the provision of assets are satisfied at the point in time that control passes to the customer. Revenue from such projects, which are long-term (greater than 12 months) contractual arrangements, is recognised based on satisfaction of the identified performance obligations using the percentage of completion method. The stage of completion is based on the portion of costs incurred as a percentage of total costs. Profit is recognised if the final outcome can be assessed with reasonable certainty, by including revenue and related costs in the income statement as contract activity progresses.

A loss on a fixed price contract is recognised immediately when it becomes probable that the contract costs will exceed the total contract revenue.

Sale of communications equipment

Performance obligations from the sale of communications equipment provided as part of customer contracts are satisfied and revenue is recognised at the point in time that control passes to the customer, which is typically upon delivery and acceptance by the customer. In some cases, payment is not received in full at the time of the sale, and a contract asset is recognised for the amount due from the customer that will be recovered over the contract period. Revenue to be recognised is calculated by reference to the relative standalone selling price of the equipment.

Business combinations, including goodwill

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred. Goodwill is measured as the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) less the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is not amortised but is reviewed for impairment at least annually or where there is indication of impairment. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

Intangible assets are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the asset, on the following bases:

Asset Description	Estimated Useful Life
Licences	Length of the licence period (no more than 20 years)
Development costs	10 years
Access rights	Length of the agreement (no more than 20 years)
Software	5-10 years

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at historical purchase cost (which includes costs directly attributable to bringing the assets into working condition) being fair value for tangible assets acquired on acquisition, less accumulated depreciation and any provision for impairment.

Assets in the course of construction for production, supply or administrative purposes, are carried at cost, less any recognised impairment loss. The cost of self-constructed assets includes the cost of materials and direct labour. Labour costs are capitalised within the cost of an asset to the extent that they are directly attributable to the construction of the asset. The value capitalised captures all *elements of employee benefits as* defined by IAS 19.

Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the [illegible]

Depreciation of these assets, on the *same basis as other property assets,* commences when the assets are ready for their intended use. Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight line method *on the following bases:*

Asset Description	Estimated Useful Life
Freehold buildings	20 - 80 years
Leasehold buildings	Length of lease (typically between 20-80 years)
Plant and equipment	
- Communications infrastructure network	8 - 80 years
- Network computer equipment	3 - 20 years
- Motor vehicles	3 - 5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Freehold land is not depreciated.

Assets held under finance leases are depreciated over the shorter of their lease term and their expected useful lives (on the same basis as owned assets).

An item of property, plant and equipment is *derecognised upon* disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognised in the income statement.

Impairment of non-financial assets

At each reporting period date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. *When a reasonable and* consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life, such as goodwill, is tested *for impairment at least annually and* whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset *(or cash generating unit) is estimated* to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying *amount of the asset (or cash-*generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss unless the impairment relates to goodwill, in which case it cannot be reversed.

Financial instruments

Financial assets and financial liabilities are recognised in the [illegible] position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or [illegible]

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.
[illegible] ***financial assets*** are classified into the following specified [illegible] value th[illegible] measured at amortised [illegible]
The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Other financial assets measured at amortised cost are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non [illegible] financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents.

Trade receivables
Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Impairment of irrecoverable amounts is based on an expected credit loss model. In addition to the expected credit loss model, the Group's policy is to also consider specific provisions for trade receivables outstanding for more than 30 days beyond the agreed terms, or where the business environment indicates a specific risk. Management makes an assessment of the level of provision required and adjustments to the calculated level of provision are made accordingly.

Contract assets
Contract assets are amounts owed for future services from signed contracts. Revenue is measured at the amount receivable under the contract. It is discounted to present value if deferred payments have been agreed and the impact of discounting is material.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

[illegible] ***financial liabilities*** are classified as either financial liabilities [illegible] of the contractual arrangements entered into.

Borrowings
Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs are accounted for on an accruals basis to the income statement using the effective interest method, and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables
Trade and other payables are not interest bearing and are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method. They are included in current liabilities except for maturities greater than 12 months after the reporting date, which are classified as non current liabilities.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Decommissioning provisions are recognised within provisions for liabilities and charges and included within property, plant and equipment, where the costs of dismantling assets are considered material. The amounts recognised within property, plant and equipment are depreciated over the useful economic life of the asset. The provisions are discounted to reflect the time value of money where material.

When the probability that the Group will be required to settle an obligation or a reliable estimate cannot be made of the amount of the obligation, the Group discloses a contingent liability in the notes to the financial information.

The Group enters into a variety of ***derivative financial instruments*** to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivative financial instruments are recognised at fair value at the date the derivative contract is entered into and are revalued at fair value at each balance sheet date. The fair value of these instruments is determined from the expected future cash flows discounted at a risk-adjusted rate. The future cash flows are estimated based on forward interest/inflation/exchange rates observable from rates and yield curves at the end of the reporting period, and contract rates. The difference between the fair value at the risk adjusted rate and the fair value at the risk-free rate is used to determine the debit valuation adjustment and/or credit valuation adjustment to these instruments. The Group does not apply hedge accounting principles.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Otherwise derivatives are presented as current assets or current liabilities. Where derivatives have an amortising profile, the fair value of the element (i.e. the notional principal) that matures within 12 months is presented as a current asset or current liability. The Group has offsetting arrangements in place in the form of cross currency swaps to mitigate exchange rate risk. These derivatives are presented on a net basis.

Fair value measurement

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis. Exceptions to this principle have been made for measurements that are approximations to fair value but are not fair value, such as value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Disposal group held for sale, discontinued operations and gain on disposal of discontinued operations

Disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable within the next 12 months. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write down of the disposal group to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the disposal group is recognised at the date of derecognition.

Non-current assets that are part of a disposal group are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

The assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Income Statement.

A gain or loss on disposal of discontinued operations is recognised within the consolidated income statement representing the consideration received less transaction costs and the carrying value of the disposal group held for sale, and deferred income generated in relation to future services.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never [illegible] liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Retirement benefits

Defined contribution schemes

For defined contribution schemes, the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contribution payable in the year. Differences between contributions payable for the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Defined benefit schemes

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group 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 a high quality corporate bond of equivalent currency and terms to the scheme liabilities.

The Plan closed to future accrual of benefits on 31 January 2016. Prior to closing the scheme to future accrual, the Group presented current and past service costs within cost of sales and administrative expenses (see note 29) in its consolidated income statement. Curtailments gains and losses are accounted for as a past service cost.

Net interest expense or income is recognised within finance income (see note 9).

The retirement benefit obligation recognised in the consolidated statement of financial position represents the deficit or surplus in [illegible] schemes. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Leases

The Group as lessee

When the Group enters into a lease a [illegible] of [illegible] the leased item and a lease liability is recognised for any future lease payments due at the lease commencement date. The right-of-use asset is initially measured at cost, being the present value of the lease payments paid or payable, plus any initial direct costs incurred in entering the lease.

Right-of-use assets are depreciated on a straight line basis from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. The lease term is the non-cancellable period of the lease plus any periods for which [illegible] exercise any extension options.

The useful life of the asset is determined in a manner consistent to that for owned property, plant and equipment. If right-of-use assets are considered to be impaired, the carrying value is reduced accordingly.

Lease liabilities are initially measured at the value of the lease payments that are not paid at the commencement date and are usually discounted using the incremental borrowing rates of the applicable Group entity. Lease payments included in the lease liability include both fixed payments and in substance fixed payments during the term of the lease.

After initial recognition, the lease liability is recorded at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate (e.g. an inflation related increase), a renegotiation of the lease terms or if the Group's assessment of the lease term changes. Any change in the lease liability as a result of these changes also results in a corresponding change in the recorded right of use asset.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Operating profit and exceptional items

Operating profit is stated after exceptional items, including restructuring costs, impairment and after the share of results of associates but before finance income and finance costs.
Exceptional items are those that are considered to be one off, non recurring in nature or material, either by magnitude or nature, that the Directors believe that they require separate disclosure to avoid the distortion of underlying performance, for example one-off impairments, redundancy programmes, restructuring and costs related to significant corporate finance activities. The Directors believe the resulting EBITDA represents underlying performance excluding significant one-off and non recurring events, that more fairly represents the ongoing trading performance of the business. These items are therefore presented separately on the face of the income statement.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction, except in the case of certain financing transactions where hedging arrangements are in place and transactions are recorded at the contracted rate.
Monetary assets and liabilities denoted in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date or the contracted rate if applicable. Any exchange differences arising are taken to the income statement. Transactions in the income statement of overseas operations are translated using an average exchange rate.

Exchange differences on translation of overseas subsidiaries are recognised through the statement of comprehensive income in the [illegible]

4 Critical accounting judgements and key sources of estimation uncertainty

[illegible] accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The judgements, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these judgements, estimates and assumptions.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised.

Critical judgements and key sources of estimation uncertainty in applying the Group's accounting policies

The following are the critical judgements and those involving estimations that the Directors have made in the process of applying the [illegible] have the most significant effect on the amounts recognised in financial statements and could reasonably be expected to change materially in the next 12 months.

Revenue recognition

Critical accounting judgements

[illegible] recognition policy as set out in note 3, judgements are made in respect of certain areas including:

- determination of distinct contract components and performance obligations
- the recognition of a significant financing component

The aforementioned judgements are consistently applied across similar contracts.

Key estimations

[illegible] recognition policy as set out in note

3, estimations are made in respect of certain areas including:

- measurement of variable consideration.
- in the application of the percentage of completion approach to long term contractual arrangements which relies on estimates of total expected contract revenues and costs, as well as reliable measurement of the progress made towards completion.

Key estimates are regularly monitored throughout the relevant contractual periods with reference to the stage of completion and any applicable customer milestone acceptance. This is particularly relevant to the approach for significant engineering projects, such as the 700MHz clearance programme, which typically contain a programme build phase and a long term operational phase. See note 5 for the total engineering revenue. The impact of a change in estimate related to engineering projects is considered to not be material going forward.

Deferred tax

Critical accounting judgements.

As disclosed in note 19, the Group has a significant unrecognised deferred tax asset, primarily in respect of deferred interest expenses and tax losses. Judgement is required in determining whether these assets can be accessed considering the restrictions of relevant tax legislation and expectations of future profits within particular group entities.

Only assets that are expected to be available to the Group have been recognised but the judgement relating to these unrecognised assets will remain under review and reassessed as the Group's circumstances and relevant tax legislation evolves.

Useful lives for property, plant and equipment and intangibles

Critical accounting judgements

Depreciation or amortisation is charged to the income statement based upon the useful lives selected. This assessment requires estimation of the period over which the Group will derive benefit from these assets.

Management monitor and assess the appropriateness of useful economic lives. Such lives may also be impacted by external market changes. In the event that such a change were to result in a revision of useful economic lives this could result in a change to the annual depreciation charge going forwards. In the theoretical scenario whereby medium and long term useful economic lives of property, plant and equipment were to be reduced by one year the estimated impact on the depreciation charge for the year is approximately £12m (2020: approximately £18m), with a reduction in depreciation in later years.

The Group manages its property, plant and equipment on a portfolio basis through a central estates team. This team contains qualified surveyors who have a wealth of experience working for the Group and within the industry as a whole.

The carrying values of intangibles are disclosed in note 15, and those for property, plant and equipment are disclosed in note 16.

Provisions and contingent liabilities

Critical accounting judgements

As disclosed in note 26, [illegible] provisions principally relate to obligations arising from contractual obligations, restructuring and property remediation plans and decommissioning obligations.

The identification of such obligations in the context of daily operations which require provisions to be made requires judgement.

Judgement is also required to distinguish between provisions and contingent liabilities.

Management also exercises judgement in measuring the exposures to contingent liabilities (see note 28) through assessing the likelihood that a potential claim or liability will arise, and in quantifying the possible range of financial outcomes.

Key estimations.

Estimates have been made in respect of the probable future obligations of the Group. These estimates are reviewed annually to reflect current economic conditions and strategic plans.

The decommissioning provisions are reviewed annually and are calculated based upon expected costs and past costs incurred on similar sites as determined by site and project management, as well as assessments made by internal experts (see note 26).

Management has estimated the impact of reducing the decommissioning timetable by one year to be £0.2m (2020: £0.5m) in relation to the unwinding of provision discounting on. If all site decommissioning was recognised in line with potential earlier expiration dates, a sensitivity of up to £10-15m across the portfolio as a whole. Such movement in any one financial year is not considered likely.

Impairment of goodwill

Critical accounting judgements.

[illegible] goodwill is reviewed at each statement of financial position date to determine whether there is any indication of impairment, [illegible] accounting policies.

Judgement is used to identify indicators of impairment and their impact upon the goodwill balances. An assessment of impairment is performed each year as detailed in note 14.

Leases

For most contracts there is limited *judgement in determining whether an agreement contains a lease.* IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the lessee. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

Judgement is sometimes required to determine whether the Group controls the asset and has a lease under IFRS 16.

Critical accounting judgements

Some lease contracts include elements of consideration which are fixed and variable. For these contracts judgement is required to determine to what extent any of the variable consideration is in substance fixed consideration according to IFRS 16. Where variable consideration is in substance fixed consideration it is accounted for in the valuation of the lease liability and right-of-use asset.

Lease terms under IFRS 16 may exceed the minimum lease period and include optional lease periods where it is reasonably certain that an *extension option (or other contractual rights) will be exercised* or that a termination option will not be exercised by the Group.

Significant judgement is required in determining whether optional periods should be included in the lease term taking into account the [illegible] purpose and potential for replacement and any plans that the Group has in place for future use of the asset.

The lease terms for land and buildings, subject to the non cancellable period and rights and options in each individual contract, are generally judged to be the longer of the minimum lease term and between 2 and 10 years, with terms at the top end of this range if the lease relates to assets that are critical to the delivery of major customer contracts.

Actuarial assumptions used to determine the carrying amount of the Group's defined benefit plan liabilities

Critical accounting judgements

[illegible] liabilities are discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. The Group selects these assumptions in consultation with an external qualified actuary.

Key estimations

Estimates are used in determining the present value of the scheme liabilities, which depend on such factors as the life expectancy of the members, the salary progression of our current employees and price inflation.

Management has considered the estimated impact of adjusting the assumptions used to determine the the present value of the scheme liabilities, which are summarised in note 29.

5 Revenue and segmental information

The Group derives its revenue from the rendering of services, engineering projects and the sale of communications equipment. See note 3 for the accounting policies adopted.

The following tables disaggregate revenue from contracts with customers by our major service lines.

Year ended 30 June 2021	Media Distribution £m	Smart Utilities Networks £m	Total continuing operations £m	Total discontinued operations £m	Total £m
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]		[illegible]
[illegible]		[illegible]	[illegible]		[illegible]
Revenue	519.5	122.8	642.3	4.9	647.2

[illegible]

Year ended 30 June 2020	Media Distribution £m	Smart Utilities Networks £m	Total continuing operations £m	Total discontinued operations £m	Total £m
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		
Revenue	556.4	121.1	677.5	225.3	902.8

Revenue expected to be recognised in future periods (included in our order book) for performance obligations that are not complete (or are partially completed) as at 30 June 2021 is £4,113.5m (2020: £4,019.6m). The anticipated timing of recognition of this revenue is as follows:

Year ended 30 June 2021	< 1 year £m	1-2 years £m	2-5 years £m	5-10 years £m	> 10 years £m	Total £m
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]				[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
Revenue	531.3	468.5	1,148.1	1,229.3	766.3	4,113.5

Year ended 30 June 2020	< 1 year £m	1-2 years £m	2-5 years £m	5-10 years £m	> 10 years £m	Total £m
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]				[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
Revenue	567.5	527.6	1,277.7	1,286.7	360.1	4,019.6

Contract assets and liabilities

The Group has recognised the following assets and liabilities in relation to contracts with customers:

	30 June 2021 £m	30 June 2020 £m
Contract assets		
[illegible]	[illegible]	[illegible]
Contract liabilities		
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
	455.0	329.5

£95.2m of the contract liability recognised at 30 June 2020 was recognised as revenue during the year (2020: £178.2m). Impairment losses of £0.2m (2020: £0.3m) were recognised on contract assets during the year.

Other than business-as-usual movements there were no significant changes in contract asset and liability balances during the year.
In addition to the contract balances disclosed above, the Group has also recognised an asset in relation to the prepayment of costs to fulfil a contract. This is presented within other receivables in the balance sheet and totalled £1.0m (2020: £2.0m). Amortisation recognised as a cost of providing services during the year was £0.1m (2020: £0.2m).

Reporting by markets

During the year the Group continued to focus its commercial and operational resources across the Media Distribution and Smart Utilities Networks markets. [illegible] refers to our corporate activities which are non-revenue generating.

Information regarding the nature of these business areas is contained on pages 16 to 18 within the Strategic report.

Year ended 30 June 2021	Media Distribution	Smart Utilities Networks	Other	Discontinued Operations	Consolidated
	£m	£m	£m	£m	£m
Revenue	519.5	122.8	-	4.9	647.2
Segment result* (EBITDA)	327.1	41.8	(36.5)	2.5	334.9
[illegible]					[illegible]
[illegible]					[illegible]
[illegible]					[illegible]
[illegible]					[illegible]
Operating profit from continuing operations					138.5
[illegible]					[illegible]
[illegible]					[illegible]
[illegible]					[illegible]
Loss before tax from continuing operations					(597.2)

*Segment result [illegible]

Year ended 30 June 2020	Media Distribution	Smart Utilities Networks	Other	Discontinued Operations	Consolidated
	£m	£m	£m	£m	£m
Revenue	556.4	121.1	-	225.3	902.8
Segment result* (EBITDA)	384.2	51.7	(44.3)	131.4	523.0
[illegible]					[illegible]
[illegible]					[illegible]
[illegible]					[illegible]
[illegible]					[illegible]
Operating profit from continuing operations					185.5
[illegible]					[illegible]
[illegible]					[illegible]
[illegible]					[illegible]
Loss before tax from continuing operations					(400.3)

*Segment result [illegible]

EBITDA [illegible] operating profit is provided below

	Year ended 30 June 2021	Year ended 30 June 2020
	£m	£m
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
EBITDA	**334.9**	**523.0**

The accounting policies of the reportable segments are the same as [illegible] described in note 3.

Segmental result represents the EBITDA earned by each segment without allocation of the central administration costs. This is the [illegible] CODM for the purpose of resource allocation and assessment of segment performance.

For the purpose of monitoring segment performance and allocating resources between segments, the CODM monitors the capital expenditure of property, plant and equipment and intangible assets (presented on a cash basis) planned and utilised by each segment, an analysis of which is shown below.

	Media Distribution	Smart Utilities Networks	Other*	Consolidated
	£m	£m	£m	£m
Capital expenditure				
[illegible]	[illegible]	[illegible]	[illegible]	86.1
[illegible]		[illegible]	[illegible]	115.4

*Includes maintenance capex which is managed centrally and not allocated to individual business segments.

Note: the above is presented on a cash basis and therefore cannot be agreed directly to the capital additions presented in notes 15 and 16. The total balance comprises property, plant and equipment of £56.6m (2020: £113.3m) and intangible assets of £2.1m (2020: £2.1m) as referred to in the cash flow statement.

[illegible]

Geographical information

[illegible] majority of its revenue from external customers in the UK. The geographical analysis of revenue is on the basis of the country of origin in which the customer is invoiced.

The following revenue was generated from external customers:

	[illegible]	[illegible]	Year ended 30 June 2021 Total £m	[illegible]	[illegible]	Year ended 30 June 2020 Total £m
[illegible]	[illegible]	[illegible]	639.6	[illegible]	[illegible]	894.9
[illegible]	[illegible]		6.4	[illegible]		6.1
[illegible]	[illegible]		1.2	[illegible]		1.8
Revenue	[illegible]	[illegible]	647.2	[illegible]	[illegible]	902.8

The Group holds non-current assets (excluding financial instruments, deferred tax assets and pension surplus) in the following geographical locations:

	30 June 2021 £m	30 June 2020 £m
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]		
	2,889.7	2,979.0

Information about major customers

Included in the revenues arising from Media Distribution are revenues of £146.3m (2020: £146.3m) which arose from sales to a major customer, and Smart Utilities Networks revenues include £51.7m (2020: £55.8m) from a major customer.

In the prior year the Group received £45.0m of revenue relating to Telecoms discontinued operations from a major customer.

No other single customers contributed 10% or more to [illegible] aforementioned financial years.

6 Operating profit

Operating profit for the year has been arrived at after charging / (crediting)

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]		
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	-
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]

Services provided by the Group's Auditors and network firms

During the year the Group obtained the [illegible]

	Group Year ended 30 June 2021 £m	Group Year ended 30 June 2020 £m
[illegible]	[illegible]	[illegible]
		[illegible]
[illegible]		[illegible]
Non-audit services		
[illegible]	[illegible]	
[illegible]	0 9	1.3

7 Exceptional items

The Group recognises exceptional items which are considered to be one off and non recurring in nature or material items which require disclosure by virtue of their size or incidence for the financial statements to give a true and fair view. Further information is disclosed in note 3.

Profit/(loss) before tax is stated after (charging)/crediting:

	[illegible]	[illegible]	Year ended 30 June 2021 Total £m	[illegible]	[illegible]	Year ended 30 June 2020 Total £m
Operating expenses:						
[illegible]	[illegible]		(21.8)	[illegible]		(6.8)
[illegible]	[illegible]		(3.8)	[illegible]	[illegible]	(27.9)
	[illegible]		(25.6)	[illegible]	[illegible]	(34.7)
Other exceptional items:						
[illegible]		[illegible]	[illegible]			-
		-	1,038.3			
Total exceptional items	[illegible]	[illegible]	1,012.7	[illegible]	[illegible]	(34.7)

Reorganisation and severance expenses include costs relating to changes in the organisation design and restructuring of the business and [illegible] transformation programme as well as losses on curtailments in relation to the defined benefit pension plan.

This is a one off multi-year transformation programme that will help Anglian Water [illegible] modernise IT systems and achieve significant cost efficiencies and savings.

Corporate finance activities figures relate to costs and accruals associated with one off projects and corporate transactions including refinancing activities.

The gain on disposal of discontinued operations relates to the sale of the [illegible] related assets on 6 July 2020 as disclosed in note 21.

The amounts included within exceptional operating expenses above are deductible for the purpose of taxation.

The gain on disposal of the discontinued operations is not subject to UK Corporation tax as it is exempt under the Substantial Shareholding Exemption.

8 Employees

The average monthly number of persons (representing [illegible] was as follows

	Year ended 30 June 2021 Number	Year ended 30 June 2020 Number
[illegible]	[illegible]	[illegible]
[illegible]	–	[illegible]
Total employees	1,528	1,864

	Year ended 30 June 2021 Number	Year ended 30 June 2020 Number
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
Total employees	1,528	1,864

Their aggregate remuneration comprised

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
Income statement expense	82.9	88.1

9 Finance income

	[illegible]	[illegible]	Year ended 30 June 2021 Total £m	[illegible]	[illegible]	Year ended 30 June 2020 Total £m
[illegible]			-			0.3
[illegible]			-			0.2
[illegible]			2.7			2.7
Total finance income			2.7			3.2

Other financial assets income includes £0.3m (2020: £0.6m) in relation to net finance income on the defined benefit pension scheme.

10 Finance costs

	[illegible]	[illegible]	Year ended 30 June 2021 Total £m	[illegible]	[illegible]	Year ended 30 June 2020 Total £m
[illegible]			20.6			86.3
[illegible]			75.6			114.6
[illegible]			96.2			200.9
[illegible]			4.0			4.3
[illegible]			7.5			23.8
[illegible]			529.8			465.9
[illegible]			20.1			16.3
Total interest payable			657.6			711.2
[illegible]			5.5			6.9
Total finance costs			663.1			718.1

The shareholder loan notes carry fixed interest rates of between 13.0% and 14.0%, payment of which can be deferred at the option of the Group subject to certain conditions, [illegible] of which are subject to [illegible] review (see note 23).

11 Other gains and losses

	Note	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
[illegible]		[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	
Other (losses) / gains		(67 8)	113.6
[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]
Exceptional other (losses) / gains		(7.6)	1.1
Total other gains and losses		(75 4)	114.7

[illegible] 23), although until July 2020 the Group economically hedged these instruments with cross currency swaps. In July 2020 the entire cross currency swap portfolio was exited as detailed in note 25, at the same time the Group repaid its US dollar denominated debt (see note 23).

All other gains and losses in the year ended 30 June 2021 and 30 June 2020 relate to continuing operations.

12 Tax

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
[illegible]		
[illegible]	[illegible]	-
[illegible]		[illegible]
[illegible]		
- [illegible]	[illegible]	[illegible]
- [illegible]	[illegible]	
- [illegible]	[illegible]	[illegible]
- [illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
Total tax (credit) / charge for the year	(62.0)	3.8
Income tax expense is attributable to		
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
Total tax (credit) / charge for the year	(62.0)	3.8

UK corporation tax is calculated at a rate of 19.0% (2020: 19.0%) of the taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The tax (credit) / charge for the year can be reconciled to the loss before tax in the income statement as follows:

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
Total tax (credit) / charge for the year	(62 0)	3.8

The main rate of UK corporation tax was 19.0% during the year. In the Finance Act 2021 it was enacted that the main rate of UK corporation tax would be increased to 25.0% from 1 April 2023. UK deferred tax has been valued at either 19% or 25.0% (30 June 2019: 19.0%) depending on the period it is forecast to unwind as this is the rate substantively enacted for these periods.

(a) Expenses that are not deductible in determining taxable profit principally relate to interest payable on shareholder loan notes.

(b) Income not taxable principally relates to the profit arising on the sale of Arqiva Services Ltd. The gain arising is not taxable as it falls within the Substantial Shareholding Exemption for sales of trading businesses.

(c) Change in unrecognised deferred tax assets principally relates to deferred interest expenses (see note 19).

Tax in Consolidated Statement of Comprehensive Income

There is a tax charge of £6.6m (2020: credit of £2.3m) in respect of the actuarial movement of £26.4m (2019: £11.9m) in the Consolidated Statement of Comprehensive Income.

13 Dividends

	£ per share	Year ended 30 June 2021 £m	£ per share	Year ended 30 June 2020 £m
[illegible]	[illegible]		[illegible]	[illegible]
Total dividends payable to minority interests		0 1		0.1

The above amounts represent dividends declared to non-controlling interest shareholders by companies within the AGL Group.

No dividends were declared or paid to AGL shareholders during the year (2020: £nil).

14 Goodwill

	£m
Cost:	
[illegible]	1,978 8
[illegible]	[illegible]
At 30 June 2020 and 30 June 2021	1 457 8
Accumulated impairment losses	
[illegible]	[illegible]
At 30 June 2021	0 4
Carrying amount:	
At 30 June 2021	1,457.4
[illegible]	[illegible]

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating [illegible] benefit from that business combination. The CGUs that have associated goodwill are Media Distribution and Smart Utilities Networks.

These are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other groups of assets, and to which goodwill is allocated.

As part of the sale of the Telecoms operations, £521.0m of the goodwill previously classified as held for sale as at 30 June 2020 was subsequently disposed when the sale completed in July 2020.

The carrying value of goodwill as at the balance sheet date by the principal CGUs is shown as follows:

	30 June 2021 £m	30 June 2020 £m
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
Total	1,457.4	1,457.4

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value in [illegible]

The key assumptions for the VIU calculations are those regarding the discount rates, growth rates and expected changes to cash flows during the year for which management has detailed plans.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Growth rates are based on internal and external growth forecasts. Changes to cash flows are based on past practices and expectations of future changes in the market.

Projected cash flows and the [illegible]

The value in use of each CGU is determined from the cash flow forecasts derived from the most recent financial forecasts approved by the Board for the next five years. They [illegible] revenue, EBITDA growth, capital expenditure and working capital based on past experience and future expectations of performance.

Discount rate

The pre-tax discount rate applied to the [illegible] cash flow forecasts are derived using the capital asset pricing model for comparable businesses.

The assumptions used are benchmarked to externally available data. The pre-tax discount rate used for the Group is 8.1% (2020: 7.7%). This discount rate does not represent the weighted average cost of capital (WACC) for Arqiva, but instead is an industry and comparative company based capital asset pricing model (CAPM) derived discount rate, utilising current spot rates at the time of calculation.

Terminal growth rates
The terminal growth rate is determined based on the long term growth rates of the markets in which the CGU operates (2021 2.1 [illegible] 2020 1.4%). The growth rate has been benchmarked against externally available data. This rate does not exceed the average long-term growth rate for the relevant markets.

Sensitivities
There is headroom in all CGUs. No reasonably possible change in the key assumptions would cause the carrying amount of the goodwill by CGU to exceed the recoverable amount based upon the VIU.

15 Other intangible assets

	Licences	Development costs	Access rights	Software	Total
	£m	£m	£m	£m	£m
Cost					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]			[illegible]
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]
[illegible]		[illegible]			[illegible]
[illegible]	[illegible]			[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]					
[illegible]					
[illegible]		[illegible]			
At 30 June 2021	13.7	22.5	15.4	104 7	156.3
Accumulated amortisation					
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]
[illegible]		[illegible]		[illegible]	[illegible]
[illegible]	[illegible]			[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]		[illegible]	
[illegible]		[illegible]			[illegible]
At 30 June 2021	8.2	11.2	15.4	81 2	116.0
Carrying amount					
At 30 June 2021	5.5	11.3	-	23 5	40.3
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]

Development costs in respect of products and services that are being developed by the Group are being capitalised in accordance with IAS 38. These are amortised over their expected useful life once the product or service has been commercially launched.

Other intangible assets are recognised at cost and are amortised over their estimated useful lives.

16 Property, plant and equipment

	Freehold land and buildings	Leasehold buildings	Plant and equipment	Assets under the course of construction (AUC)	Total
	£m	£m	£m	£m	£m
Cost					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]				[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]			
[illegible]	[illegible]				[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	322.0	145.8	1,786 6	103.1	2,357.5
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]				[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
At 30 June 2021	326.5	149.7	1,821.8	128.8	2,426.8
Accumulated depreciation					
[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]		[illegible]		[illegible]
[illegible]	[illegible]	[illegible]			
[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
[illegible]	57 1	40.9	784.1	-	882.1
[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
At 30 June 2021	58.9	57 4	918.5	-	1.034.8
Carrying amount					
At 30 June 2021	267 6	92.3	903.3	128.8	1,392 0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Freehold land included above but not depreciated amounts to £156 1[illegible] (restated 2020 £157 0m). The prior year figure has been restated from £179 3m to remove the impact of held for sale items previously included in error.

[illegible] current assets have been pledged as security [illegible] debt facilities (see note 23). In addition, [illegible]

[illegible] the leased assets, which have a carrying amount of £5.1m (2020 £5 9m) included within leasehold buildings.

The carrying value of capitalised interest included within property, plant and equipment was £17 1m (2020 £17 3m).

At 30 June 2021, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £23 1m (2020 £15 6m). See note 28 for further details.

17 Interest in associates and joint ventures

In addition to the subsidiary undertakings (see note 4 to the Company financial statements on page 135) the Group holds the following interests in associates and joint ventures

Company	Country of incorporation	Principal activities	Registered office	Year end	Percentage of ordinary shares held
Joint ventures					
[illegible]	[illegible]	[illegible]	[illegible] United Kingdom [illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Associate undertakings					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Share of results of associates and joint ventures was [illegible] (2020: [illegible]) for the year with the interest in associates and joint ventures being [illegible] (2020: [illegible]).

The Group exited its associate undertakings with Digital UK Limited and DTV Services Limited in the year. There was no material financial impact as a result of these exits.

There are no other associates or joint ventures that are considered material, either individually or [illegible] performance.

The Directors consider the carrying [illegible] on an annual basis or more frequently [illegible] and believe that the carrying values of the investments are supported by the underlying trade and net assets.

Transactions with associates and joint ventures in the year are disclosed in note 30.

18 Trade and other receivables

	30 June 2021 £m	30 June 2020 £m
Trade and other receivables		
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
	128.0	139 1
Contract assets accrued income	61.2	64 6

[illegible] net trade receivables which are past due but where no indication of non recoverability has been identified is as follows

	30 June 2021 £m	30 June 2020 £m
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
	7.4	15 2

Trade receivables and contract assets are stated after deducting allowances for doubtful debts, as follows

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
Allowance at 30 June	4.5	6.5

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets

To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts

The expected loss rates are based on [illegible] losses experienced over the five year period prior to the period end. The historical loss rates are then considered for current and forward looking information on macroeconomic factors affecting [illegible] customers. No adjustments were made to the expected loss rates applied for the current year

The [illegible] expected loss rate for receivables is 0.4 [illegible] (2020: 0.4 [illegible]). At 30 June 2021 the lifetime expected loss provision for trade receivables and contract assets is as follows

	Current	Up to 30 days overdue	Up to 90 days overdue	Between 91 and 150 days overdue	More than 150 days overdue	Total
	£m	£m	£m	£m	£m	£m
[illegible]						
[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	
[illegible]	[illegible]					[illegible]
[illegible]	–					1
[illegible]					[illegible]	[illegible]
	[illegible]				[illegible]	[illegible]

£0.2 [illegible] (2020: £0.3 [illegible]) of the £4.5m (2020: £6.5m) lifetime expected loss provision relates to the contract assets.

In addition to the expected credit loss [illegible] considers specific provision for trade receivables outstanding for more than 30 days beyond the agreed terms, or where the business environment indicates a specific risk. Management will make an assessment of the level of provision based on the Group policy. Adjustments to the calculated level of provision will be made accordingly.

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Before accepting any new customer, the Group uses an external credit scoring system to [illegible] quality. For further information on how the Group manages credit risk see note 25.

19 Deferred tax

The balance of deferred tax recognised at 30 June 2021 is £230.1m (2020: £169.0m). The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Tax losses	Fixed asset temporary differences	Derivative financial instruments	Other temporary differences	Total
	£m	£m	£m	£m	£m
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]			[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
At 30 June 2021	**41.4**	**77.5**	**74.6**	**48.3**	**241.8**

Deferred tax liabilities	Retirement benefits	Total
	£m	£m
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
At 30 June 2021	**11.7**	**11.7**

Deferred tax has been measured at the UK corporation tax rate at which it is anticipated to reverse: 19.0% to the period to 31 March 2023 and 25% from 1 April 2023 (2020: 19.0%), these are the rates substantively enacted at the balance sheet date at which the deferred tax is expected to reverse. The corporation tax rate was increased to 25% from 19% effective from 1 April 2023, the deferred tax asset is anticipated to reverse both in the periods prior to and after 1 April 2023 and therefore the deferred tax asset has been recognised at the relevant tax rate. The impact of this rate change on the income statement is shown in Note 12.

Temporary differences arising in connection with unremitted earnings of overseas subsidiaries and interests in associates are insignificant.

There is an unrecognised deferred tax asset of £394.1m (2020: £272.9m). This is in respect of tax losses of £76.3m (2020: £72.4m) and deferred interest expenses £317.8m (2020: £200.5m). These deferred tax assets may be carried forward indefinitely. These assets have not been recognised since it is not probable that these assets will be able to be utilised against future taxable profits of the Group. The forecasts used for deferred tax asset recognition are the same as those [illegible] testing.

The Group continues to recognise the deferred tax asset based on forecast taxable profits that will arise based upon the long-term forecast results prepared for the Group.

The Group continues to recognise its deferred tax assets as supported by the same long-term group profit forecasts that are used for goodwill impairment testing (see note 14). No attributes have a time expiry and these forecasts show the deferred tax assets reversing to a net liability position by 30 June 2030. Due to the long term stable nature of the business, with significant long term contracts, the recognised deferred tax asset is not considered to be materially exposed to the performance of the Group based on reasonably possible trading forecasts.

20 Cash and cash equivalents

	30 June 2021 £m	30 June 2020 £m
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
Total cash and cash equivalents	243 5	110.1

21 Discontinued operations and disposal group held for sale

On 8 July 2020, the Group sold its Telecoms infrastructure and related assets including its 100% interest in Arqiva Services Ltd and its subsidiaries.

The profit on the disposal of the discontinued operation is not subject to UK Corporation tax as it is exempt under the Substantial Shareholding Exemption.

The post-tax gain on disposal of discontinued operations was determined as follows:

	30 June 2021 £m
[illegible]	[illegible]
[illegible]	
[illegible]	[illegible]
[illegible]	1,820.4
[illegible]	
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
	782 1
[illegible]	[illegible]
[illegible]	1,038.3

Result of discontinued operations

The results of the discontinued operation are disclosed in the Income Statement.

Statement of cash flows

The statement of cash flows includes the following amounts relating to discontinued operations

	30 June 2021	30 June 2020
	£m	£m
[illegible]	[illegible]	[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]	2 5	35.2

Assets and liabilities of disposal group held for sale

	30 June 2021	30 June 2020
	£m	£m
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
Assets held for sale		1,186.4
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
Liabilities held for sale		(429.6)

22 Trade and other payables

	30 June 2021	30 June 2020
	£m	£m
Current		
Trade and other payables		
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
	120.0	277 6
Contract liabilities deferred income	99.5	96.6
Non-current		
Contract liabilities - deferred income	355.5	232 9

23 Borrowings

	Denominated currency	30 June 2021 £m	30 June 2020 £m
Within current liabilities			
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]			
[illegible]	[illegible]		[illegible]
[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]
Borrowings due within one year		2,332.9	2,215.8
Within non-current liabilities			
[illegible]		287.6	396.2
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	200.0
[illegible]		1,324.4	1,861.6
[illegible]	[illegible]	[illegible]	
	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	2,148.1	2,148.1
[illegible]	[illegible]	86.3	101.2
Borrowings due after more than one year		3,846.4	4,707.1
Analysis of total borrowings by currency			
[illegible]		[illegible]	[illegible]
[illegible]			[illegible]
Total borrowings		6,179.3	6,922.9

Included within the £6,179.3m (2020: £6,922.9m) are debt issue costs of £8.5m (2020: £12.0m). Total borrowings excluding these amounts are £6,187.8m (2020: £6,934.9m) which comprise debt principal and interest, the maturity of which is included in the table below.

[illegible]

	30 June 2021	30 June 2020
	£m	£m
Borrowings falling due within		
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
Total	6,179.3	6,934.9

The weighted average interest rate of borrowings (excluding shareholder interest as described above) is 5.44% (2020: 6.42%).

Bank loans form part of the [illegible] **senior debt**. **Other loans** comprise [illegible] **senior bonds and notes** and **junior bonds**.

A summary of the movement in borrowings during the financial year is given below.

Borrowings	Reference	At 1 July 2020	Lease movements	Amounts repaid	At 30 June 2021
		£m	£m	£m	£m
[illegible]	[illegible]	[illegible]		[illegible]	
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]
[illegible]		[illegible]		[illegible]	[illegible]
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]
[illegible]		[illegible]		[illegible]	[illegible]
[illegible]	[illegible]	[illegible]			[illegible]
Total bank loans and private placements		2,940.0	-	(1,262.8)	1,677.2
[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
[illegible]		[illegible]			[illegible]
Total borrowings excluding accrued interest		5,211.0	(15.6)	(1,262.8)	3,932.6

[illegible] the table above incorporate:

(a) capital expenditure and working capital facilities (2021: £nil outstanding, 2020: £550.0m) of which £350.0m had an expected maturity date of March 2021. The remaining £200.0m had maturity dates over a period to March 2025, however following the full repayment of the capital expenditure facility, this could no longer be redrawn. These facilities were all fully repaid during July and August 2020 using proceeds from the sale of [illegible] business unit. All three facilities were floating rate in nature with a margin over LIBOR of between 115 and 180 bps.

On 9 July 2021, the Group refinanced its bank facility and now has access to a £100.0m Working Capital Facility maturing in 2024 and a £150.0m Liquidity Fund. These facilities are floating rate in nature with a margin over SONIA of between 120 and 130bps. Arqiva Financing No 1 [illegible] all of these arrangements.

The Group has £250.0m (2020: £250.0m) of undrawn senior debt facilities available which were refinanced on 9 July 2021. These facilities are at floating interest rates. For further information on the [illegible] see note 25.

(b) an institutional term loan (2021: £90.0m outstanding, 2020: £180.0m) with an expected maturity date of December 2023. Using proceeds [illegible] Telecommunications business unit £90.0m of this loan was repaid in July 2020.

(c) a loan from the European Investment Bank (2021: £172.0m outstanding, 2020: £190.0m) with an expected maturity date of June 2024. Using proceeds from the sale of the [illegible] business unit, £18.0m of this loan was repaid in July 2020.

(d) financing facilities in Arqiva Smart Financing Limited (a Group company) established in December 2013 to at [illegible] metering contracts by financing the purchase of communication hubs. This £30m facility matures in June 2028 and £26.1m was drawn at the end of June 2021 (June 2020: £27.2m). The remaining £3.9m commitment was cancelled on 27th November 2020. This loan is amortising over time with the final maturity in June 2028.

There was also an associated £1.6m fee facility that matured in June 2021 which was £0.8m drawn as at June 2020, and fully repaid prior to 30 June 2021. These loans have floating rates of interest with margins ranging from LIBOR + 1.20% to 2.50%.

(e) a combination of publicly listed bonds and US private placement notes.

As at 30 June 2021, the Group has £470.7m (2020: £497.3m) sterling denominated bonds outstanding with fixed interest rates ranging between 4.88% and 5.34% (2020: 4.04% and 5.34%). These bonds are repayable between December 2021 and December 2032 and are listed on the London Stock Exchange. Arqiva Financing Plc is the issuer of all the [illegible]

The remaining senior notes relate to a number of US private placement issues in sterling with floating interest rates. The Group has £293.4m (2020: £478.5m) of sterling denominated floating rate US private placements that are amortising in nature with repayments due between December 2021 and December 2029. These instruments have a margin over LIBOR of between 210 and 220 bps.

Prior to being fully repaid in July 2020, the Group held fixed rate US private placements (2021: £nil, 2020: £391.2m) in sterling and US dollar denominated notes. At the hedged rate these are valued at £nil (2020: £342.7m). These notes had fixed interest rates which ranging between 1.10% and 4.42%. Arqiva PP [illegible] notes.

From the proceeds of the sale of the [illegible] Telecommunications business unit, the Group repaid the remaining £251.0m of fixed rate US dollar denominated notes, as well as the remaining £140.2m of fixed rate sterling denominated notes in July 2020, as well as a partial repayment of £172.3m of floating rate sterling notes in August 2020.

The fair value of the quoted senior bonds based upon observable market prices (fair value hierarchy level 1) was £561.7m (2020: £584.8m) whilst their carrying value was £470.7m (2020: £497.3m).

The fair value of fixed rate privately placed senior debt determined from observable market prices for quoted instruments as a proxy measure (fair value hierarchy level 2) was £nil (2020: £445.6m) whilst their carrying value was £nil (2020: £391.2m).

The remaining £293.4m (2020: £478.5m) of senior debt relates to other unquoted borrowings.

The directors consider the fair value of all other unquoted borrowings to be a close approximate to their carrying amount.

(f) Junior bonds of £625.0m represent amounts raised from the issuance of notes by Arqiva Broadcast Finance Plc. These notes have a fixed interest rate of 6.75% and are repayable in September 2023. These notes are listed on the Luxembourg Market.

The Group continues to comply with all covenant requirements.
The fair value of the quoted junior bonds based upon observable market prices (fair value hierarchy level 1) was £643.0m (2020: £650.2m) whilst their carrying value was £625.0m (2020: £625.0m).

(g) Obligations under leases are as defined within note 24.

(h) Shareholder loan notes which are unsecured, are listed on the Channel Islands Stock Exchange, are repayable between September 2024 and September 2025, and cannot be called upon early. The shareholder loan notes carry a fixed rate of interest ranging between 13% and 14% applicable to the capital and un-paid interest which can be deferred at the option of the Group subject to certain conditions, qualification of which are subject to an annual review, applicable to the capital and unpaid interest. The Group has exercised this option to defer interest payments since 2009.

[illegible] are structured within a Whole Business Securitisation package (WBS). These instruments have covenants attached, principally an interest and debt service cover ratio and a debt leverage ratio. The Group continues to comply with all covenant requirements.

There have been no breaches of the terms of the loan agreements during the current or previous year.
The value of the interest deferred on the shareholder loan notes at 30 June 2021 was £2,244.2m (2020: £1,714.3m).

24 Leases

Leases as lessee (IFRS 16)

The Group holds lease arrangements primarily relating to land and buildings, circuit contracts and vehicles.

Right-of-use assets

Right-of-use assets related to leased properties and land (other than investment property) are presented as plant and equipment. Plant and equipment leases relate to the use of fibre, other fixed telecommunications lines and IT equipment.

	Leasehold buildings £m	Plant and equipment £m	Total £m
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]
[illegible]	[illegible]		[illegible]
At 30 June 2020	68.3	51.0	119.3
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Balance at 30 June 2021	64.6	35.3	99.9

Amounts recognised in the Income Statement

Leases under IFRS 16	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]

Amounts recognised in the Cashflow Statement

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
[illegible]	[illegible]	[illegible]

[illegible] 23 [illegible] disclosed in note 25 Financial instruments and risk management

25 Financial instruments and risk management

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (as set out in note 27, see note 20 for cash and cash equivalents and note 23 for borrowings) and equity of the Group (comprising issued capital and share premium, reserves, retained earnings and non-controlling interests).

Levels of debt are maintained on an ongoing basis to ensure that no breaches occur and repayments can be and are made as necessary with refinancing carried out as required.

Significant accounting policies

Details of significant accounting policies and methods adopted (including criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in note 3.

[illegible] ives (i.e. interest rate, inflation linked and cross currency swaps) are measured on a fair value through profit and loss [illegible] acts as an effective hedge in economic terms, hedge accounting principles are not applied. This means that the [illegible] that the [illegible] adjusted fair value (i.e. risk adjusted Mark to Market value) at the date they are entered into and are revalued at each balance sheet date with gains and losses being reported separately in the income statement with [illegible] loss [illegible] (excluding termination amounts) on interest rate swaps (together with similar amounts under the cross currency and index linked swaps) are reported as a component of net bank and other loan interest within finance costs.

Financial risk management

The Group's treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group using financial instruments wherever it is appropriate to do so.

The treasury function reports to the Group Finance Director and the [illegible] Audit and Risk Committee, an independent function with a scope that includes monitoring the risks and policies implemented to mitigate risk exposures. The main risks addressed by financial instruments are interest rate risk and foreign currency [illegible] policies in respect of these risks remain unchanged throughout the year.

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency and interest rate risk, including:

- Interest rate swaps, including inflation-linked swaps, to mitigate the risk of movement in interest rates;
- Cross currency swaps to mitigate the risk of currency exposures on foreign denominated borrowings; and
- Forward foreign exchange contracts to manage exchange risks arising from transactional foreign exchange exposures.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Foreign currency risk management

The Group principally operates from UK sites and predominantly in the UK market, but has some overseas subsidiaries and transactions denominated in foreign currencies. While some customer and supplier contracts are denominated in other [illegible] and Euro), the majority of the [illegible] Sterling based and accordingly exposure to foreign exchange risk is limited.

Foreign currency exchange risk can be subdivided into two components: transactional risk and translation risk.

Transactional risk: The Group's policy is to hedge material transactional currency exposures via the use of forward foreign exchange contracts. The measurement and control of this risk is monitored on a Group-wide basis.

Translation risk: The Group translates overseas results and net assets in accordance with the accounting policy in note 3. Given the Group predominantly operates in the UK there is a relatively small exposure with overseas entities accounting for only 0.1% (2020: 0.3%) of operating profit and 0.1% (2020: 0.1%) of total assets for the Group.

[illegible]
liabilities (excluding hedged currency and US dollar-denominated borrowings) at the year-end were as follows

	30 June 2021	30 June 2020
	£m	£m
Monetary assets		
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
Total	26.5	17.9
Monetary liabilities		
[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]
Total	(8.2)	(8.3)

The Group previously held USD cross currency swaps to fix the Sterling cost of future interest and capital repayment obligations relating to the US dollar denominated private placement issue at an exchange rate of 1.52. As at 30 June 2021 the nominal value held in such swaps was £nil (2020: USD 307.9m) to fix the exchange rate of US dollar-denominated senior notes.

This provided an effective economic hedge of the foreign currency impact on the Sterling cost of future interest and capital repayment obligations, and as such there were no material sensitivities on these hedged amounts.

The entire cross-currency swap portfolio was exited in July 2020 with the fair value at time of disposal being £51.8m.

The remaining unhedged currency amounts do not expose the Group to material residual exposure to exchange rates. Accordingly, no sensitivity analysis has been presented.

Interest rate risk management

The Group has variable rate bank and US private placement debt and uses [illegible] inflation [illegible] its exposure to rising interest rates. The Group maintains a hedging policy to manage interest rate risk and to ensure the certainty of future interest cash flows. The Group has fixed rate hedging, split between IRS and ILS. IRS convert variable rate interest costs to fixed rate interest costs while ILS convert fixed or variable rate interest costs to RPI-linked costs, which fluctuate in line with the RPI index as do a portion of [illegible] swaps are entered into on terms (including maturity) that mirror the debt instrument they hedge, and therefore act as an effective economic hedge.

As the Group uses hedging to maintain fixed interest rates on the majority of its material borrowings (excluding revolving facilities) there is minimal exposure on the interest expense to interest rate movements. A rise or fall in interest rates would therefore not materially impact the interest expense payable by the Group.

Liquidity risk management

To ensure it has sufficient available funds for working capital requirements and planned growth, the Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements.

Credit risk management

The Group carefully manages the counterparty credit risk on liquid funds and derivative financial instruments with balances currently spread across a range of major financial institutions, which have satisfactory credit ratings assigned by international credit rating agencies. The levels of credit risk are [illegible] ongoing risk management processes which include a regular review of counterparty credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.

The Group is exposed to credit risk on customer receivables which is managed through credit checking procedures prior to taking on new customers and higher risk customers paying in advance of services being provided. Performance is closely monitored to ensure agreed service levels are maintained, reducing the level of queried payments and mitigating the risk of uncollectable debts. Expected impairment for trade receivables are calculated based on historical default rates. Details of this provision are shown in note 18.

The Group is due to repay or refinance £3.3bn of debt in the next 5 years to 30 June 2026. Regular reviews are performed to assess headroom between interest and capital repayments against forecast cash flows, thus monitoring the [illegible] to repay the debt.

The following tables set out the [illegible] derivative financial liabilities and derivative financial liabilities.

The amounts presented in respect of the non-derivative financial liabilities represent the gross contractual cash flows on an un-discounted basis. Accordingly, these amounts may not reconcile directly with the amounts disclosed in the statement of financial position.

The amounts presented in respect of [illegible] cial instruments represent their fair value and are accordingly consistent with the amounts included in the statement of financial position.

	Amounts falling due							
30 June 2021	*Within one year*	*Between one and two years*	*Between two and five years*	*After five years*	*Total*	*Effect of discounting*	*Interest to be incurred in future periods*	*Total financial liability per statement of financial position*
	£m	£m	£m	£m	£m	£m	£m	£m
[illegible]	[illegible]				[illegible]			43 9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		89.4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			3,825.3
	103 8	*56.8*	*3 209 7*	*638.6*	*4,008 9*	*(50.3)*		3,958.6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			107.3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	11 0
[illegible]			[illegible]		[illegible]			2,244.2
[illegible]	[illegible]	[illegible]	[illegible]		[illegible]			(6 8)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		333 1
Total swaps	78.9	53 1	181.0	43 7	356.7	(30 4)		326.3
Total financial liability	280.3	207 3	5.766.0	784.8	7,038.4	(80.7)	(310.3)	6,647.4

[illegible]

30 June 2020	Amounts falling due Within one year	Between one and two years	Between two and five years	After five years	Total	Effect of discounting	Interest to be incurred in future periods	Total financial liability per statement of financial position
	£m	£m	£m	£m	£m	£m	£m	£m
[illegible]	[illegible]				[illegible]			41.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		81.1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			5,088.1
	514.5	154.6	3,775.0	895.7	5,339.8	(128.7)	-	5,211.1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			122.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	9.6
[illegible]			[illegible]		[illegible]			1,714.3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		261.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		507.8
[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]		(50.6)
Total swaps	89.6	115.6	335.2	230.0	770.4	(51.7)	-	718.7
Total financial liability	728.0	385.7	6,048.8	1,260.8	8,423.3	(180.4)	(466.3)	7,776.6

[illegible]

The table below outlines the additional financing facilities available to the Group

	30 June 2021	30 June 2020
	£m	£m
[illegible]		
[illegible]		[illegible]
[illegible]	[illegible]	[illegible]
Total	250.0	800.0

As debt was refinanced the Group also restructured the associated swaps to reflect the new maturity profile.

Financial instruments

With the exception of derivative financial instruments (which are recognised and measured at fair value through profit and loss) the G[illegible] liabilities are recognised and measured following the financial assets measured at amortised cost recognition category.

The weighted average interest rate of fixed rate financial liabilities at 30 June 2021 for the next 12 months was 6.1% (2020: 5.6%) and the weighted average period of funding was 4.3 years (2020: 4.7 years). [illegible] were borrowings of £6,173.0m (2020: £6,922.9) (see note 23), which includes £581.5m (2020: £1,426.6m) with floating rate interest and the remainder with fixed rate interest (prior to the hedging arrangements described previously).

[illegible] measured at amortised cost comprise cash and cash equivalents of £243.5m (2020: £110.1m) and other financial assets of £128.0m (2020: £141.9m) as presented in notes 20 and 18 respectively.

Derivative financial instruments

The Group seeks to manage the exposures of its debt payment obligations through a combination of index linked, interest rate and cross currency swaps.

At the year end, the Group held interest rate swaps with notional amounts of £444.6m (2020: £848.5m) which hedge the interest [illegible] rate debt. The average fixed rate on these instruments is 0.2[illegible] (2020: 6.8[illegible]). The swap contracts have termination dates that match the maturities of the underlying floating rate debt instruments (see note 23).

Between July and September 2020, the Group exited or recouponed a number of interest rate swap arrangements, reducing the notional holdings of interest rate swaps by £395.1m, whilst recognising losses upon exit totalling £3.7m.

The Group has also entered into index linked swaps (notional amounts of £681.8m in 2021; 2020: £1,062.7m) where the Group receives floating and pays fixed linked to inflation interest obligations to an average rate of 2.9[illegible] indexed with RPI. The notional amounts of these swaps increase with RPI and these accretion amounts are cash settled annually, most recently in June 2021 (£14.5m; 2020: £48.8m).

All of these instruments have a maturity date of April 2027. These instruments were established to [illegible] namely fixed rate sterling bonds and the fixed rate US Private Placement issues) and in order to ensure that the cash flow characteristics align with these instruments, the Group has entered into £657.1m (2020: £1,062.7m) of fixed to floating rate interest rate swaps to match the cash flows on both the fixed rate debt instruments and the index linked swaps set out above.

In July and August 2020, following [illegible] fixed rate US private placement sterling and US dollar denominated notes and £350m public bond maturing in June 2020, the Group exited or recouponed a number of index linked swap arrangements reducing the notional holdings of index linked swaps by £630.7m, whilst recognising losses upon exit totalling £3.9m.

The Group previously held USD cross currency swaps (June 2020: USD 307.9m) to fix the Sterling cost of future interest and capital repayment obligations relating to the US dollar denominated private placement issue at an exchange rate of 1.52. The entire cross currency swap portfolio was exited in July 2020 with the fair value at time of disposal being £51.8m.

The fair value of the interest rate and inflation linked swaps at 30 June 2021 is a liability of £326.3m (2020: £718.7m). This fair value is calculated using a risk adjusted discount rate.

The following table details the fair value of financial instruments recognised on the statement of financial position:

	30 June 2021 £m	30 June 2020 £m
Within non-current assets		
[illegible]	[illegible]	[illegible]
	7.2	[illegible]
Within non-current liabilities		
[illegible]	[illegible]	[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
	[illegible]	[illegible]
Total	(326.3)	(718.7)
[illegible]		
[illegible]	[illegible]	[illegible]
[illegible]		[illegible]
Total (loss) / gain recognised in the income statement	(11.1)	121.7
[illegible]	[illegible]	[illegible]
[illegible]		[illegible]
[illegible]	[illegible]	[illegible]
[illegible]		
[illegible]	[illegible]	
Total change in fair value	392.3	283.1

Where possible, the Group seeks to match the maturity of any derivative contracts with that of debt instruments that it has issued. In [illegible] instruments, break clauses have been included to both match underlying facility maturities and to optimise the availability and cost of [illegible] derivative counterparties.

The fair value of all other financial assets and liabilities is considered to be a close approximation to their carrying amount.

Fair value hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Interest rate swaps, inflation rate swaps and cross currency swaps (as disclosed above) are all classed as level 2 on the fair value hierarchy. In each case the items are valued based upon discounted cash flow. Future cash flows are estimated based on forward (interest/inflation/exchange) rates observable from rates and yield curves at the end of the reporting period, and contract rates, discounted at a risk adjusted rate.

26 Provisions

	Decommissioning	Restructuring	Remediation	Onerous Contracts	Other	Total
	£m	£m	£m	£m	£m	£m
[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]
[illegible]		[illegible]		[illegible]	[illegible]	[illegible]
[illegible]	[illegible]					
[illegible]	[illegible]		[illegible]			[illegible]
[illegible]	[illegible]		[illegible]		[illegible]	
[illegible]		[illegible]	[illegible]			[illegible]
At 30 June 2021	71.5	1.9	5.1	3.7	7.2	89.4

	30 June 2021	30 June 2020
	£m	£m
Analysed as:		
Current	[illegible]	[illegible]
Non-current	[illegible]	[illegible]
	89.4	**81.1**

Provisions are made for decommissioning costs where the Group has an obligation to restore sites and the cost of restoration is not recoverable from third parties.

The decommissioning provisions are reviewed annually and calculated using expected costs as determined by site and project management. The provision in relation to assets of which the remaining useful economic life ranges up to 20 years, with the majority of the provision relating to TV and Radio products for which there is no material decommissioning expected before 2040.

The restructuring provision relates to the costs of exceptional activities to reorganise the Group.

The remediation provision represents the cost of works identified as being required across a [illegible] expected to be utilised over the next one to ten years.

Other provisions represent a variety of smaller items which are expected to be utilised over the next one to ten years.

27 Notes to the cash flow statement

Reconciliation from operating profit to net cash from operating activities:

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
[illegible]	[illegible]	[illegible]
[illegible]		
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	-	[illegible]
[illegible]		
Cash generated from operating activities	400.2	488.9
[illegible]	[illegible]	[illegible]
Net cash from operating activities	398.7	489.0

Analysis of changes in financial liabilities

	At 1 July 2020 £m	Changes in financing cash flows (Cash) £m	Changes in foreign exchange (Non-cash) £m	Changes in fair value (Non-cash) £m	Other changes including accrued interest (Non-cash) £m	At 30 June 2021 £m
[illegible]	[illegible]	[illegible]			[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]
[illegible]	[illegible]				[illegible]	[illegible]
[illegible]	[illegible]	[illegible]			[illegible]	[illegible]
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
Total	[illegible]	(1,921.2)	0.8	11.0	781.9	6,514.1

The movements above do not include issue costs associated with entering the borrowing arrangements (see note 23).

28 Financial commitments and contingent liabilities

Financing commitments

[illegible] substantially all of its assets by way of a Whole Business Securitisation structure.

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 2021 £m	30 June 2020 £m
[illegible]	[illegible]	[illegible]
[illegible]		–
Total capital commitments	23.1	15.6

There are no capital commitments payable in more than five years

29 Retirement benefits

Defined contribution scheme

Arqiva Limited has operated a Defined Contribution Scheme during the year, for those employees who are not the [illegible] Benefit Plan. Contributions payable in respect of this Scheme for the year were £6.8m (2020: £8.5m). The assets of the Scheme are held outside of the Group.

An amount of £1.2m (2020: £1.2m) is included in accruals being the outstanding contributions to the Defined Contribution Scheme

Defined benefit plan

In the year to 30 June 2021, the Group operated one Defined Benefit Plan sponsored by Arqiva Limited. The Defined Benefit Plan is administered by a separate entity that is legally separated from the Group, and therefore the Plan assets are held separately from those of Arqiva Limited. The Trustees of the Plan are required by law to act in the interests of the Plan and of all relevant stakeholders in the Plan. The Trustees are responsible for the investment policy with regards the assets of the Plan.

The Plan typically exposes the Group to risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit Plan liability for IAS19 purposes is calculated using a discount rate determined by reference to high quality corporate bond yields, which is different to how the Plan assets are invested. Currently the Plan has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long term nature of the Plan liabilities, the trustees of the Plan consider it appropriate that a reasonable portion of the Plan assets should be invested in equity securities to leverage the expected return generated by the Plan assets.
Interest risk	[illegible] but this will be [illegible] investments
Longevity risk	The present value of the defined benefit Plan liability is calculated by reference to a best estimate of the mortality of Plan participants both during and after their retirement. An [illegible] liability
Salary risk	The present value of the defined benefit Plan liability is calculated by reference to the future salaries of Plan participants. As such, an increase in the salary of the Plan participants [illegible]

The Plan closed to the future accrual of benefits on 31 January 2016. The weighted average duration of the expected benefit payments from the Plan is around 17 years.

The triennial valuation carried out as at 30 June 2020, whilst unapproved, has been used for the purposes of measuring the plan assets and the present value of the defined benefit liability. This was carried out by an independent firm of consulting actuaries. The present value of the IAS19 defined benefit liability, and the related current service cost and past service cost, have been measured using the projected unit credit method based on roll-forward updates to the latest triennial valuation figures.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	30 June 2021	30 June 2020
Key assumptions		
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
Other linked assumptions		
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]

Amounts recognised in the consolidated income statement in respect of the defined benefit plan were as follows:

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
[illegible]	[illegible]	
[illegible]	[illegible]	
	(0.8)	0.6

The net interest item above has been included within finance income (see note 9). The remeasurement of the net defined benefit liability is included in the statement of comprehensive income. The loss on curtailments incurred during the year has been included within exceptional costs (see note 7).

Amounts recognised in the statement of comprehensive income in respect of the defined benefit plan were as follows:

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
[illegible]	[illegible]	[illegible]
[illegible]		[illegible]
[illegible]	-	
[illegible]		-
	26.4	(11.9)

[illegible] benefit plan was as follows:

	30 June 2021 £m	30 June 2020 £m
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
Surplus at 30 June	47.1	16.1

The Group has [illegible] surplus in its entirety.

The reconciliation of the statement of financial position over the year is as follows:

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
Surplus at 30 June	47.1	16.1

The present value of the plan liabilities has moved over the year as follows:

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]		[illegible]
[illegible]	[illegible]	
30 June	(248.8)	(266.8)

The fair value of the plan assets has moved over the year as follows

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
30 June	295.9	282 9

The major categories and fair values of Plan assets at the end of the reporting year for each category are as follows

	30 June 2021 £m	30 June 2020 £m
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	
Total	295.9	282.9

A[illegible] instruments have quoted prices in active markets

The Plan includes holdings of gilts and corporate bonds, which are intended to partially hedge the financial risk from liability valuation movements associated with changes in gilt and corporate bond yields. IAS19 liability movements from changes in the discount rate will also be partially [illegible] holding.

No amounts within the fair value of the Plan assets are in respect of the [illegible] instruments or any property occupied by, or assets used by the Group

Following completion of the funding valuation as at 30 June 2017, A[illegible] Limited agreed to pay deficit contributions of £3.4m in October 2018, £5.4m in July 2019 with a further £5.4m due by 31 July 2020. It is anticipated that a revised Schedule of Contributions will be agreed between the Trustees and the Company as part of the triennial actuarial valuation as currently being undertaken as at 30 June 2020

Sensitivity Analysis

The assumptions considered to be the most significant are the discount rate adopted, inflation (represented by RPI) and the longevity assumptions.

The sensitivity of the 2021 year end results to changes in the three key assumptions is shown below

Funding Position	Discount rate decrease of 0.1%	RPI increase of 0.1%	Longevity assumption increase of 1 year
[illegible]	[illegible]	[illegible]	[illegible]

The sensitivity of the 2020 year end results to changes in the three key assumptions is shown below

Funding Position	Discount rate decrease of 0.1%	RPI increase of 0.1%	Longevity assumption increase of 1 year
[illegible]	[illegible]	[illegible]	[illegible]

This sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

30 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

[illegible] scheme are disclosed in note 29. Transactions between the Group and its associates, joint ventures and entities under common influence are disclosed below.

The disclosure of transactions with related parties reflects the periods in which the related party relationships exist. The disclosure of amounts outstanding to/from related parties at the reporting date reflects related party relationships at that date.

Trading transactions

During the year ended 30 June 2021 the Group entered into the following transactions with related parties who are not members of the Group.

	Sale of goods and services		Purchase of goods and services	
	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
[illegible]				[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]		
	20.7	5.4	5 6	8 1

All transactions are on third party terms and all outstanding balances are interest free, unsecured and are not subject to any financial guarantee by either party.

As at 30 June 2021 the amount receivable from associates was £0.2m (2020: £0.5m) and the amount payable to associates was £[illegible] (2020: £0.4m).

As at 30 June 2021 the amount payable to joint ventures was £0.3m (2020: £0.9m).

As at 30 June 2021 the amount receivable from entities under common influence was £5.0m (2020: £1.8m).

Remuneration of Directors and key management personnel

The remuneration of the Directors and key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Short-term [illegible]	[illegible]	[illegible]
Termination [illegible]	[illegible]	[illegible]
[illegible]		[illegible]
	5 9	6.6

There are no members of the Directors and key management personnel (2020: one) who are [illegible] defined benefit pension scheme (see note 29).

The members of the Directors and key management personnel had no material transactions with the Group during the year, other than in connection with their service agreements.

Further information in respect of the [illegible] statutory Directors, including the highest paid Director, has been provided on page 134.

Investor transactions

There are two investor companies, FICAL and MFIF II, which are related parties with the Group in accordance with IAS 24 by virtue of significant shareholding in the Group. Refer to the Directors' report for further details of these investor companies.

30 June 2021	MGIF II *	MEIF II +	Macquarie Prism *	FICAL +
	£m	£m	£m	£m
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

[illegible]

30 June 2020	MGIF II *	MEIF II +	Macquarie Prism *	FICAL +
	£m	£m	£m	£m
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

[illegible]

31 Events after the reporting period

On 9th July 2021 the Group refinanced its bank facilities and now has access to a £100.0m Working Capital Facility, maturing in 2024 and a 25 year £150.0m Liquidity Fund. These facilities are floating rate instruments with a margin over SONIA of between 120 and 130bps. Arqiva Financing No1 [illegible] all of these arrangements.

On 10 August 2021 a fire broke out at our Bilsdale transmitter site. Our engineers have worked on a four stage recovery plan to reinstate services present on the mast. Through phases 1 and 2 of our recovery plan, around 500,000 households have now had TV services restored through utilisation of other sites and radio services (FM and DAB) have also been restored for many. Works have been completed for the improvement of TV coverage from our Eston Nab site and an additional 15m mast has been installed at a site in Arncliffe Wood in order to extend coverage from this site to achieve this. Phase 3 of the recovery plan involves the erection of a temporary mast at the Bilsdale site which is expected to restore the vast majority of TV services. The legal process for securing site access to erect the temporary mast is in progress. Phase 4 of the recovery plan will be to complete the enduring solution. Management are still assessing the financial impact of the incident and the assets damaged by the fire, and have [illegible]

32 Controlling parties

The Company is owned by a consortium of shareholders including Canada Pension Plan Investment Board, Macquarie European Infrastructure Fund II, other Macquarie managed funds and minorities.

The largest and smallest group in which the results of the Company are consolidated is that headed by Arqiva Group Limited.

Directors' report for Arqiva Group Limited ('the Company')

The Directors of Arqiva Group Limited, registered company number [illegible] following annual report and audited financial statements in respect of the year ended 30 June 2021.

The Directors are responsible for the preparation of the financial statements as explained in the Statement of [illegible] page 67.

Business review and principal activities

The Company acts as an ultimate holding company of the Arqiva Group [illegible] companies.

The Company has made a loss for the financial year of £0.8m (2020: £127.1m) and has net liabilities of £11.5m (2020: £10.7m).

Principal risks and uncertainties and key performance indicators ('KPIs')

From the perspective of the Company the principal risks and uncertainties arising from its activities are integrated with the principal risks and uncertainties of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed on pages 48 to 52.

Given the straightforward nature of [illegible] are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. The KPIs of the Group are discussed on pages 32 and 34.

Dividends and transfers to reserves

The Directors do not propose to pay a dividend (2020: nil). The loss for the financial year of £0.8m (2020: £127.1m) was charged to reserves.

Financial risk management

Due to the straightforward nature of [illegible] exposed to limited financial risks. The [illegible] programme is detailed on page 49.

Future developments and going concern

It is the intention of the Company to co[illegible] holding company.

The Company adopts the going concern basis in preparing its financial statements on the basis of the future profit, cash flows and available resources of the Group which lead the Directors of the Company to be confident that the Company will have adequate resources to continue in operational existence for the foreseeable future.

Directors

The following held office as directors of the Company during the year and up to the date of this report:

- Mike Parton
- Mark Braithwaite
- Christian Seymour
- Peter Adams (alternate)
- Sally Davis
- Neil King
- Martin Healey (resigned 12 January 2021)
- Frank Dangeard (resigned 1 July 2021)
- Michael Darcey
- Maximilian Fieguth (alternate)
- Batiste Ogier (appointed 12 January 2021)
- Nathan Luckey (appointed 1 July 2021)

Jeremy Mayor was reappointed as the Company Secretary on 1 July 2021 (previously Rachael Whitaker between 31 March 2021 and 1 July 2021, and Jeremy Mayor prior to 31 March 2021).

Directors' indemnities

The Company has provided an indemnity for its Directors and the Company secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. This was in place throughout the year ended 30 June 2021 and up to the date the financial statements are signed.

Disclosure 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 [illegible] aware of that information.

On behalf of the Board

M Parton

Mike Parton - Director
21 September 2021

Company statement of financial position

	Note	30 June 2021	30 June 2020
		£m	£m
Non-current assets			
[illegible]			
[illegible]			
[illegible]		[illegible]	[illegible]
		1.4	0.8
Current assets			
[illegible]		[illegible]	[illegible]
[illegible]		4.0	3.9
Current liabilities			
[illegible]		[illegible]	[illegible]
Net current liabilities		(12.9)	(11.5)
Net liabilities		(11.5)	(10.7)
Equity			
[illegible]		[illegible]	[illegible]
[illegible]			[illegible]
[illegible]		[illegible]	[illegible]
Total equity		(11.5)	(10.7)

The accounting policies and notes on page 133 form part of these financial statements.

The result for the financial year for the Company was a loss of £0.8m (2020: £127.1m loss).

During the year the Company [illegible] charge of [illegible] (2020: £128.0m) relating to the investment in [illegible] subsidiary of the Company, Arqiva Financing No 3 Plc, as disclosed in note [illegible] to the financial statements.

These financial statements on pages 131 to 140 were approved by the Board of Directors on 21 September 2021 and were signed on its behalf by

Mike Parton - Director

Company statement of changes in equity

	Share capital* £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 1 July 2019	653.9	315.6	(853.1)	116.4
[illegible]			[illegible]	[illegible]
Balance at 30 June 2020	653.9	315.6	(980.2)	(10.7)
[illegible]			[illegible]	[illegible]
Balance at 30 June 2021	653.9	315.6	(981.0)	(11 5)

[illegible]

Notes to the Company financial statements

1 Arqiva Group Limited accounting policies and other information

Basis of preparation

As used in these financial statements and associated notes, the term [illegible] Limited.

Arqiva Group Limited is a private company limited by shares incorporated in United Kingdom. The registered address of the Company is Crawley Court, Winchester, Hampshire, SO21 2QA.

The Financial Statements of the Company have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101). The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act [illegible] (Arqiva Group Limited and its subsidiaries) are available online at www.arqiva.com.

The requirements have been applied in accordance with the requirements of the Companies Act 2006. As permitted by Section 408(3) of the Companies [illegible] statement has not been presented. Accounting policies have been applied consistently throughout.

New and revised Standards and Interpretations have been adopted in the current year, a list of which can be found in note 2 of the Group financial statements. There is no material impact on the Company. The following disclosure exemptions, as permitted by paragraph 8 of FRS 101, have been taken in these Company financial statements and notes.

EU-adopted IFRS	Relevant disclosure exemptions
IAS 1 Presentation of financial statements	The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B to D, 40A to D, 111 and 134 to 136
IAS 7 Statement of Cash Flows	All disclosure requirements
IAS 24 Related Party Disclosures	The requirements of paragraph 17, the requirement to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary party to the transaction is wholly owned by such a member

Accounting policies

Investments

Investments in subsidiaries and associates are shown at cost less provision for impairment.

Cash and cash equivalents

Cash includes cash at bank and in hand and bank deposits repayable on demand.

Other payables

Other payables are non interest bearing and are recorded at fair value. They are included in current liabilities except for maturities greater than 12 months after the reporting date, which are classified as non-current liabilities.

Dividends

Dividend distributions are recognised as a liability in the year in which the dividends are approved by the [illegible]

Share capital

Ordinary shares are classified as equity.

Other information

Employees

The Company had no employees during the year (2020: none). None of the Directors (2020: none) were remunerated by the Company.

Their individual remuneration reflects the services they provide to the Company, its subsidiaries and a number of other entities outside of the Group. It is therefore not possible to make an accurate apportionment of [illegible] remuneration in respect of the services to the Company, except where sums are paid to third parties in respect of the services. There were no such sums paid in the year (2020: none).

Audit fees

The audit fee in respect of the Company, and fees payable to PricewaterhouseCoopers LLP for non-audit services were not specific to the Company and are disclosed in the notes to the Group financial statements (see note 6).

Critical accounting estimates and judgements

No critical accounting estimates or judgements have been used in the preparation of these financial statements.

2 Directors' remuneration

The aggregate of the amount paid to the Directors in respect of their services as a Director of the Group are set out below

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
[illegible]	-	-
[illegible]		[illegible]
[illegible]	0.5	(0.1)

Certain of the Directors were [illegible] shareholders and their individual remuneration reflects the services they provide to the Company, its subsidiaries and a number of other entities outside of the Group. It is not possible to make an accurate apportionment of each [illegible] their service to the Company and the Group except where sums are paid to third parties in respect of their services, of which there were £nil (2020: £nil) in relation to the Company. Accordingly no remuneration in respect of these Directors is recognised in the Company.

There are no directors to whom retirement benefits accrued in respect of qualifying services (2020: none).

Highest paid director

Included in the above is remuneration in respect of the highest paid Director of

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
[illegible]	[illegible]	
[illegible]		[illegible]
[illegible]	0.3	(0.5)

3 Deferred tax

The balance of deferred tax recognised at 30 June 2021 is £[illegible] (2020: £[illegible]). The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction was £[illegible]

4 Investments

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

With the following exceptions, the registered office of each of the subsidiary companies listed was Crawley Court, Winchester, Hampshire, SO21 2QA

Company	Registered office
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

In addition to the subsidiary undertakings the Company indirectly holds the following interests in associates and joint ventures

Company	Country of incorporation	Principal activities	Registered office	Year end	Percentage of ordinary shares held
Joint ventures					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Associate undertakings					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

The following companies within the Group will adopt the Department for Business, Energy and Industrial Strategy (BEIS) audit exemption for the year ended 30 June 2021. As the ultimate parent company, AGL has guaranteed the debts and liabilities held within these companies as required under section 479A of the Companies Act 2006.

Company	Company registration number
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

The following dormant companies within the Group will take the exemption from preparing and filing financial statements for the year ended 30 June 2021 by virtue of s394A and s448A of Companies Act 2006 respectively. As the ultimate parent company, AGL has guaranteed the various debts and liabilities held within these companies as required under section 394C of the Companies Act 2006.

Company	Company registration number
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

Company	Company registration number
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

The Company held the following investments in subsidiaries

	Total
	£m
Cost	
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	
Carrying value	
At 30 June 2021	[illegible]
[illegible]	

[illegible] frequently should indicators arise.

During the prior year the Company [illegible] an impairment charge of £128.0m relating to an investment [illegible] subsidiary of the Company, Arqiva Financing No 3 Plc. This calculation is considered to be [illegible] accounting estimate [illegible] Plc is sensitive to future cash flow projections [illegible] relation to the [illegible] operations of Arqiva Group Limited. The investment is now fully impaired.

5 Other receivables

With the exception of [illegible] 2020: £0.5m [illegible] due from Arqiva Holdings Limited [illegible] interest at 4.5% [illegible] amounts receivable are due from other Group [illegible] unsecured, interest free and repayable on demand. During the year management [illegible] review of intercompany receivable balances which has resulted in the reclassification of [illegible] statement [illegible] between current and non-current. The reclassification of balances was based on whether there is an expectation they will be repaid in 12 months.

6 Other payables

	30 June 2021	30 June 2020
	£m	£m
[illegible]	[illegible]	[illegible]
Total	15.5	14.6

The Company has no payables falling due after more than one year. Amounts payable to other Group entities are unsecured, interest-free, and repayable on demand.

7 Related parties

The Company has applied the provisions within FRS 101 to be exempt from the disclosure of transactions entered into, and balances outstanding, with a Group entity which is wholly owned by another Group entity.

8 Controlling parties

The Company is owned by a consortium of shareholders including Canada Pension Plan Investment Board, Macquarie European Infrastructure Fund II, other Macquarie managed funds and minorities.

The largest and smallest group in which the results of the company are consolidated is that headed by Arqiva Group Limited.