Parent Co Accts of
4413822 - NWP Street Ltd.

arqiva

Arqiva Broadcast Holdings Limited

Registered number 05254001

Annual Report and Consolidated Financial Statements

For the year ended 30 June 2014

TUESDAY
A3NBGF1S
A31 23/12/2014 #255
COMPANIES HOUSE

Table of Contents

Arqiva at a glance 1
Chairman's statement 2
Strategic report 4
Directors' report and statement of Directors' responsibilities 18
Independent Auditors' report to the Members of Arqiva Broadcast Holdings Limited 23
Consolidated profit and loss account 25
Consolidated balance sheet 26
Statement of group total recognised gains and losses 27
Consolidated cash flow statement 28
Company balance sheet 29
Notes to the financial statements 30

1	Principal accounting policies	30
2	Turnover and segmental reporting	33
3	Operating profit	35
4	Exceptional items	36
5	Staff costs	37
6	Directors' emoluments	38
7	Interest receivable and similar income	38
8	Interest payable and similar charges	39
9	Tax on loss on ordinary activities	40
10	Dividends	41
11	Intangible assets	41
12	Tangible assets	43
13	Investments	44
14	Debtors	47
15	Cash at bank and in hand	48
16	Creditors amounts falling due within one year	48
17	Creditors amounts falling due after more than one year	49
18	Provisions for liabilities and charges	52
19	Share capital	52
20	Share premium account	52
21	Profit and loss reserve	53
22	Reconciliation of movement in shareholders' deficit	53
23	Cash flow from operating activities	54
24	Analysis of changes in net debt	54
25	Commitments for expenditure	55
26	Contingent liabilities	55
27	Pension commitments	56
28	Related party disclosures	59
29	Controlling parties	60

In this document, unless otherwise defined, references to 'Arqiva' and 'the Group' refer to Arqiva Broadcast Holdings Limited and its subsidiaries and business units as the context may require

Arqiva at a glance

We live in an always on, always connected world Millions of people depend daily on a continuous stream of information, education, entertainment and conversation

As the UK's leading communications infrastructure and media services company, we provide much of the infrastructure behind television, radio, satellite and wireless communications in the UK Our engineers led the largest broadcast engineering project in UK history with the successful completion of the switch over from analogue to digital TV in 2012

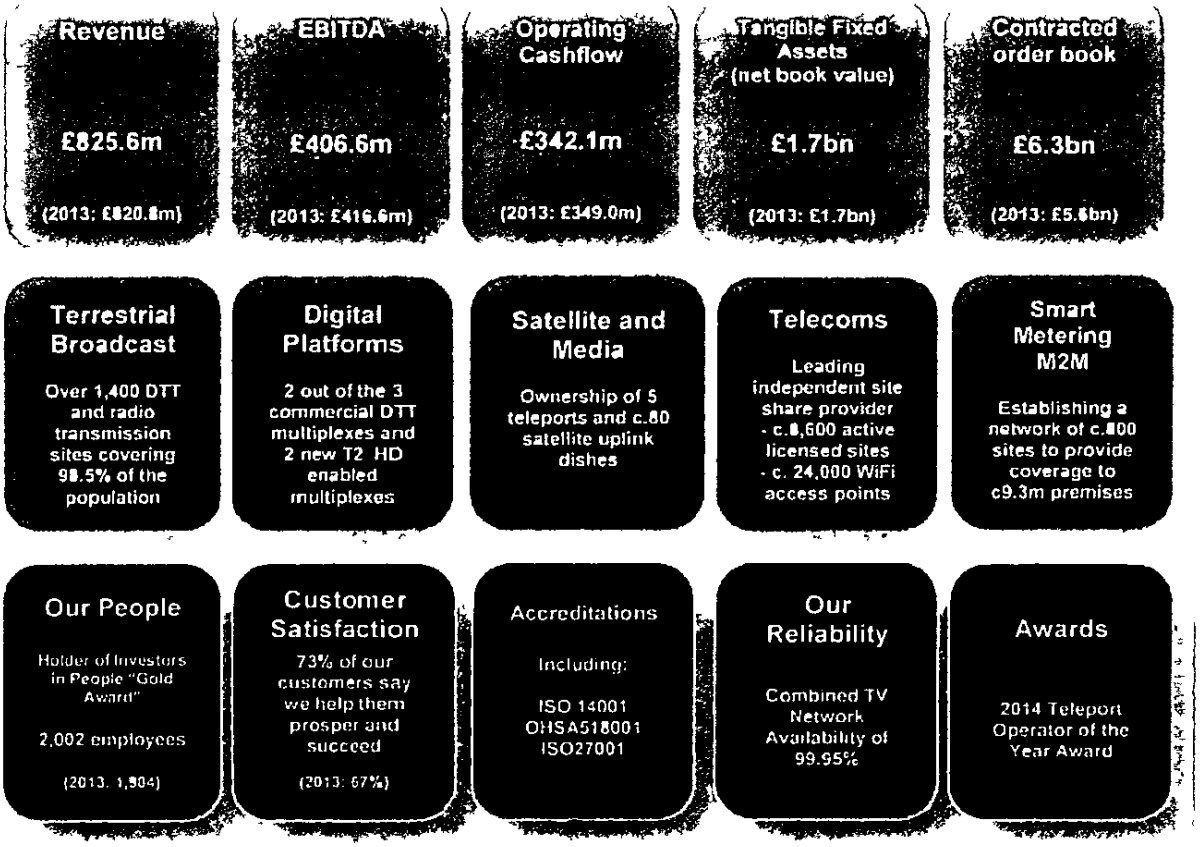
We provided the transmission capability for the UK Government's first budget broadcast in 1928 We were behind the first satellite TV tests in 1978, and other 'firsts' including the world's first digital terrestrial TV launch in 1998 and the world's first outsourced mobile phone network in 2001

We continue to build on our pioneering heritage and to grow our people, technology and capabilities We work hard to ensure we are trusted by our customers With increasingly ingenious and smart ways of working, we aim to ensure their communication is efficient

Major broadcasters, such as the BBC, ITV and BSkyB, as well as independent radio groups, depend on us to deliver their programs to their viewers and listeners We also provide the infrastructure allowing connectivity for leading UK mobile network operators and many emergency services operators We distribute content and data to homes across the length and breadth of the UK and keep British troops overseas in touch with their favourite football teams via live Sky Sports feeds

We also have a smaller presence in Ireland, mainland Europe, USA and Asia For example, we provide satellite distribution services for Turner Broadcasting System, Inc in both the US and Hong Kong, for France's leading media company Canal+ Group and our digital and satellite TV services keep the news flowing for the internationally renowned Al Jazeera Network

Group Highlights



Chairman's statement

During the past year, we have been investing significant resources in pursuit of our revenue growth targets and our business transformation programme aimed at delivering a higher quality of service to our customers We have won a number of major contracts which will deliver future revenue growth, we have continued to develop a range of products designed to meet the evolving needs of our customers, and expanded our capabilities in the fast-growing WiFi and machine-to-machine sectors

Financial Results
Our financial results reflect the transition that we are making Overall, we grew our revenues by 1% to £825 6m, with growth coming from Telecoms, Digital Platforms and Smart Metering The growth from these activities was largely offset by a fall in one-off Terrestrial Broadcast project revenues, where we completed a number of major projects in the prior year The impact on gross margin of the revenue reduction in our Satellite business has been limited as capacity volumes have also reduced

Our EBITDA was 2% lower than 2013 at £406 6m, with a lower average gross margin due to the reduction in one-off Terrestrial Broadcast project revenues, and higher operating expenses as a result of growth investments and gearing-up to deliver the contracts won during the year

Key contract wins and other highlights
During the year, Arqiva won a number of significant contracts across all of our business units, and renewed long term contracts with some of our key customers, demonstrating the positive impact of the changes the business has made in recent years We increased our contracted order book from £5 6bn to £6 3bn, and have also made key investments to support future revenue growth Highlights include the following

- Smart Metering / Machine-to-Machine ('Smart Metering (M2M)')
  - The Smart Metering North region contract, a 15 year contract awarded by the Data and Communications Company on behalf of the Government to provide smart metering communications for gas and electricity meters in approximately 9 3 million homes and small businesses in Scotland and northern England
  - An exclusive distribution agreement with SIGFOX, a leading international Internet of Things ('IoT') machine to machine network provider Under the deal, Arqiva will build a national narrowband IoT communications network using SIGFOX technology on a staged basis, starting with ten major UK cities

- Terrestrial Broadcast
  - A new contract to provide all BBC radio transmission services (running for 17 years for the Digital Audio Broadcasting ('DAB') networks and seven years for the analogue services) The Group will continue to support existing FM and AM services as well as extending and enhancing DAB coverage with new infrastructure
  - Awarded the 12-year contract for providing network access and managed transmission services for Local TV to 19 high population areas of the UK

- Satellite and Media
  - A global satellite distribution and play-out agreement with Turner Broadcasting across Europe, Middle East, Africa ('EMEA') and Asia Pacific ('APAC') With the establishment of our new office in Hong Kong, the deal puts in place the foundations for our growth plans in the Asian market

- Digital Platforms
  - We were awarded the licence by Ofcom to build and operate two new T2 multiplexes in the 600 MHz spectrum band in order to increase the amount of HD programming on Freeview This licence runs to 31 December 2026, with a minimum term to 31 December 2018
  - Securing new channel sales on the existing national multiplexes has taken longer than initially anticipated, a number of customer contracts have now been signed and further trials are expected to be converted into contracts in the forthcoming year
  - We acquired Capablue Limited, a provider of end-to-end software development and multiscreen solutions to broadcasters increasing our ability to provide content on multiple platforms

- Telecoms
  - A new 10 year site share contract with Cornerstone Telecommunications Infrastructure Ltd ('CTIL') and its parents - Telefonica O2 and Vodafone
  - A 4 year contract to provide wholesale WiFi services to Virgin Media
  - We continued to build out WiFi access points, having won distribution rights across a number of the London Boroughs and in many UK airports We have circa 24,000 WiFi access points meaning we are now one of the largest providers in the UK

Real progress on transformation of the business
To support the Group in achieving its targeted revenue growth and improve operational performance and customer satisfaction, we have completed a divisional re-organisation during the year The new structure, with enhanced vertical integration, ensures greater accountability for each of our business units We also created our Smart Metering (M2M) business unit to focus on delivery of the new 15 year North region contract and pursue the opportunities of this rapidly growing new business sector

During the final quarter of the year, the results of both our employee and customer satisfaction surveys have shown a strong improvement on the previous year, although there is still more for us to do to reach the levels to which we aspire

Extending the Group's debt maturity profile
We have continued to issue new long-term debt instruments in order to refinance our 3-year and 5-year term bank facilities well ahead of their expiry, and have thus extended our average debt maturity from 6 years to 9 years and diversified our sources of funding

We signed two ten year term loans - £180 0m from institutional investors, and £190 0m from the European Investment Bank ('EIB'), and we issued a £164 0m 16 year fixed rate public bond The proceeds of these transactions were used to fully repay the 3-year bank facility and make a part repayment of the 5-year bank facility that we put in place at refinancing in February 2013

In July, after the year-end, we completed a further £300 0m US private placement, following on from our earlier successful £400 0m transaction in this market during June 2013 As a result, at the date of signing we now only have £353 5m of the original £1 6bn bank facilities left to refinance ahead of their maturity in 2018 We remain committed to maintaining a stable long term investment grade financing structure that meets the needs of the Group

Outlook
Arqiva continues to make progress on its business transformation and stated aims of growing a financially successful business, helping our customers prosper and succeed, and being a great place to work We have signed some significant contracts which have increased our order book and will underpin our revenue growth for 2015 and beyond

As well as maximising the value we generate from our stable, long-term contracted core broadcast and telecoms infrastructure businesses, we continue to pursue new revenue opportunities, such as in the machine-to-machine communications space, building on our core infrastructure and engineering skills

We will continue to invest significant capital over the coming years, and will remain vigilant as to the level of our operating costs in order to deliver meaningful earnings growth

We continue to work with the key parties in our industries, including government and regulatory bodies, to maintain the excellent relationships we have built with stakeholders, customers and suppliers alike, to ensure that Arqiva continues to actively play its role in shaping key decisions, and influencing trends in our markets

Arqiva continues to engage with Ofcom and other international government agencies to influence, in particular, decisions made on the future allocation of spectrum, with a view to ensuring the optimal allocation of spectrum is reached across our markets, and to protect free to air broadcasting Changes to the allocation of spectrum may lead to significant project engineering opportunities in future years

Arqiva has made good progress towards its goals in the past year, and the next financial year presents considerable opportunity for the Group to continue that progress as it looks to embrace the emerging products, opportunities and markets

I would personally like to thank everyone at Arqiva for their dedication during the past year The progress we have made has only been possible with the contribution of the 2,000 people right across the business working together

Peter Shore
Chairman

19 September 2014

Strategic report

The Directors, in preparing this Strategic report, have complied with section 414 of the Companies Act 2006 This Strategic report has been prepared for Arqiva Broadcast Holdings Limited and its subsidiary undertakings as a whole ('the Group')

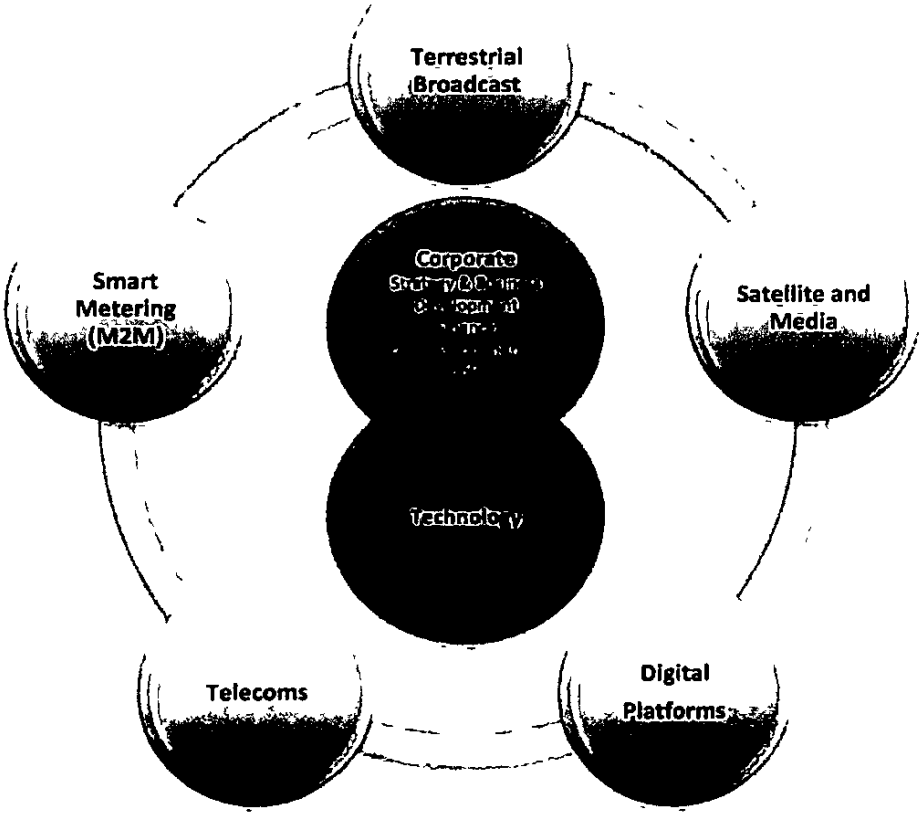
Our Business

The Group owns and operates a portfolio of communications infrastructure and provides television and radio transmission services, tower site rental to mobile network operators, media services and radio communications in the United Kingdom ('UK') and overseas We live in an always on, always connected world Millions of people depend daily on a continuous stream of information, education, entertainment and conversation As more and more individuals, companies and public services organisations seek to connect safely and securely to one another, we aim to be central to every vital connection they make Our services already touch the lives of virtually every person in the UK every day

Our values – being ingenious, straightforward and collaborative - aim to ensure that we all go the extra mile to help our customers reach their customers and audiences

Our Business Units

During the past year the Group has restructured its business into five customer facing business units (as depicted below) supported by the Technology business unit and a central Corporate function The previous Business Operations division was aligned into the other business units during the year The business units within the Group comprise



The notes to the financial statements show the realignment of headcount (see note 5 on page 37) resulting from this reorganisation.

Terrestrial Broadcast is the sole provider of transmission services and infrastructure for all UK terrestrial TV broadcasters including BBC, ITV and C4, who reach 20 million homes and cover 98 5% of the UK population It also owns and operates over 90% of the radio transmission towers for terrestrial broadcasting in the UK and is the operator of the only commercial national digital radio multiplex

Satellite and Media owns and operates teleports at key locations in the UK, as well as owning an international terrestrial fibre network, media facilities and leasing satellite capacity These enable the Group to provide customers with a comprehensive range of services to deliver their data, broadcasts and media services internationally

Digital Platforms owns and operates two of the three main national commercial digital terrestrial TV multiplexes (out of a total of six multiplexes), plus two new DVB-T2 multiplexes (for additional services including HD on Freeview), used for transmission of Digital Terrestrial Television ('DTT') services in the UK Digital Platforms enables major media companies to bring their TV and radio services to 20 million homes with access to the Freeview platform

Telecoms service the mobile communications, public safety, local government and commercial markets Arqiva is the largest independent provider of towers in the UK, which are licensed to national mobile network operators ('MNOs') and other wireless network operators With its own spectrum, the Group has the strategic capability to provide complete mobile communications networks including backhaul links The Group's WiFi infrastructure business is one of the UK's largest WiFi hotspot providers

Smart Metering/Machine to Machine (M2M) is the Group's newest business unit, set up to build on Arqiva's success in winning the 15 year smart metering contract in the North of England and Scotland and to pursue the wider opportunities in this space The smart metering contract involves building a new smart network and delivering the energy smart metering communications service for Scotland and the north of England, as well as managing engagement with the energy industry and other key stakeholders The business unit is pursuing new business opportunities in related smart and M2M markets, including many fast developing areas such as smart water metering, smart grids and a wide set of other potential M2M applications, including the Internet of Things ('IoT')

The **Technology division** supports the operational infrastructure, including monitoring and maintenance services for the whole of the Group, their focus being on service, efficiency and new technology

Central **Corporate** functions comprise Strategy & Business Development, Finance, Legal & Commercial, and People & Organisation The Group has invested in strengthening these areas in recent years in order to better support the growth agenda of our business

The Group's radio and TV broadcast operations are regulated by the Office of Communications ('Ofcom') on behalf of the wholesale broadcast customers The Terrestrial Broadcast business unit is impacted by this regulation The Satellite, Telecoms, Digital Platforms and Smart Metering (M2M) business units are classified as non-regulated Technology and the corporate functions provide support services across all business units

Our business environment

The Group is the sole owner and operator of the UK's nationwide terrestrial TV infrastructure and the major owner and operator of the UK's radio infrastructure The Group's activities have been key to the technological evolution from analogue to digital based services and are critical to all terrestrial TV and radio broadcasters The switchover of the UK's terrestrial TV system to a high power digital transmission service (the Digital Switch-Over – 'DSO') together with network consolidation and technological change within the mobile communications sector are key market changes which continue to impact the Group's existing businesses

The successful completion of DSO has demonstrated the capability of the Group to deliver large scale complex infrastructure projects on time and under budget, and while the construction of this high power digital network has been financed by Arqiva it is supported by long term contracts with key broadcasters, including the BBC, that have 17 - 20 years to run and contribute around £4 billion to the contracted forward order book of the Group

The Group holds spectrum licences for two of the three main national commercial digital terrestrial TV multiplexes (to 2026) plus two new T2 multiplexes (also to 2026), selling space for channel programming on the Freeview platform Arqiva has continued to run at high levels of utilisation with customers including Film4 and UKTV Channel contracts vary in length but are usually between three and five years duration Advancements in compression technology (i e increasing the number of video streams, or channels, per multiplex) continue to provide opportunities for additional revenues from new capacity for digital terrestrial TV channels Whilst securing channel sales has taken longer than initially anticipated, a number of trials are expected to be converted into contracts in the forthcoming year

Arqiva's satellite infrastructure provides excellent levels of connectivity, reliability and security Arqiva owns, manages and operates teleports and media hubs at key locations, multiplexes and an international fibre network

The Group was proud to receive the 2014 Independent Teleport Operator of the Year award from the World Teleport Association We are now a four-time recipient of this respected award

The Group is the UK's largest independent provider of wireless towers which are critical to MNOs' contractual obligations to provide national coverage Revenue from the Group's tower portfolio is secured by contracts with all of

the large UK mobile operators Planning restrictions create high barriers to entry The recent release of 4G spectrum for use in the mobile market is also expected to drive growth in revenue

Arqiva continues to work closely with the MNOs as they seek to reduce their costs by network consolidation The Group is a key supplier in this market, with long term contracts with all the UK MNOs We aim to ensure we are at the heart of the mobile operators' consolidation plans Growth in smartphones and mobile enabled devices along with faster download speeds has led to a significant increase in the demand for mobile data services and hence the demand for WiFi, and in the future, small cells

Arqiva's infrastructure business is capital intensive, and the time lag between product development, contract award, capital investment and revenue generation can be considerable Arqiva benefits from having a significant number of long term contracts with its customers and a number of these include automatic RPI linked increases

Financial position, performance and key performance indicators ('KPIs')

For the twelve months ended 30 June 2014, turnover for the Group was £825 6m, an increase (0 6%) from £820 8m in the same period in the prior year 2014 saw the first recognition of revenue for the smart metering solution design (for which the cash will be collected in later years as per the contract terms), and also saw growth within Telecoms related to new business areas such as WiFi, along with some significant installation services activity in the final quarter Growth was also seen within Digital Platforms which was driven by the increased run rate from additional channel capacity available following the spectrum clearance project and other engineering developments to compress channels and video content This growth was partially offset by a significant reduction in project revenues within Terrestrial Broadcast, particularly for 800MHz clearance, which is now complete, and sales in Satellite and Media where the Group has reduced activity or exited from several low margin businesses

EBITDA for the Group was £406 6m, representing a 2 4% decrease from £416 6m in the prior year with a reduction in high margin Terrestrial Broadcast projects reducing gross profit and increased operating costs, due to the investment in resources required to deliver our growth initiatives Additionally, within Satellite and Media, the Group invested in operational infrastructure to support planned sales for the forthcoming financial year There has also been significant activity on Smart Metering as the network design stage nears completion, in anticipation of the rollout in the next financial year

Profit on ordinary activities before taxation and interest for the Group was £121 0m, representing a 2 7% decrease from £124 4m in the prior year driven by the comparable reduction in EBITDA After the recognition of costs including interest on shareholder loan notes (£215 2m (2013 £154 7m)) and exceptional financing costs incurred through restructuring interest rate swaps (£112 3m (2013 nil)), the Group recorded a statutory loss for the year of £503 7m (2013 £304 4m)

The Group recognised £120 5m (2013 £28 8m) of exceptional costs in the year This was primarily due to financing costs (£112 3m) incurred through restructuring interest rate swaps as part of the Group's strategy to replace its 3-year and 5-year term facilities with a variety of longer-term loans and bonds (see note 4 for further details)

The Group's net cash outflow on capital expenditure was £145 9m, compared to £121 9m in the prior year (an increase of 19 7%) The increase was principally as a result of spending in connection with new contract wins such as Smart Metering, WiFi, Local TV, the new T2 Multiplexes, Mobile Infrastructure Project ('MIP'), and Satellite projects which will generate additional revenues and EBITDA in future periods

Our **key performance indicators** ('KPIs') reflect financial performance, the level of service provided to our customers, and progress on major customer projects

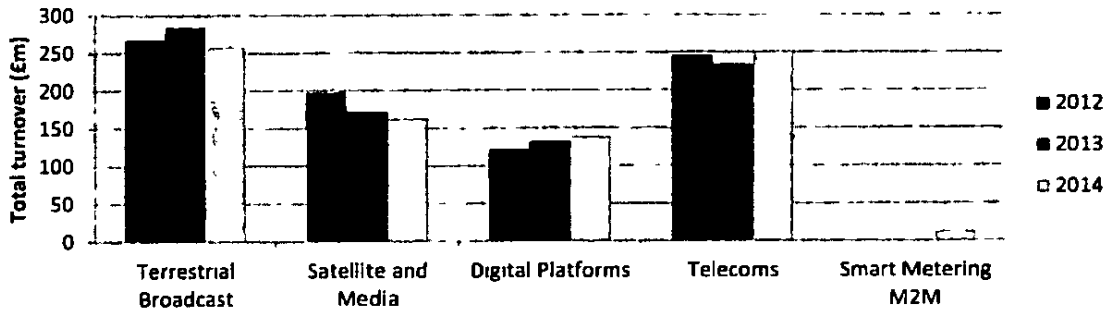
Financial KPIs

Company Objective	KPI	Definition
Success in bidding for key contracts to support our growth agenda	Revenue	Net of value added tax, and in accordance with amounts presented as turnover in our financial statements
Increased level of business profitability (growth in revenue, and efficient management of cost)	EBITDA	Operating profit, before share of profit from joint ventures and associates, profit or losses on the disposal of fixed assets, depreciation, amortisation, interest and exceptional items but after non-interest finance costs (principally bank charges)
Increased level of operating cashflow	Operating Cashflow	Cashflow from operating activities (after working capital but before capital investment), and other activities that are not investing or finance related

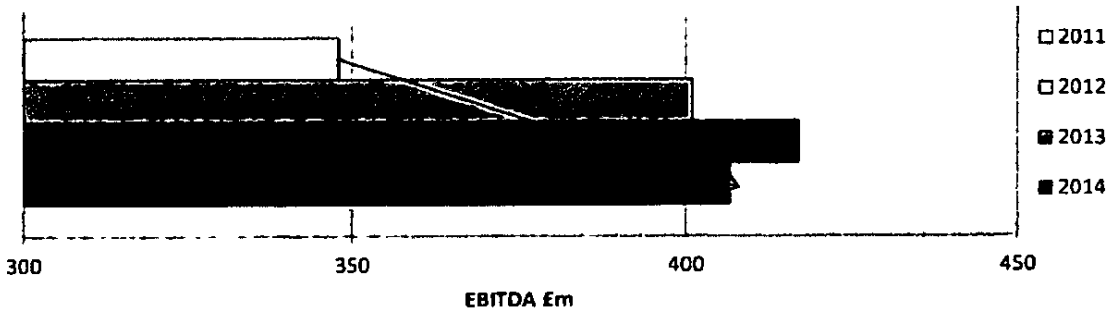
Financial KPI trend data for the last four financial years is shown below

KPI	30 June 2014	30 June 2013	30 June 2012	30 June 2011
Revenue	£825 6m	£820 8m	£831 7m	£828 4m
EBITDA	£406 6m	£416 6m	£401 2m	£347 7m
Operating Cashflow	£342 1m	£349 0m	£377 6m	£299 9m

The business unit revenue levels are shown below (the Smart Metering (M2M) business unit was newly created during 2014) The 2011 comparative has been excluded from the graphic below as the Group underwent significant re-alignment of its business units during the year ended 30 June 2012 and is therefore not comparable on a business unit basis



The Group targets medium-term EBITDA growth Our EBITDA growth is shown below and represents a 3-year annualised growth rate of 5 3% since 2011



EBITDA for the Group was £406 6m, representing a 2 4% decrease from £416 6m in the same period in the prior year with reductions in high margin Terrestrial Broadcast projects reducing gross profit and increased operating costs, due to investment in the Group's growth agenda to support new and future contract wins

A reconciliation of the reported EBITDA to the financial statements is provided below

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m	Year ended 30 June 2012 £'m	Year ended 30 June 2011 £'m
Operating profit before exceptional items	126 1	151 4	147 5	102 7
Depreciation of fixed assets	122 6	105 9	94 1	89 2
Impairment of fixed assets	-	-	5 6	-
Amortisation	157 7	159 1	155 2	155 4
Other (including loss/(profit) on disposal of fixed assets and non-interest finance costs principally bank charges)	0 2	0 2	(1 2)	(0 4)
EBITDA	**406.6**	**416.6**	**401.2**	**347.7**

Our operating cashflow has grown over the 4 year period as a result of the increase in EBITDA, partially offset by movements in working capital.

Non-financial KPIs

Other significant KPIs for the Group are the level of network availability across both TV and radio infrastructure When significant engineering projects are underway, such as DSO and smart metering, the measurement of milestones on these contracts also forms part of our KPIs

Company Objective	KPI	Definition
Consistently high service levels provided to our customers, including service provided on third party multiplexes	Network Availability Target 99 94%	The total annual level of network availability across both TV and radio infrastructure as a % across all multiplexes
Delivery on our customer promises	Milestones on key project deliverables	KPIs on certain of our significant engineering projects are outlined below

Non-financial KPI trend data is shown below

KPI	30 June 2014	30 June 2013	30 June 2012
Own TV Multiplex Network Availability	99 95%	99 99%	99 99%
Combined Network Availability	99 95%	99 99%	99 98%

Delivery on our customer promises (project milestones)

The projects below represent key customer projects which began in the financial year

Project	Target	Actual at 30 June 2014	Status
T2 multiplexes			
- 50% National Coverage	December 2013	Complete	Achieved
- 72% National Coverage	June 2014	Complete	Achieved
Local TV			
- Build of 23 regional sites	June 2014	Complete	Achieved
- Final site for completion in FY15 in line with customer requirements	Autumn 2014		On track
Smart Metering (M2M) – Communications Service Provider for the North ('CSP North')			
- Solution Design Complete	February 2014	Complete	Achieved
- Service Management Framework	June 2014	Complete	Achieved
- 40% Network Coverage	April 2015		On track
- User Acceptance Testing Complete	July 2015		On track
- 80% Network Coverage	October 2015		On track
- 97 75% Network Coverage	January 2017		On track
- 99 5% Network Coverage	June 2020		On track
Subject to any contractual changes to timetable at the request of the Data and Communications Company ('DCC')			

Analysis of the future development of the business

It is the intention of the Company (Arqiva Broadcast Holdings Limited) and the Group to continue to operate and invest in communications infrastructure, maximising value of the core businesses and to explore appropriate growth opportunities which represent a strategic fit with our existing businesses and infrastructure assets

Strategic priorities
Our key **strategic priorities** are

- Growing a financially successful business,
- Helping our customers prosper and succeed, and
- Being a great place to work

The key steps management are taking to execute our strategy are as follows

- Maximising the value of each of the strong core businesses – leveraging existing resources and infrastructure to increase turnover and cash flow through offering additional services to existing and new customers,
- Investing in the future of Digital Terrestrial Television ('DTT') by supporting ventures such as YouView, video on-demand services and the high definition capability on Freeview,
- Focusing on higher margin products and exiting low margin markets e g the run-down of the wholesale satellite business and the exit of the outside broadcast and digital cinema businesses in our satellite business unit,
- Improving processes to be more efficient and customer focused, and to optimise operational cost and efficiency,
- Putting the customer first in all that we do and measuring our success by regular feedback, including the annual customer survey, and
- Investing in our people, including maintaining our Investors in People 'Gold Award'

The Group has identified, and in some cases secured, a number of scalable growth opportunities to further leverage its existing infrastructure expertise and customer relationships and increase its critical role in the UK's infrastructure network These include

- New uses for existing infrastructure expertise such as,
  - Smart Metering
  - Local TV
  - the Government funded Mobile Infrastructure Project
  - WiFi infrastructure
- Additional revenues from new capacity for digital terrestrial television channels driven by advancements in compression technology (i e increasing the number of video streams or channels per multiplex),
- Switch Over from analogue radio to DAB,
- Increasing demand for wireless site capacity driven by the trend in increasing mobile data usage and continued roll out of 3G and 4G mobile networks, and
- The acquisition of Capablue Limited (see below)

We continue to support and sponsor key industry initiatives designed to strengthen the media and communications sector We have remained the headline sponsors of the British Academy of Film & Television Arts ('BAFTA') Television Awards since 2012 We also continue our long-term sponsorship of the Arqiva Commercial Radio Awards, the UK's biggest annual celebration of commercial radio

Acquisitions and disposals
The acquisition of Capablue Limited took place on 6 February 2014 Capablue Limited is a provider of end-to-end software development and multiscreen solutions to broadcasters, TV platforms and brands These solutions enable content to be distributed across the internet, allowing content providers to distribute video content to any device or screen (including smart mobile phones, tablets and games consoles) With the rapid growth of both high-speed broadband and internet-connected devices, significant opportunities are emerging to find new, complementary ways to deliver and enhance content for consumers This acquisition uniquely positions Arqiva as the only provider with the capability to offer linear and non-linear video distribution across DTT, Satellite Direct to Home, and via the Internet Following this acquisition the Group has been proceeding with integration and developing new opportunities

In April 2014 the Group sold its digital cinema delivery network in the UK and Europe to a French-owned digital cinema specialist, YMAGIS, to focus on other higher margin growth areas The Digital Cinema business previously generated circa £1 0m per annum of revenues in the Satellite and Media business unit

Major contract wins and developments
As reported in last year's financial statements, in September 2013 the Group signed a 15 year contract with the Data and Communications Company to provide smart metering communications for approximately 9 3 million homes and small businesses in Scotland and northern England The contract became effective in December 2013 on completion

of financing commitments specific to the contract Work is underway to build the network required to deliver the service, and all DCC contract milestones due were achieved as at 30 June 2014

Since the award of the smart metering contract for the North region, the Group has been working to develop a position as a leading provider of machine-to-machine connectivity In April 2014, the Group signed a partnership deal with SIGFOX whereby the Group will build a national Internet of Things ('IoT') communication network on a staged basis, starting with ten major UK cities, using SIGFOX technology The new network will provide nationwide low-power connectivity through an Ultra Narrow Band radio network between "things" (often referred to as machine-to-machine communications or M2M)

Local TV is a government initiative, implemented by Ofcom with oversight from the BBC Trust, to establish local television in the UK On 29 July 2013, Comux, the Multiplex operator licensee, awarded the Group a 12-year contract, under which the Group will be responsible for building the sustainable infrastructure and subsequently delivering Local TV across 19 high population areas of the UK by providing the primary transmission services, including network access and managed transmission The first station went live in November 2013 in Grimsby Local TV in London was launched on 31 March 2014

The Satellite business secured new business wins with major international customers including ITV, NBC, Turner, and Al Jazeera, among others, providing a variety of satellite services from its UK based facilities In December 2013, the Group entered into a strategic agreement with Turner Broadcasting across Europe, Africa ('EMEA') and Asia Pacific ('APAC') The deal comes as part of our growth plans in the Asian market, launching services in Hong Kong in addition to its existing services in Singapore Building on our satellite distribution relationship with Turner, the Group plan to invest in new technology to provide an end-to-end service including uplink for third party broadcasters

In August 2013, the Group won a tender for the provision of all BBC radio transmission services under the BBC New Radio Agreement ('BBC NRA') Under this contract, the Group will build further Digital Audio Broadcast ('DAB') infrastructure taking the BBC's national DAB network coverage to 97% of the UK population by the end of 2015 This 17 year contract will make a significant contribution to our overall revenue and is a great example of maximising value for existing customers

Our Digital Platforms business was awarded the licence to establish two new T2 Muxes in the 600MHz spectrum band This licence is to run to 2026 with the Government retaining an option to break in 2018 The Group commenced construction of the new Freeview HD Multiplex network in August 2013 and has now reached the target 70% population coverage Active discussions are underway with a number of Public Service Broadcasters ('PSBs') and commercial broadcasters regarding the carriage of additional HD channels from their portfolios

In April 2014, the Group signed a 4 year contract to provide wholesale WiFi services to Virgin Media The contract will enable them to offer WiFi services to their customers This opportunity is part of the Group's strategy to drive growth from its WiFi business by extending its footprint and wholesale offering to fixed ('FNOs'), mobile ('MNOs') and mobile virtual network operators ('MVNOs') The Group continues to work towards selling WiFi services to Mobile Network Operators ('MNOs') The Group now has circa 24,000 WiFi access points making us one of the largest providers in the UK

In June 2014, the Group agreed a 10 year site share contract with Cornerstone Telecommunications Infrastructure Ltd ('CTIL') and its parents Telefonica O2 and Vodafone The joint venture between Telefonica O2 and Vodafone pools both companies' network infrastructure and will create a shared grid of 18,500 masts under the CTIL umbrella, which will represent an increase of more than 40% in points of presence for each operator

Financing Structure

In February 2013, the Group closed its refinancing raising funds from both bank facilities and bond markets These funds together with further funds advanced by the ABHL shareholders facilitated the repayment of previous bank facilities During the past year, the Group has continued to issue new long-term debt instruments to refinance the 3-year and 5-year term facilities At 30 June 2013 the Group had senior bank loans comprising £400 0m 3-year term facilities and £786 0m 5-year term facilities

During January 2014, the Group completed a £180 0m term loan from institutional investors, the proceeds of which were used to make a £180 0m part repayment of the 3-year term bank facilities This loan has an expected term of 10 years and is held by Arqiva Financing No 1 Limited ('AF1').

In February 2014, the Group closed a £164 0m fixed rate public bond issue, with an expected maturity of 2030 Net proceeds (£162 5m) from the issuance were again used to repay a portion of the 3-year term bank facility borrowed by Arqiva Senior Finance Limited ('ASF')

During June 2014, the Group completed a loan of £190 0m from the European Investment Bank ('EIB') borrowed by AF1, with an expected term of 10 years The proceeds of this loan have been utilised to settle the remaining £57 5m of the 3-year term bank facility and £132 5m to make a part repayment of the 5-year term bank facility

The 3-year facility was fully repaid in the year and £653 5m of the 5 year facility was outstanding at 30 June 2014 Subsequent to the year end, the Group concluded a new 15-year US Private Placement debt issue which raised £300 0m to further pay down the 5-year facility Following this repayment, only £353 5m of the original £1 6bn 3 and 5 year bank debt borrowed in February 2013 remains

The Group has entered into interest rate swaps (nominal value £1,023 5m) and inflation swap agreements (£1,312 5m) in order to hedge its interest rate and inflation exposure The Group maintains a hedging policy to manage interest rate risk and to ensure the certainty of future interest cash flows Arqiva's interest rate swaps convert variable rate debt interest costs to fixed rate debt interest costs while inflation swaps convert fixed 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 Further details of the transactions entered into during the year, their basis and strategy for use is detailed within note 17

In December 2013, as part of the Group's new smart metering contract we established two further facilities in Arqiva Smart Financing Limited ('ASFL'), a Group company that sits outside the main WBS financing Group The Comms Hub Receivables Purchasing ('CHuRP') facility allows the Group to borrow up to £30 0m, the Fee Facility allows the Group to borrow up to £1 6m At 30 June 2014 a balance of £0 5m has been drawn against the fee facility, this loan has floating interest rates of LIBOR + 1 20% and is fully repayable on 30 June 2017 There were no drawdowns on the CHuRP facility as at 30 June 2014, this loan has floating interest rates which range from LIBOR + 1 20% to LIBOR + 1 75% during the initial six years of the facility, increasing to LIBOR + 2 50% at the end of the agreement in June 2026

At 30 June 2014, and at the date of signing the financial statements, the Group's financing comprised

	Notes to the financial statements	(unaudited) 19 September 2014 £'m	30 June 2014 £'m	30 June 2013 £'m
Shareholder financing				
Shareholder equity (share capital and share premium)	19, 20	969 5	969 5	969 5
Shareholder loan notes	17	1,273 8	1 273 8	1,273 9
		2,243 3	**2,243 3**	**2,243 4**
Bank loans				
Senior term debt	17			
- *3 year term loans drawn in 2013*		-	-	400 0
- *5 year term loans drawn in 2013*		353 5	653 5	786 0
- *New term loans with extended maturity profile*		370 0	370 0	-
		723 5	**1,023 5**	**1,186 0**
Premium on Swap Issuance	17	**204 1**	**103 6**	-
Other loans				
Senior bonds	17	1,612 5	1,312 5	1,148 5
Junior bonds	17	600 0	600 0	600 0
Finance lease obligations	16,17	13 9	14 0	14 5
		2,226 4	**1,926 5**	**1,763 0**
Total		**5,397 3**	**5,296 9**	**5,192 4**

These financing instruments have certain financial covenants attached, principally an interest cover ratio and a debt leverage ratio The Group's fixed and other assets have been pledged as security under the terms of the Group's external debt facilities (see note 26)

The Group continues to comply with all covenant requirements Additionally, financing has been provided from the ABHL shareholders in the form of equity and shareholder loan notes

Further details of the Group's debt facilities are given in note 17 to the financial statements

Going concern
On a consolidated basis the Group has net liabilities The Group adopts the going concern basis in preparing its consolidated financial statements based on future profit, cash flows and available facilities, which lead the Directors of the Company to be confident that the Group will have adequate resources to continue in operational existence for the foreseeable future The Group had a net cash inflow from operating activities of £342 1m in the year (2013 £349 0m) The Company is in a net asset position

Risk management

Principal risks and uncertainties facing the business
The Group maintains a corporate risk register which is reported to, and reviewed by, senior management and the Directors A selection of the key business risks affecting the Group are set out below together with a summary of the Group's mitigating actions, in addition the Group has long term contracts in place with a number of significant blue chip customers which support the Group's long term financial stability

Business Unit	Description of risk/uncertainty	Mitigation of risk/uncertainty
All	Major infrastructure network or satellite failure causing multiple platform failures or service outages,	There is a dedicated Business Continuity Working Group which meets on a regular basis to review plans and procedures in place and the provision of disaster recovery services The Group's business continuity plans are tested to ensure that they are robust and fit for purpose and that there is the right skills mix and knowledge within the Group
Terrestrial Broadcast and Digital Platforms	International decisions regarding the future use of the 600 / 700MHz spectrum for DTT The World Radio Conference 2012 ('WRC-12') signalled that countries may clear the 700 MHz band of DTT in preparation for future use by Mobile Broadband This would result in the 600MHz spectrum cleared during DSO having to be used for existing terrestrial TV	In November 2012, Ofcom published an Ultra High Frequency ('UHF') Strategy Statement confirming its intention to release 700 MHz for Mobile Broadband use whilst ensuring 600 MHz band accessibility for DTT, should the change in 700Mhz go ahead post 2018 Ofcom published a consultation for the interim use of the 600 MHz band for temporary DTT multiplexes, for which Arqiva was the successful applicant The Group continues to engage with Ofcom and the broadcasters to ensure that Arqiva and the television industry's needs are fully considered and sufficient spectrum is available for DTT In addition, the Group are actively engaged in the feasibility study for the potential 700MHz clearance programme, working in partnership with Ofcom
Terrestrial Broadcast and Digital Platforms	Interference to terrestrial broadcast transmissions with the launch of 4G services in 800 MHz The introduction of White Space services in the UHF band presents the risk of additional interference to DTT There is possible risk that the DTT platform may suffer some churn to other platforms	As part of the Group's engagement with Ofcom and the broadcasters, we will ensure that Arqiva and the television industry's needs are fully considered as part of these spectrum planning discussions In addition, the Group has an open and regular dialogue with at800 (a trademark of Digital Mobile Spectrum Limited ('DMSL') which is funded by and represents the UK mobile operators who are launching 4G mobile services at 800 MHz) The Group is actively involved in trials and discussions around mitigating any such potential interference
Terrestrial Broadcast, Satellite and Media, and Digital Platforms	Developments in alternative broadcast technologies, such as broadband internet connected TV, which competes against the Group's DTT transmission business	DTT retains the largest share of broadcast transmission in the UK, and Connected TV remains constrained by limited high speed broadband uptake and variable reliability levels In addition the Group 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 its development in Connect TV – a hybrid Internet Protocol Television ('IPTV')/DTT offering
Telecoms	The level of demand for wireless communications and impact on demand for access to the Group's towers	Significant amounts of capital expenditure have been invested in developing the wireless communications infrastructure in the UK The Group monitors the demand for mobile data which continues to grow and indications are that spectrum capacity, and antenna deployments, will need to increase to cope with this demand The Group continues to closely monitor the development of wireless technology and network deployment activities by MNOs
Telecoms	Network sharing activity amongst the MNOs	The Group has secured long term contracts with all of the major UK MNOs, including Everything Everywhere ('EE'), Telefonica and Vodafone The Group's sites are predominantly located in rural and suburban areas Their location exclusivity and restrictive planning regulations create significant barriers to entry The Group seeks to protect itself by negotiating long term contracts where it makes itself the focal point for consolidation, and facilitates the MNOs consolidation in return for long term revenue certainty

Smart Metering (M2M)	Delay in performance of our contractual obligations brought about by other stakeholders increasing our costs beyond estimated contingencies Future bids are not won leaving an under-utilisation of our technology	Our contracts are worded such that the Group's risk is mitigated through contractual reimbursements Our contracts are structured into milestones such that we are accountable to our stakeholders for our contractual obligations and our performance is managed accordingly We believe that our technology is highly adaptable and network capability is unrivalled and therefore should future bids not be won, alternative customers and markets will be targeted
All	Bad publicity damages Arqiva's reputation as a result of • A major event or incident impacting our services • Untimely delivery on major projects • Repeated unexpected service outages • Security breach on networks	The Group carefully engages with its customers to ensure that project milestones are carefully managed and management regularly review the progress status 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 achieved and maintained ISO27001 certification regarding information security and holds period reviews of the security environment 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

Corporate responsibility

Everything we do at Arqiva is guided by our values to go the extra mile to help our customers reach their customers and audiences

We believe we have a role to play in shaping our dynamic industry It's what we've been doing for the last 90 years

We actively engage with government, trade associations and other industry players as we know that to keep our customers connected we must continually work to identify and develop the ideas that will enable society's wireless digital future

Our Purpose is the reason why our business exists and is the difference we are trying to make for our customers – our purpose is

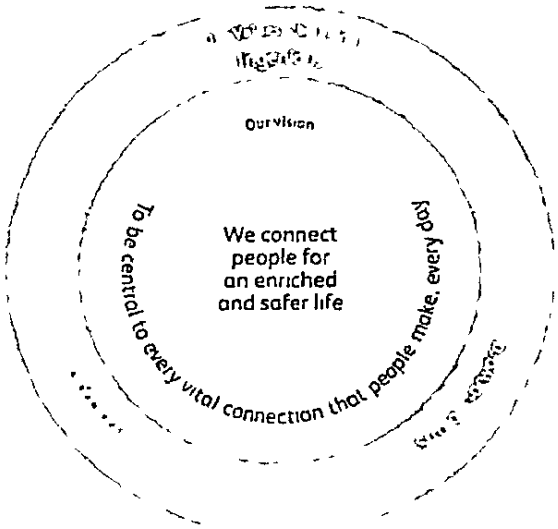
*We **connect** people for an enriched and safer life*

Our Vision is the statement of our ambition for the future – our vision is

*To be central to every vital **connection** people make, every day*

Our Values sit at the heart of who we are and what makes us special We believe in three core values where we aim to be

Ingenious *Straightforward* *Collaborative*



Ingenious: *we find ingenious and smarter ways to support our customers, we inspire customers and each other; we embrace change and fresh thinking, we find solutions that add real value*

Straightforward *we talk and act in a clear and straightforward way to make sure we are always effective and understood, we keep things simple and clear; we act with integrity, we are plain speaking and we listen*

Collaborative *we bring expertise and passion to collaborate as one team and go that extra mile, we engage widely and act as one team, we take personal responsibility, we build on our strengths*

By getting these values right we will realise our vision
To be central to every vital connection people make, every day

Charitable donations, community and social activities

Taking a collaborative approach to our work, our people and the communities in which we operate is an important company value for us It is one of the reasons why we continue to partner with The Prince's Trust and Walking with the Wounded ('WWTW') charities

Arqiva acted successfully as the Communications Partner for the WWTW South Pole Allied Challenge in December 2013 The three teams arrived at the South Pole on Friday 13 December – a day considered unlucky for some, but a monumental day for all the team members involved Arqiva is continuing its relationship with WWTW, and had two teams entering the Cumbrian Challenge 2014 in June - a 33km walk in and around Grasmere In total, the teams raised over £6,000, with additional Company matched funding

We are supporting The Prince's Trust fundraising efforts, such as the Palace to Palace bike ride in October 2014, our second year of involvement, where up to 4,000 people will ride from Buckingham Palace to Windsor Castle Arqiva is also a patron of The Prince's Trust. The Prince's Trust focuses its efforts on helping young people with practical and financial support, and developing key workplace skills

The work of The Prince's Trust fits perfectly with our purpose, vision and values as its key aim is to keep young people connected with society As part of our Corporate Responsibility strategy, we are working with The Prince's Trust to help them run programmes that encourage young people to take responsibility for themselves and help them build the life they choose rather than the one they've found themselves with

In addition, the help it provides includes training, personal development, business start-up support, mentoring and advice It is ingenious in the way that it has changed young people's lives, not through condescension and free hand-outs, but by giving them the means to help themselves Likewise, our own Apprentice Programme recognises the value that young people can make both to the workplace and society as a whole

During the year, the Group made a significant number of charitable donations All contributions were made as part of a matched funding scheme to match employee fundraising for charitable events up to £500 per employee The

Group also supports the Give As You Earn scheme, working in partnership with the Charities Aid Foundation which manages the Give As You Earn scheme - the UK's leading payroll giving scheme

Employees are supported to take part in 'Give and Gain Day' volunteering activities whereby they give their time to local charities and organisations for special projects which has included numerous activities such as upgrading the garden area at a local school Over 250 employees took part

Global Corporate Challenge ('GCC') is a wellness programme that encourages participants to be active over a 100 day period, using pedometers to track daily steps This year, Arqiva has 23 teams (161 employees) participating from a number of different locations including a US team They will be joined by over 57,000 other teams from 1,500 of the world's largest employers Arqiva is committed to supporting musculoskeletal health, and this challenge is a great activity to strengthen muscles and bones, and lower risk of injury

Environment
The Group is committed to complying with all applicable environmental legislation and annually assesses the environmental impact of its activities, products and services and aims to reduce any negative impacts through active environment management The Group operates an environmental management system which is accredited to the international standards ISO14001 and ISO50001, the latter being the voluntary International Standard for "Energy Management Systems"

Energy consumption is a key area of interest for the Group given Arqiva is a significant consumer of electricity Arqiva has launched a new energy policy which reflects the company's commitments to improving energy efficiency by

- Reducing energy consumption,
- Investing in energy efficient technology,
- Purchasing energy effectively, and
- Monitoring carbon emissions

One of Arqiva's business aims is to reduce carbon emissions and energy costs whilst complying with energy legislation We have a dedicated team looking at new and innovative ways of driving down our carbon footprint Responsible management of energy has a key role in minimising our environmental impacts and is embedded within our company We are investigating how emerging technologies and ingenious ways of working can help us and our customers become more environmentally friendly As new technologies emerge and legacy equipment is replaced we look for the most environmentally-friendly ways to dispose of redundant hardware For example, following the completion of the DSO programme we had to remove and dispose of our analogue television infrastructure, and managed to recycle over 90% of the waste

The Arqiva energy policy is committed to ensuring we meet, and where possible, exceed the requirements of applicable legislation, policies and other commitments to which we subscribe All employees are encouraged to participate in the energy reduction aims of the company, and the Arqiva Management Board support the energy policy, as well as promoting and maintaining a high profile for carbon and energy issues within the organisation

We have achieved year on year energy consumption reductions and continue to strive in our efforts to make further reductions The business aims to reduce energy consumption by 1% per annum, and as at June 2014, a 1 9% reduction has been achieved against prior year

Employees
The average number of persons employed by the Group during the year was 2,002 (2013 1,904) The Company itself has no employees (2013 none) Arqiva recognises the significant contribution of its employees and makes every effort to create a rewarding and engaging working environment

Last year Arqiva received an 'Investors in People Gold Award' This is the highest level of Investors in People recognition available Achieving the Gold Award is an outstanding recognition of the commitment and hard work put in by many colleagues across the business Arqiva is committed to retaining this award, and will next be assessed in 2016

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 staff consultative body for its part of the business within Arqiva, provide a voice to management on employee issues, initiate and support division-wide social activities, and promote consultation and sharing of information The Group Employee Forum comprises representatives of all the local forums This forum provides an effective channel for communication and collective consultation on issues that affect the whole Group

Significant emphasis is placed on employee communication The Group intranet 'Connect' makes information available to employees on all matters including company performance, growth, and issues affecting our industry The

refreshed values "ingenious, straightforward, and collaborative – Always", continue to form the fundamental basis of all Arqiva business conduct and communication

Our quarterly employee magazine - 'IQ' - includes business news, information on special projects, people profiles, environmental and charity initiatives and competitions The Management Board host quarterly briefings at all key sites and a Managers Conference is held annually to kick-off the new financial year

We want all our employees to benefit from our success and growth as a business Our annual bonus scheme recognises the importance of high performance and is designed to reward employees for achieving targets and constantly improving overall performance, in line with our values The scheme takes into account the targets that have been set by the Group and then multiplies this by a personal performance rating The company must achieve a minimum EBITDA performance before a bonus becomes payable which is then calculated based upon the Group financial KPIs of EBITDA, revenue and operating cash flow The bonus payment for the 2014 financial year will be made in September 2014

Health and safety
The Group is 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 safety management system that is accredited to the international standard OHSAS18001 The Directors regularly review health and safety reports in relation to the Group's activities, employees and contractors

Information security
Due to the critical importance of our sites and systems to the Arqiva Group, our customers and in some cases as part of the Critical National Infrastructure, the Group takes information security very seriously

Last year, Arqiva became the first company in the combined Broadcast and Telecoms industry to achieve ISO27001 certification for all platforms and services (end to end) for all of its UK locations This allows Arqiva to compete for new business which requires ISO27001 accreditation and we can confidently demonstrate our security-conscious culture and compliance with this internationally recognised standard There are two physical security audits and two internal security audits conducted every month in order to maintain our certification and since certification, we have passed every security audit

Taxation
The Group has recorded a corporation tax credit for the year ended 30 June 2014 of £18 2m (2013 £17 2m) This is primarily due to two factors, capital allowances arising as a result of the significant investment in UK infrastructure by the Group and the interest cost of funding that long term investment The capital allowances result in a tax deduction spread over a period of time defined by HMRC in order to encourage such investment The interest expense is deducted in accordance with UK tax legislation for companies which use debt to fund investments This interest expense has resulted in the Group recording a net loss before taxation in the current year Our approach to tax is to ensure compliance with all our legal and statutory obligations and how the legislators intended the laws to be followed We are 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, tax and NI paid by both Arqiva and employees, totalled £78 6m for the financial year

The Arqiva Group is a primarily UK based infrastructure group, while there are some trading operations outside of the UK these generate only 1% of EBITDA and there are no tax planning activities undertaken which seek to reduce its UK profits or revenues by transferring revenue or profit out of the UK The Group's small trading entities overseas 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 of Directors on 19 September 2014 and signed on its behalf by

Peter Shore
Chairman
19 September 2014

Directors' report and statement of Directors' responsibilities

The Directors of Arqiva Broadcast Holdings Limited ('ABHL'), registered company number 05254001, ('the Company') and its subsidiaries ('the Group') submit the annual report and audited consolidated financial statements ('financial statements') in respect of the year ended 30 June 2014

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

Financial risk management

The principal risks and uncertainties of the Group have been outlined in the Strategic report As a result of these, as well as the on-going business activities and strategy of the Group, Arqiva is exposed to a variety of financial risks that include price risk, credit risk, liquidity risk, interest rate risk and foreign exchange risk

A selection of the key financial risks affecting the Group are set out below together with a summary of the mitigating actions

Business Unit	Description of risk/uncertainty	Mitigation of risk/uncertainty
Price risk	Energy is a major component of the Group's cost base and is subject to price volatility	A large proportion of this 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 up to 18 months in advance Key revenue and cost milestones are set on larger projects to ensure the financial risks of volatile market pricing are mitigated
Credit risk	The Group is exposed to credit risk on customer receivables The Group is exposed to counterparty risks in its Treasury operations	This 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 uncollectable debts Details of the debt maturity profile are provided in note 17 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 the credit ratings Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty
Liquidity risk	Ensuring the Group 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 As at 30 June 2014 the Group had £100m available working capital facilities and £68 9m cash available to cover short term cash flow timing differences if required, together with a £400m capital expenditure facility In addition, the Group has £200m of liquidity facilities available to cover senior interest payments if required
Financing risk	The Group will need to refinance at least part of its 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 Breach of debt covenants and/or a downgrade in our rating could impact the availability of finance or the comparability of terms	The Group mitigates this risk by the strength of the stable long term investment grade capital structure in place, our BBB ratings (from Standard & Poors and Fitch) which reflect our strong ability to service and repay debt from our cash flows over a reasonable period of time maintaining an active dialogue with lenders and investors, 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 With regards to covenants the Group maintains financial covenant monitoring and modelling, both retrospectively and prospectively and maintains regular dialogue with credit ratings agencies

Interest rate risk	Exposure to interest rate risk due to the variable rate bank debt held	The Group uses interest rate and inflation swaps 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 It currently has fixed rate hedging, split between interest rate swaps and inflation swaps Interest rate swaps convert variable rate interest costs to fixed rate interest costs while inflation swaps convert fixed 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 Details of the interest rate profile of the Group's liabilities are provided in note 17
Foreign exchange risk	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 risk is limited	Management regularly monitor the impact of foreign exchange risks and assess the need to put any mitigating financial instruments in place During the year, forward foreign exchange contracts were used to fix the exchange rate for certain overseas revenue contracts, and cross currency swaps were utilised to fix the exchange rate in relation to US Dollar denominated Senior bonds Details of the cross currency swaps are provided in note 17

Audit Committee

The Group's Audit Committee has responsibilities consisting of handling risk management procedures and internal controls, compliance and regulatory issues (including whistle blowing arrangements), accuracy of group financial statements and the appointment and remuneration of external auditors In addition, the internal audit department agrees its annual audit plan with the Audit Committee and regularly reports its findings and recommendations to it

The Group benefits from regular dialogue with its auditor regarding the accounting treatment of any complex or significant new contracts contemplated throughout each financial year, with the focus in the current year having been on the significant new contract for smart metering services The Group proactively engages with its auditor in order to ensure it is well prepared for future changes to accounting standards and other applicable developments which may impact Arqiva At present the Group is discussing matters including

- the recently published IFRS 15 'Revenue from Customer Contracts' Standard, and the implications of this new Standard on both new and existing Arqiva contracts,
- the joint IASB and FASB exposure draft on leases which continues to be evolving, with comments having been received by September 2013 Redeliberation is expected to continue in the third and fourth quarters of 2014,
- the continued opportunity presented as part of the Department for Business, Innovation and Skills subsidiary company audit exemption provisions which were first applied in 2013, and
- the future of UK Generally Accepted Accounting Practice ('UK GAAP') or possible conversion to International Financial Reporting Standards ('IFRS'), the changes under which would apply to the Group from the 30 June 2016 year end, with the opening balance sheet position being 1 July 2014

The auditors provide certain non-audit services, principally in relation to transaction support services, non-audit assurance and tax compliance The Audit Committee ensures that appropriate safeguards of audit independence are applied where considered necessary, including independent partner review of any key judgements

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 suffer from a disability Further information on how Arqiva supports its employees can be found on page 16 of the Strategic report.

Creditor payment policy

The Group seeks to treat all of its suppliers fairly and it is the Group's policy to agree the terms of payment at the start of business with that supplier, ensure that suppliers are aware of the terms of payment and to pay in accordance with its contractual and other legal obligations

Arqiva's key costs are payroll, satellite capacity, rent, rates and power, and hence the majority of the Group's cost base is driven by competitive markets Arqiva engage multiple large national suppliers for key services such as

utilities and construction agreements required for new contracts This ensures not just a viable on-going cost base but reduces business risk by limiting dependency on individual suppliers

Research and development

The Group performs research and development into new products and technology, the costs of which are capitalised in accordance with the Group's accounting policy where they meet the criteria for capitalisation under UK GAAP The research costs expensed in the year were £2 3m (2013 £1 9m) 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 £3 6m (2013 £15 6m)

Development costs incurred as part of capital expenditure projects which support customer contracts, are included with the total project spend within tangible fixed assets The Group's capital expenditure in the year was £183 8m (2013 £137 6m) and includes capitalised labour of £43 3m (2013 £41 7m) Other development costs would be capitalised within intangible fixed assets In the year, development costs capitalised total £0 8m (2013 £nil), with amortisation of £nil (2013 £nil) charged against such capitalised development costs

Overseas branches

The Group has trading branches based in the Republic of Ireland, Isle of Man and Jersey

Post balance sheet events

Subsequent to the year end, the Group has concluded a new issue of 15-year floating rate, Sterling, amortising US Private Placement debt which has raised £300m and was used to make a repayment against the existing 5-year bank term facilities There have been no other events since the balance sheet date which would have a material impact on the Group and require disclosure within the financial statements under UK GAAP

Dividends and transfers to reserves

The Company has declared no dividends in the year (2013 £nil) A Group company has declared external dividends of £nil (2013 £0 1m) The consolidated loss for the year of £503 7m (2013 £304 4m) was transferred to reserves

Going concern

The Company is in a net asset position, and the Group adopts the going concern basis in preparing its financial statements Further detail is contained in the Strategic report and note 1 to the financial statements

Future developments

The Group plans to continue to invest in its business units in accordance with the agenda for growth Further detail is contained within the Strategic report

The Company will continue to remain a holding company

Ownership and Directors

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 funds (1 5%), Health Super Investments (5 5%), Industry Funds Management (14 8%) and the Motor Trades Association of Australia (5 2%) There is no ultimate controlling party of the Company, as defined by FRS 8 'Related party disclosures'

There are two investor companies which are related parties with the Group, in accordance with FRS 8, by virtue of significant shareholding in the Group

- Frequency Infrastructure Communications Assets Limited ('FICAL') (48%), a company controlled by the Canada Pension Plan Investment Board The Canada Pension Plan Investment Board is a professional investment management organisation based in Toronto which invests the assets 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)

The Directors who oversee the Company on behalf of the shareholder consortium are as follows

Frequency Infrastructure Communications Assets Limited
- Alain Carrier
- Peter Douglas
- Robert Wall
- Andreas Kottering (alternate)
- Prakul Kaushiva (alternate)

Macquarie European Infrastructure Fund II
- Edward Beckley
- Jeremy Beeton (resigned 9 June 2014)
- Mark Braithwaite (appointed 10 June 2014)
- Nathan Luckey (alternate)

Industry Funds Management
- Christian Seymour
- Adrianus Wamsteker (alternate) (resigned 29 August 2014)

Industry Funds Management and Motor Trades Association of Australia (joint appointment)
- Damian Walsh

Peter Shore is the Group's independent Chairman Michael Giles is the Company Secretary For details on the background of the Directors' and the management board please refer to the company website www arqiva com

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

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 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 regulations

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

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

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

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

On behalf of the Board

Peter Shore - Chairman
Crawley Court
Winchester
Hampshire
SO21 2QA
19 September 2014

Independent Auditors' report to the Members of Arqiva Broadcast Holdings Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2014 and of the Group's loss and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

This opinion is to be read in the context of what we say in the remainder of this report

What we have audited

The Group financial statements and Company financial statements (the "financial statements"), which are prepared by Arqiva Broadcast Holdings Limited, comprise

- the consolidated balance sheet and the Company balance sheet as at 30 June 2014,
- the consolidated profit and loss account and the statement of Group total recognised gains and losses for the year then ended,
- the consolidated cash flow statement for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates In making such estimates, they have made assumptions and considered future events

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements

In addition, we read all the financial and non-financial information in the Annual Report and Consolidated Financial Statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received 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
- the Company financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made We have no exceptions to report arising from this responsibility

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with 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

ARK.

Alan Kinnear (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
19 September 2014

Consolidated profit and loss account

	Note	Year ended 30 June 2014 Pre exceptional items £'m	Year ended 30 June 2014 Exceptional items £'m	Year ended 30 June 2014 Total £'m	Year ended 30 June 2013 Pre exceptional items £'m	Year ended 30 June 2013 Exceptional items £'m	Year ended 30 June 2013 Total £'m
Continuing operations							
Turnover (including share of joint venture)		839 5	-	839 5	829 2	-	829 2
Less share of joint venture turnover		(13 9)	-	(13 9)	(8 4)	-	(8 4)
Group turnover	2	825 6	-	**825 6**	820 8	-	**820 8**
Cost of sales		(301 4)	-	(301 4)	(292 2)	-	(292 2)
Gross profit		524 2	-	**524 2**	528 6	-	**528 6**
Depreciation		(122 6)	-	(122 6)	(105 9)	-	(105 9)
Amortisation		(157 7)	-	(157 7)	(159 1)	-	(159 1)
Other administrative expenses		(117 8)	(8 2)	(126 0)	(112 2)	(28 8)	(141 0)
Total Administrative expenses		(398 1)	(8 2)	**(406 3)**	(377 2)	(28 8)	**(406 0)**
Group operating profit	3,4	126 1	(8 2)	**117 9**	151 4	(28 8)	**122 6**
Share of operating profit in joint venture and associates		2 7	-	2 7	1 7	-	1 7
Total operating profit Group and share of joint venture and associates		128 8	(8 2)	**120 6**	153 1	(28 8)	**124 3**
Income from investments		0 4	-	0 4	0 1	-	0 1
Profit on ordinary activities before taxation and interest		129 2	(8 2)	**121 0**	153 2	(28 8)	**124 4**
Interest receivable and similar income	7	2 3	-	2 3	2 0	-	2 0
Interest payable and similar charges	4,8	(531 1)	(112 3)	(643 4)	(446 7)	-	(446 7)
Share of joint venture interest payable		(1 5)	-	(1 5)	(1 0)	-	(1 0)
Loss on ordinary activities before taxation		(401 1)	(120 5)	**(521 6)**	(292 5)	(28 8)	**(321 3)**
Tax on loss on ordinary activities	9			18 2			17 2
Loss on ordinary activities after taxation				**(503 4)**			**(304 1)**
Equity minority interests				(0 3)			(0 3)
Loss for the financial year	21			**(503 7)**			**(304 4)**

There are no material differences between losses on ordinary activities for the year above and the comparative year and their historical cost equivalents

Consolidated balance sheet

	Note	30 June 2014 £'m	30 June 2013 £'m
Fixed assets			
Intangible assets	11	1,866 8	2,018 0
Tangible assets	12	1,710 3	1 658 3
Investments	13		
Investments in joint venture			
- *Share of gross assets*		22 1	17 0
- *Share of gross liabilities*		(19 8)	(15 8)
- *Goodwill on acquisition*		8 2	8 7
Investments in associated undertakings		0 1	0 1
		10 6	10 0
		3,587 7	**3,686 3**
Current assets			
Debtors	14	269 6	254 6
Cash at bank and in hand	15	97 4	149 0
Total current assets		**367 0**	**403 6**
Creditors amounts falling due within one year	16	(970 7)	(682 2)
Net current liabilities		**(603.7)**	**(278 6)**
Total assets less current liabilities		**2,984 0**	**3,407 7**
Creditors amounts falling due after more than one year	17	(4,297 6)	(4,201 5)
Provisions for liabilities and charges	18	(47 9)	(54 1)
Net liabilities excluding pension surplus/(deficit)		**(1,361 5)**	**(847 9)**
Pension surplus/(deficit)	27	3 8	(2 3)
Net liabilities including pension surplus/(deficit)		**(1,357 7)**	**(850 2)**
Capital and reserves			
Called up share capital	19	653 9	653 9
Share premium account	20	315 6	315 6
Profit and loss reserve	21	(2 327 9)	(1,820 2)
Total shareholders' deficit	22	**(1,358 4)**	**(850.7)**
Minority interest		0 7	0 5
Capital employed		**(1,357 7)**	**(850 2)**

The accounting policies and notes on pages 30 to 60 form part of these financial statements

These financial statements were approved by the Board of Directors on 19 September 2014 and were signed on its behalf by

Peter Shore – Director

Statement of group total recognised gains and losses

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
Loss for the financial year		
- Group	(504 9)	(305 1)
- Joint Ventures	1 2	0 7
Loss for the financial year	**(503 7)**	**(304.4)**
Actuarial loss on pension scheme	(5.3)	(0 5)
Movement on deferred tax relating to pension scheme	1 1	0 1
Exchange adjustment offset in reserves (translation of foreign investments)	0 2	(0 2)
Total recognised losses for the year	**(507.7)**	**(305 0)**
Total recognised losses for the financial year		
- Group	(508 9)	(305 7)
Joint Ventures	1 2	0 7
Total recognised losses for the year	**(507 7)**	**(305 0)**

Consolidated cash flow statement

	Note	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
Net cash inflow from operating activities	23	342 1	349 0
Returns on investment and servicing of finance			
Interest received		0 9	1 6
Interest paid		(228 7)	(166 0)
Interest element of finance lease rentals		(1 1)	(1 1)
Debt issue costs and facility arrangement fees		(7 7)	(97 2)
Dividends from investments		0 4	0 1
Dividends paid to minority interests		-	(0 1)
		(236 2)	(262 7)
Tax paid		(0 4)	(0 2)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(152 8)	(125 6)
Purchase of intangible fixed assets		(1 2)	(0 6)
Sale of tangible fixed assets		8 1	4 3
		(145 9)	(121 9)
Acquisitions and disposals			
Purchase of subsidiary undertakings (including payment of deferred consideration)		(3 9)	(29 7)
Cash/(overdraft) acquired with subsidiary undertakings		0 1	(0 1)
Sale of fixed asset investments		-	0 2
		(3 8)	(29 6)
Financing			
Finance lease capital		(0 5)	(0 6)
Loans to associates and joint ventures		(0 2)	(0 1)
Repayment of external borrowings		(534 2)	(3,751.0)
Raising of external borrowings		534 5	3 734 5
Deferred derivative close out costs cash settled		-	(98 1)
Premium on swap issuance		105 3	-
Cash outflow on close out of swaps		(112 3)	-
Restricted cash		-	(28 5)
		(7.4)	(143 8)
Decrease in cash	24	(51 6)	(209 2)
Reconciliation of net cash flow to movement in net debt			
Net debt at 1 July		(3,964 0)	(3,862 4)
Decrease in net cash		(51 6)	(209 2)
Movement in financing		7 4	143 8
Increase in restricted cash		-	(28 5)
Other cash changes		7 7	97 2
Other non-cash changes		(189 9)	(104 9)
Net debt at 30 June	24	(4,190 4)	(3,964 0)

Company balance sheet

	Note	30 June 2014 £'m	30 June 2013 £'m
Fixed assets			
Investments	13	1 767 0	1,767 0
Current assets			
Debtors (including £1 8m due after more than one year (2013 £1 8m)	14	1 8	1 8
Cash at bank and in hand	15	0 1	-
Total current assets		1 9	1 8
Creditors amounts falling due within one year	16	(0 1)	-
Net current assets		1 8	1 8
Total assets less current liabilities		1,768 8	1,768 8
Capital and reserves			
Called up share capital	19	653 9	653 9
Share premium account	20	315 6	315 6
Profit and loss reserve	21	799 3	799 3
Total shareholders' funds	22	1,768 8	1,768 8

The accounting policies and notes on pages 30 to 60 form part of these financial statements

These financial statements were approved by the Board of Directors on 19 September 2014 and were signed on its behalf by

Peter Shore - Director

Notes to the financial statements

1 Principal accounting policies

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

(a) Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and applicable UK accounting standards under the historical cost convention The Company is exempt under s408 of the Companies Act 2006 from the requirement to present its own profit and loss account The Company made a loss for the year of £0 03m (2013 £91 9m profit) prior to dividends paid of £nil (2013 £nil)

(b) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company, as at 30 June 2014, and the results of all controlled entities for the year then ended

Businesses acquired, previously held externally to the Group, are accounted for as acquisitions with effect from the date control passes Those disposed of are accounted for up until the date of disposal 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 Associates are accounted for using the equity method of accounting in accordance with FRS 9 'Associates and joint ventures' Joint ventures are accounted for using the gross equity method The consolidated financial statements include the appropriate share of those undertakings' results and reserves

(c) Going concern

The Group adopts the going concern basis in preparing its consolidated financial statements based on future profit, cash flows and available facilities, which lead the Directors of the Company to be confident that the Group will have adequate resources to continue in operational existence for the foreseeable future During the year, the Group had a net cash inflow from operating activities of £342 1m (2013 £349 0m)

The Company is in a net asset position and has net current assets

(d) Tangible fixed assets and depreciation

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

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

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

Asset Description	Estimated Useful Life
Freehold buildings	20 – 80 years
Leasehold buildings	Length of lease
Plant and equipment	
- Communications infrastructure network	8 – 100 years
- Network computer equipment	3 – 20 years
- Motor vehicles	3 – 5 years

Freehold land is not depreciated

Capital work in progress is not depreciated until construction is complete and the asset is capable of operating in the manner intended by the Group in accordance with FRS 15

1 Principal accounting policies (continued)

(e) Turnover

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

(f) Intangible fixed assets and amortisation

Intangible fixed assets are stated at original purchase cost, being fair value for intangible fixed assets acquired on acquisition, less accumulated amortisation and any provision for impairment The useful economic lives of intangible fixed assets are reviewed on an annual basis and revised if required, and consideration is made of whether there has been any indicator of impairment

Research and Development costs

Development costs incurred to produce new, or substantially improved, products and services within the Group are capitalised in accordance with SSAP 13 'Accounting for research and development' and are amortised from the commencement of service over the life of the relevant contract Research costs, experimental or theoretical work undertaken which does not constitute development, are expensed as incurred

Licences

Licences acquired (typically to provide radio and WiFi services) and are capitalised and amortised on a straight line basis over their licence period

Goodwill

Purchased goodwill is capitalised and amortised on a straight line basis over its estimated useful life, which is considered to be no longer than 20 years The Group capitalises costs associated with the acquisition of subsidiaries within goodwill

Access rights

Access rights include customer contracts and customer relationships and are stated at original purchase cost, being fair value for acquired subsidiaries, and amortised on a straight line basis over their expected useful life

(g) Fixed asset investments

Fixed asset investments are stated at cost less any provision for impairment in value, in accordance with FRS 11 'Impairment of fixed assets and goodwill'

(h) 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 contracted rate if applicable and any exchange difference arising are taken to the profit and loss account Transactions in the profit and loss account of overseas operations are translated using an average exchange rate Exchange differences on translation of overseas branches are recognised through the 'Statement of group total recognised gains and losses'

(i) Leasing commitments

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

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

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

1 Principal accounting policies (continued)

Equipment leased to customers under finance leases is deemed to be sold at normal selling price and this value is taken to turnover at the inception of the lease Debtors under finance leases represent outstanding amounts due under these agreements, less finance charges allocated to future periods Finance lease interest is recognised over the primary period of the lease so as to produce a constant rate of return on the net cash investments

(j) Taxation and deferred taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes Deferred taxation is provided fully in respect of all timing differences using the liability method for timing differences where there is an obligation to pay more tax, or a right to pay less tax, in the future The provision is calculated using the rates expected to be applicable when the asset or liability crystallises based on current tax rates and laws that have been enacted or substantively enacted at the balance sheet date

A deferred tax asset is regarded as recoverable and therefore recognised only when it is more likely than not that there will be sufficient taxable profits against which to recover carried forward tax losses and from which the future reversal of timing differences can be deducted Deferred tax is not recognised on revalued fixed assets until a binding agreement is in place to sell such assets and the resulting gain or loss has been recognised in the financial statements Deferred tax is measured on an undiscounted basis

(k) Provisions

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

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

(l) Borrowings

Borrowings are stated at their issue proceeds, net of issue costs, less amounts repaid Issue costs are amortised over the term of the borrowing to achieve a constant rate on the carrying amount Interest on the borrowings is recognised as an expense as it accrues over the period of the loan, unless capitalised as noted in policy (d)

(m) Post retirement benefits

Defined contribution schemes

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

Defined benefit schemes

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the 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 Any defined benefit asset or liability is presented separately on the face of the balance sheet and net of deferred tax

(n) Cash at bank and in hand

Cash at bank and overnight deposits are disclosed within cash at bank

(o) Interest

Interest income and expense are accounted for on an accruals basis and comprise amounts receivable on deposits and payable on borrowings and finance leases

1 Principal accounting policies (continued)

(p) Derivative financial instruments

The Group uses interest rate and inflation swaps to reduce its exposure to fluctuations in variable interest rates on its debt Receipts, payments and accreting liabilities on interest rate and inflation swaps are recognised on an accruals basis, over the life of the instrument. Changes in the fair value of such derivatives are not recognised Amounts received and paid under interest rate and inflation swaps are shown net under financing costs, where they are part of the same legal agreement and settled net in practice The Group utilises forward foreign exchange contracts to hedge the value of its foreign currency transactions In addition, the Group utilises cross currency swaps to hedge the principal and interest payments due under foreign currency debt instruments against variations in foreign exchange and interest rates The changes in the fair value of such derivatives are not recognised, and the gain or loss on settlement is taken to the profit and loss account

Upon its refinancing in February 2013 the Group terminated certain interest rate swap arrangements The economic substance of these transactions reflected the overall hedging strategy of the Group from the original debt raising and the subsequent refinancing As such the termination costs have been deferred and netted against the financing liability and are to be amortised to finance costs in the profit and loss account over the term of the new fixed rate debt and are classified as derivative close out costs

(q) Share issue costs

In accordance with the provision contained in FRS 4 'Capital instruments', all issue costs (as defined within the meaning of FRS 4) are accounted for as a deduction in the proceeds of the relevant capital instruments

2 Turnover and segmental reporting

Turnover, which is stated net of value added tax, includes the value of charges made for transmission services, distribution services, products, facilities leasing, external network services to national and international telecommunication operators, other contracts, rents from properties and charges made under site sharing agreements

Turnover is recognised as services are provided Cash received or invoices raised in advance is taken to deferred income and recognised as turnover when service is provided Where consideration received in advance is discounted reflecting a significant financing component it is reflected within turnover and interest payable and similar charges Turnover recognised in advance of cash received or invoices raised is taken to accrued income

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses Turnover is calculated by reference to the value of work performed as a proportion of the total contract value

The geographical split of turnover by destination is shown below

	Group Year ended 30 June 2014 £'m	Group Year ended 30 June 2013 £'m
UK	727 4	728 5
Continental Europe (including Republic of Ireland)	52 6	55 0
Rest of World	45 6	37 3
Group turnover	825 6	820 8

2 Turnover and segmental reporting (continued)

The geographical split of turnover by origin is shown below

	Group Year ended 30 June 2014 £'m	Group Year ended 30 June 2013 £ m
UK	801,7	794 6
Continental Europe (including Republic of Ireland)	15 2	15 7
Rest of World	8 7	10 5
Group turnover	825 6	820 8

Segmental reporting

The Group has organised its business into five customer facing business units, supported by a Technology division and central corporate functions This structure is used to provide the following segmental reporting in relation to Group turnover This is stated net of intra-divisional trading

	Terrestrial Broadcast £ m	Satellite and Media £'m	Digital Platforms £ m	Telecoms £ m	Smart Metering (M2M) £ m	Total £m
Turnover for the year ended						
30 June 2014	258 1	163 9	139 0	251 8	12 8	825 6
30 June 2013	284 0	170 7	132 0	234 1	-	820 8

The majority of assets employed and underlying costs are derived from a shared infrastructure network common to all operating business units An allocation of such assets to the business units is not performed as part of the normal reporting process within the business In the absence of a suitable allocation methodology and given the size of the shared assets, the Directors are of the opinion that additional segmental reporting would not provide any meaningful information to the users of the financial statements

Whilst management review directly attributable costs by each revenue generating business unit, the Directors are of the opinion that further disclosure would be seriously prejudicial to the Group

3 Operating profit

Operating profit is stated after charging / (crediting)

	Group Year ended 30 June 2014 £'m	Group Year ended 30 June 2013 £'m
Depreciation of owned fixed assets	122 1	105 5
Depreciation of assets held under finance lease	0 5	0 4
Amortisation of goodwill in respect of subsidiaries	155 1	155 3
Amortisation of intangible assets	2 1	2 0
Amortisation of investments in joint ventures	0 5	1 8
Operating lease rentals		
- Land, buildings and other infrastructure	43 6	41 2
- Plant and machinery	1 8	1 6
Loss on disposal of tangible fixed assets	2 4	1 9
Foreign exchange gains	(0 5)	(1 5)
Grant income	(1 2)	(0 7)

Services provided by the Group's Auditors and network firms
During the year the Group obtained the following services from the Group's Auditors at costs as detailed below

	Group Year ended 30 June 2014 £'m	Group Year ended 30 June 2013 £'m
Fees payable to Company Auditors for the audit of parent company and consolidated financial statements	0 1	0 1
Fees payable for the audit of the Company s subsidiaries	0 3	0 3
Non-audit services		
Other assurance services	0 4	0 2
Services relating to taxation	0 1	0 1
Services relating to corporate finance (including refinancing)	0 2	1 8
All other services	-	0 2
Total cost of services provided by the Group's Auditors	1 1	2 7

4 Exceptional items

The Group recognises exceptional items in accordance with FRS 3 'Reporting Financial Performance' where material items, derived from events or transactions within the ordinary activities of the Group, require disclosure by virtue of their size or incidence for the financial statements to give a true and fair view

Loss on ordinary activities before taxation is stated after charging

	Group Year ended 30 June 2014 £'m	Group Year ended 30 June 2013 £'m
Administrative expenses		
- Reorganisation and severance	(6 2)	(7 3)
- Corporate finance activities (including refinancing)	(0 1)	(3 6)
- Contract bid costs relating to smart metering	-	(15 6)
- Other one off activities	(1 9)	(2 3)
	(8 2)	(28 8)
Financing expenses		
- Close out of swaps	(112 3)	-
Total exceptional items	(120 5)	(28 8)

Reorganisation and severance costs in the current and prior year primarily represent amounts incurred in relation to the organisational realignment completed during the year

Corporate finance activities relate to early refinancing costs and the costs of employees working specifically on the refinancing process which have not been included within debt issue costs in line with UK GAAP

Other one off activities includes costs relating to other business change projects, predominantly related to the divestment of our digital cinema delivery network

Financing expenses comprise £112 3m costs incurred in relation to the breaking of interest rate swap agreements (see note 17) The termination payments were partially funded by a £105 3m premium received for entering into the replacement interest rate swaps, the £7m cash settled represents the difference between the termination costs paid and the premium received

The above amounts are deductible for the purpose of taxation The aggregate tax impact of these items was a tax deduction of £27 1m (2013 a tax deduction of £6 8m)

5 Staff costs

The Company had no employees during the year (2013 none) The average monthly number of persons employed by the Group during the year was as follows

	Group Year ended 30 June 2014 Number	Restated Group Year ended 30 June 2013 Number	Previously reported Group Year ended 30 June 2013 Number
Broadcast and Media	-	-	199
Terrestrial Broadcast	550	526	-
Satellite and Media	361	334	-
Digital Platforms	37	35	23
Telecoms	365	350	243
Business Operations	-	-	1,095
Smart Metering	39	-	-
Technology and Corporate functions	650	659	344
Total staff numbers	**2,002**	**1,904**	**1,904**

During the year ended 30 June 2014, the Group completed an organisational realignment As a result, the above disclosure includes a restatement of the comparative information for the year ended 30 June 2013

The aggregate payroll costs of these persons were as follows

	Group Year ended 30 June 2014 £'m	Group Year ended 30 June 2013 £'m
Wages and salaries	123 9	117 5
Social security costs	13 3	12 4
Other pension costs	10 1	9 9
Total staff costs	**147 3**	**139 8**

6 Directors' emoluments

During the year one Director (2013 one) was an employee of Arqiva Limited (a subsidiary company), but was not a member of any group pension scheme

One of the Directors (2013 one) was a representative of the Company's shareholders and his individual remuneration reflects the services they provide to the Company, its subsidiaries and certain other entities outside of the Group It is, however, possible to make an accurate apportionment of this Director's emoluments in respect of their service to the Group Accordingly, this is taken into account in providing the following disclosure

	Group Year ended 30 June 2014 £'m	Group Year ended 30 June 2013 £'m
Aggregate emoluments	0 3	0 3
Sums paid to third parties in respect of services	-	0 1
Total emoluments	0 3	0 4

All other Directors were representatives of the Company's 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 therefore not possible to make an accurate apportionment of each Director's emoluments in respect of their service to the Company and the Group except where sums are paid to third parties in respect of their services Accordingly, the details set out in the table above include no emoluments in respect of these Directors other than in relation to sums paid to third parties in respect of services

Highest paid director
Included in the above are emoluments in respect of the highest paid Director of

	Group Year ended 30 June 2014 £'m	Group Year ended 30 June 2013 £'m
Aggregate emoluments	0 3	0 3
Total emoluments	0 3	0 3

7 Interest receivable and similar income

	Group Year ended 30 June 2014 £'m	Group Year ended 30 June 2013 £'m
Bank interest	0 4	1 3
Finance lease interest receivable	0 2	0 3
Other interest	1 7	0 4
Total interest receivable	2 3	2 0

8 Interest payable and similar charges

	Group Year ended 30 June 2014 £'m	Group Year ended 30 June 2013 £ m
Bank loan interest	144 5	204 6
Other loan interest	111 2	30 8
Less Capitalised interest	-	(0 2)
Net bank and other loan interest	255 7	235 2
Amortisation of debt issue costs	29 9	36 2
Release of deferred derivative close out costs	9 5	3 1
Finance lease interest	1 1	1 1
Shareholder loan note interest	215,2	154 7
Other interest	19 7	16,4
Total interest payable	**531.1**	**446 7**
Exceptional financing expenses (see note 4)	112 3	-
Total interest payable including exceptional items	**643 4**	**446 7**

Included within bank loan interest is the increase in the accrued liabilities on the Group's inflation swaps of £39 7m (2013 £51 5m) (see note 17) Excluding this amount the net bank and other loan interest was £216 0m (2013 £183 7m) The shareholder loan notes carry fixed interest rates of between 13% and 14%, which can be deferred at the option of the Group

9 Tax on loss on ordinary activities

	Group Year ended 30 June 2014 £'m	Group Year ended 30 June 2013 £'m
(a) Analysis of tax credit for the year		
Current tax		
UK corporation tax	0 2	0 1
Overseas tax	0 4	0 3
Total current tax	0 6	0 4
Deferred tax		
Origination and reversal of timing differences	(21 4)	(16 8)
Deferred tax on pension liability charged to profit and loss account	2 7	0 1
Impact of UK corporation tax rate change	4 6	0 7
Prior year adjustment	(4 7)	(1 6)
Total deferred tax	(18 8)	(17 6)
Tax on loss on ordinary activities	(18 2)	(17 2)
(b) Factors affecting the current tax charge for the year		
The tax charge assessed for the year is different to the standard rate of tax in the UK of 22 5% (2013 23 75%) The differences are explained below		
Loss on ordinary activities before taxation	(521 6)	(321 3)
Loss before taxation multiplied by standard rate of corporation tax in the United Kingdom of 22 5% (2013 23 75%)	(117 4)	(76 3)
Expenses not deductible for tax purposes	0 9	1 0
Amortisation of goodwill	34 9	37 3
Depreciation in excess of capital allowances	22 6	19,9
Non qualifying depreciation	4 8	5 2
Non-deductible loan note interest	37 2	10 2
Associate / joint venture revenue / expense with no tax applicable	(0 7)	(0 4)
Income not subject to corporation tax	-	(0 3)
Generation of unrecognised tax losses	19 4	6 4
Utilisation of recognised tax losses	(1 4)	(1 4)
Other timing differences	-	(1 6)
Loss on disposal of fixed assets	0 3	0 4
Total current tax	0,6	0 4

The UK corporation tax rate was reduced from 23% to 21% effective from 1 April 2014 For the purpose of this current tax charge analysis a blended tax rate of 22 5% (2013 23 75%) has been used

A reduced UK corporation tax rate of 20% has been substantively enacted in respect of future years (see note 14)

10 Dividends

Dividends payable to minority interests	Group Year ended 30 June 2014 £'000	Group Year ended 30 June 2013 £'000
Now Digital (East Midlands) Limited None declared (2013 of £25 00 per share)	-	119
South West Digital Radio Limited None declared (2013 of £6 00 per share)	-	20
Total dividends payable to minority interests	-	139

The above amounts represent dividends paid to minority interest shareholders by Group companies No dividends were paid to ABHL shareholders

11 Intangible assets

Group	Licences £'m	Development costs £'m	Access rights £'m	Goodwill £'m	Total £'m
Cost					
At 1 July 2013	4 6	1 0	23 1	3 065 8	3,094 5
Additions	2 2	0 8	-	3 0	6 0
At 30 June 2014	6 8	1 8	23 1	3,068 8	3,100 5
Accumulated amortisation					
At 1 July 2013	2 6	1 0	15 8	1,057 1	1 076 5
Charged in the year	0 6	-	1 5	155 1	157 2
At 30 June 2014	3.2	1 0	17 3	1,212 2	1,233 7
Net book value					
At 30 June 2014	3 6	0 8	5 8	1,856 6	1,866.8
At 30 June 2013	2 0	-	7 3	2,008 7	2,018 0

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

Purchased goodwill arose in the year on the acquisition of Capablue Limited (see page 42)

The Company has no intangible assets (2013 £nil)

11 Intangible assets (continued)

Acquisition of Capablue Limited
On 5 February 2014 the Group acquired 100% of the issued share capital of Capablue Limited for cash consideration The fair value of the total consideration was £3 2m The principal activity of the subsidiary acquired is the development of connectivity platforms

Disclosure of the impact of the acquisition on the results and cash flow are not made on the grounds of materiality

The fair value of assets and liabilities acquired is as follows

	Book value	Adjustments	Fair value
	£'m	£'m	£'m
Fixed assets	0 3	-	0 3
Debtors	0 1	-	0 1
Cash	0 1	-	0 1
Creditors	(0 3)	-	(0 3)
Net assets acquired	**0 2**	-	**0 2**
Goodwill			**3 0**
Cash consideration			3 1
Acquisition fees			0 1
Total consideration			**3 2**

The book values of the assets and liabilities have been taken from the accounts as at acquisition, and there were no subsequent material fair value adjustments

12 Tangible assets

Group	Freehold land and buildings	Leasehold buildings	Plant and equipment	Assets under the course of construction (AUC)	Total
	£'m	£'m	£'m	£'m	£'m
Cost					
At 1 July 2013*	313 3	132 3	1,488 7	193 0	2,127 3
Acquisitions	-	-	0 3	-	0 3
Additions	1 5	-	18 0	164 3	183 8
Completion of AUC	10 7	6 4	204 5	(221 6)	-
Disposals	(8 3)	(0 6)	(32 7)	-	(41 6)
At 30 June 2014	**317 2**	**138 1**	**1,678 8**	**135 7**	**2,269 8**
Accumulated depreciation					
At 1 July 2013*	16 2	34 9	417 9	-	469 0
Charge for the year	5 4	4 8	112 4	-	122 6
Disposals	(3 9)	(0 5)	(27 7)	-	(32 1)
At 30 June 2014	**17.7**	**39 2**	**502 6**	**-**	**559 5**
Net book value					
At 30 June 2014	**299 5**	**98 9**	**1,176 2**	**135 7**	**1,710 3**
At 30 June 2013*	297 1	97 4	1,070 8	193 0	1,658 3

*Opening balances have been restated for reclassifications between categories as part of our continuing review of the Group s asset base These reclassifications have no impact on the total cost, accumulated depreciation or net book value as previously reported

The Group s fixed and other assets have been pledged as security under the terms of the Group's external debt facilities (see note 26)

There were no borrowing costs capitalised during the year ended 30 June 2014 Borrowing costs relating to the DSO project were capitalised during the year ended 30 June 2013 of £0 2m at a capitalisation rate of 3 5% The aggregate amount of finance costs included in the cost of tangible fixed assets totals £20 5m (2013 £20 5m)

Plant and equipment additions include £0 3m relating to the acquisition of assets as part of the purchase of Capablue Limited (see note 11)

Freehold land included above but not depreciated amounts to £179 0m (2013 £178 5m)

Assets held under finance leases, capitalised and included within fixed assets are shown in the table below

	Land and buildings
	£'m
Cost	
At 1 July 2013 and 30 June 2014	10 9
Accumulated depreciation	
At 1 July 2013	(3 3)
Charge for the year	(0 5)
At 30 June 2014	(3 8)
Net book value	
At 30 June 2014	7.1
At 30 June 2013	7 6

The Company has no tangible fixed assets (2013 nil)

13 Investments

The Company has taken the exemption provided by section 410 of the Companies Act 2006 to disclose only the investments deemed to be materially significant These (held indirectly unless stated) are shown below

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
Arqiva Financing No 3 Plc - held directly	United Kingdom	Holding company	30-Jun	99 99%
Arqiva Broadcast Parent Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Broadcast Finance Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Financing No 2 Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Broadcast Intermediate Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Group Parent Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Group Intermediate Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Senior Finance Limited	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Financing Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Financing No 1 Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva PP Financing Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Group Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva UK Broadcast Holdings Limited	United Kingdom	Holding company	30-Jun	100%
ABHL Digital Limited	United Kingdom	Holding company	30-Jun	100%
ABHL Digital Radio Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva Smart Metering Limited	United Kingdom	Smart metering communications	30-Jun	100%
Arqiva Smart Financing Limited	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Inc	USA	Satellite transmission services	30-Jun	100%
Arqiva SRL	Italy	Satellite transmission services	30-Jun	100%
Arqiva SAS	France	Satellite transmission services	30-Jun	100%
Arqiva Pte Limited	Singapore	Satellite transmission services	30-Jun	100%
Arqiva Asia Limited	Hong Kong	Satellite transmission services	30-Jun	100%
Arqiva International Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Telecoms Investment Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Services Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva No 2 Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva No 3 Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva Telecommunications Asset Development Company Limited*	United Kingdom	Telecommunications infrastructure	30-Jun	100%
Arqiva Aerial Sites Limited	United Kingdom	Management of aerial sites	30-Jun	100%
Connect TV Limited	United Kingdom	Transmission services	30-Jun	100%
Spectrum Interactive Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva WiFi Limited	United Kingdom	WiFi services	30-Jun	100%
NWP Street Limited	United Kingdom	WiFi services	30-Jun	100%
Selective Media Limited	United Kingdom	WiFi services	30-Jun	100%
Digital One Limited	United Kingdom	Transmission services	30-Jun	100%
Now Digital Limited	United Kingdom	Transmission services	30-Jun	100%
Now Digital (Southern) Limited	United Kingdom	Transmission services	30-Jun	100%
Now Digital (East Midlands) Limited	United Kingdom	Transmission services	30-Jun	52 50%
South West Digital Radio Limited	United Kingdom	Transmission services	30-Jun	66 67%

* The Company changed its name from Lattice Telecommunications Asset Development Company Limited to Arqiva Telecommunications Asset Development Company Limited on 17 January 2014

13 Investments (continued)

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
Joint ventures				
Arts Alliance Media Investment Limited	British Virgin Islands	Digital cinema distribution	30-Jun	24 99%
YouView TV Limited	United Kingdom	Open source IPTV development	31-Mar	14 30%
Associate undertakings				
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	31-Dec	25%
DTV Services Limited	United Kingdom	Freeview market services	31-May	20%

The following companies within the Group will adopt the Department for Business, Innovation and Skills audit exemption for the year ended 30 June 2014 in accordance with section 479A of the Companies Act 2006 As the ultimate parent company, ABHL will guarantee the various debts and liabilities held within these companies as required under the Companies Act 2006

Company	Company registration number
Arqiva Group Intermediate Limited	8126989
Arqiva Group Holdings Limited	8221064
Arqiva UK Broadcast Holdings Limited	5254048
Arqiva Telecoms Investment Limited	3696564
JFMG Limited	3297317
Arqiva Mobile TV Limited	4107732
Arqiva Public Safety Limited	3341257
Aerial UK Limited	2333949
Primrose No 1 Limited	07046887
Arqiva Scotland Limited	SC365509
Arqiva Aerial Sites Limited	1460772
ABHL Digital Limited	3538787
ABHL Digital Radio Limited	3573732
Digital One Limited	3537636
Now Digital Limited	3546921
Now Digital (Oxford) Limited	6314242
Now Digital (Southern) Limited	3654065
Connect TV Limited	07403839
Arqiva Financing No 2 Limited*	06137899
Arqiva International Holdings Limited*	08753024
Arqiva No 2 Limited*	03922958
Arqiva No 3 Limited*	02973983
Arqiva Smart Holdings Limited*	08723422
Arqiva Smart Parent Limited*	08723419
Arqiva WiFi Limited*	04414701
Capablue Limited*	06962172
NWP Spectrum Holdings Limited*	04412123
NWP Street Limited*	04413822
Selective Media Limited*	06579687
Spectrum Interactive Limited*	04440500

*Exemption filed for the first time for the year ended 30 June 2014

13 Investments (continued)

Group	Investments in associates and joint ventures	Investment in financial instruments	Total
	£'m	£'m	£'m
Investments			
At 1 July 2013	11 8	3 0	14 8
Share of retained profit	1 1	-	1 1
At 30 June 2014	**12 9**	**3 0**	**15 9**
Provision for impairment			
At 1 July 2013 and 30 June 2014	**-**	**(3 0)**	**(3 0)**
Accumulated amortisation			
At 1 July 2013	1 8	-	1 8
Charged in the year	0 5	-	0 5
At 30 June 2014	**2 3**	**-**	**2 3**
Net book value			
At 30 June 2014	**10 6**	**-**	**10 6**
At 30 June 2013	10 0	-	10 0

The Directors believe that the carrying values of the investments are supported by the underlying trade and net assets

Company	Investments in subsidiaries	Investment in financial instruments	Total
	£'m	£'m	£'m
Cost			
At 1 July 2013	1,767 0	3 0	1,770 0
Additions	-	-	-
At 30 June 2014	**1,767.0**	**3 0**	**1,770 0**
Provision for impairment			
At 1 July 2013 and 30 June 2014	**-**	**(3 0)**	**(3 0)**
Net book value			
At 30 June 2014	**1,767 0**	**-**	**1,767 0**
At 30 June 2013	1,767 0	-	1,767 0

14 Debtors

	Group 30 June 2014 £'m	Group 30 June 2013 £'m	Company 30 June 2014 £'m	Company 30 June 2013 £'m
Trade debtors	74 3	89 8	-	-
Amounts owed by Group undertakings	-	-	1 8	1 8
Amounts owed by joint ventures (note 28)	0 3	0 1	-	-
Other debtors	13 4	7 5	-	-
Prepayments and accrued income	125 0	122 0	-	-
Deferred tax asset	56 6	35 2	-	-
Total debtors	**269 6**	**254.6**	**1 8**	**1 8**

Included within prepayments is £12 1m (2013 £16 6m) relating to arrangement fees on undrawn facilities

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

Deferred tax asset	Group 30 June 2014 Asset £'m	Group 30 June 2013 Asset £'m
At 1 July	35 2	16 6
Credited to the profit and loss account	21 4	17 7
On acquisition	-	0 9
At 30 June	**56 6**	**35 2**
Accelerated capital allowances	52 7	29 5
Short term timing differences	0 6	0 6
Tax losses	3 3	5 1
Deferred tax asset	**56 6**	**35 2**

The deferred tax asset of £56 6m has been calculated based on the UK corporation tax rate of 20% (the rate substantively enacted at the balance sheet date)

There is an unrecognised deferred tax asset of £28 7m (2013 £31 0m) in respect of tax losses which are not anticipated to be utilised in the foreseeable future This unrecognised deferred tax asset is anticipated to be utilised when there is taxable income in the relevant Group entities to utilise the losses previously generated The recognised deferred tax asset is forecast to be utilised against future taxable profits forecast to arise in the Group

Finance leases
Included within 'other debtors' are the following amounts receivable under finance leases

	Group 30 June 2014 £ m	Group 30 June 2013 £'m
Net investment in finance leases and hire purchase contracts comprises		
Total amounts receivable	4 7	5 2
Less Interest allocated to future years	(1 7)	(2 0)
Total finance leases	**3 0**	**3 2**

Rentals receivable during the year under finance leases and hire purchase contracts amount to £0 4m (2013 £0 4m)

Company
Amounts owed by Group undertakings are unsecured Interest has been charged on £1 8m at 0% (2013 £1 8m at 0%) Of the above balances, £1 8m is in respect of amounts due in greater than one year (2013 £1 8m at 0%)

15 Cash at bank and in hand

	Group 30 June 2014 £'m	Group 30 June 2013 £'m	Company 30 June 2014 £'m	Company 30 June 2013 £'m
Cash at bank	17 9	12 6	0 1	-
Short term deposits	51 0	107 9	-	-
Cash at bank and in hand	**68 9**	**120 5**	**0 1**	-
Restricted cash	28 5	28 5	-	-
Total cash at bank and in hand	**97 4**	**149 0**	**0.1**	-

The restricted cash balance relates to a reserve account required to cover one semi annual interest payment on the £600 0m of junior bonds due in 2020

16 Creditors: amounts falling due within one year

	Group 30 June 2014 £'m	Group 30 June 2013 £'m	Company 30 June 2014 £'m	Company 30 June 2013 £'m
Trade creditors	77 5	68 4	-	-
Other taxes and social security costs	15 6	15 2	-	-
Other creditors	11 3	9 3	-	-
Premium on swap issuance	9 1	-	-	-
Accrued interest on shareholder loan notes	513 0	297 5	-	
Accruals and deferred income	284 0	291 3	0 1	-
Accrued liability on inflation rate swaps	59 9	-	-	-
Finance lease obligations	0 3	0 5	-	-
Total creditors amounts falling due within one year	**970 7**	**682 2**	**0 1**	-

The Directors consider that the fair value of creditors, amounts falling due within one year closely approximates to book value

The shareholder loan notes carry a fixed rate of interest ranging between 13% and 14% which can be deferred at the option of the Group, applicable to the capital and un-paid interest The Group has exercised this option to defer interest payments since June 2009

Accrued liabilities on inflation rate swaps fall payable on 30 June 2015 and therefore represent an amount due within one year as at 30 June 2014 At 30 June 2015 this accrued liability will therefore be settled Subsequent accrued liabilities will be payable on 30 June 2018 and will therefore be shown with amounts falling due after more than one year

17 Creditors: amounts falling due after more than one year

	Group 30 June 2014 £'m	Group 30 June 2013 £'m
Bank loans		
Senior debt	1,024 0	1,186 0
Premium on swap issuance	94 5	-
Accrued liability on inflation rate swap	-	20 2
Less issue costs	(14 2)	(31 7)
	1,104 3	1,174 5
Other loans		
Senior bonds	1,312 5	1,148 5
Junior bonds	600 0	600 0
Less issue costs	(28 5)	(31 8)
Deferred derivative close out costs	(85 5)	(95 0)
	1,798 5	1,621 7
Shareholder loan notes	1,273 8	1 273,9
Other creditors	0 2	1 2
Accruals and deferred income	107 1	116 2
Finance lease obligations	13 7	14 0
Total creditors amounts falling due after more than one year	**4,297 6**	**4,201 5**

Maturity of loans
The total loans analysed below represent total creditors amounts falling due after more than one year before issue costs, deferred derivative close out costs, accruals and deferred income, and other creditors, but including finance lease obligations and premium on swap issuance falling due within one year (see note 16)

	Group 30 June 2014 £'m	Group 30 June 2013 £'m
Within one year	69 3	0 5
In more than one year, but not more than five years	737 2	1,207 7
In more than five years	3,581 3	3,034 9
Total loans	**4,387 8**	**4,243 1**

Finance leases
Future minimum payments under finance leases are as follows

	Group 30 June 2014 £'m	Group 30 June 2013 £'m
Within one year	1 3	1 6
In more than one year, but not more than five years	5 6	5 5
After five years	17 9	19 3
Total gross payments	**24 8**	**26 4**
Less finance charges included above	(10 8)	(11 9)
Total finance leases	**14 0**	**14 5**

17 Creditors: amounts falling due after more than one year (continued)

Bank loans and other loans
In February 2013, the Group closed its refinancing raising funds from both bank facilities and bond markets These funds together with further funds advanced by the ABHL shareholders facilitated the repayment of previous bank facilities Since refinancing, the Group has adopted a strategy in relation to its senior debt of refinancing the 3-year and 5-year term facilities with a variety of longer term loans and bonds At 30 June 2013 the Group had senior bank loans comprising £400 0m 3-year term facilities and £786 0m 5-year term facilities

During January 2014, the Group completed a £180 0m term loan from institutional investors, the proceeds of which were used to make a £180 0m part repayment of the 3-year term bank facilities This loan has an expected term of 10 years and is held by AF1

In February 2014, the Group closed a £164 0m fixed rate public bond issue, with an expected maturity of 2030 Net proceeds (£162 5m) from the issuance were again used to repay a portion of the 3-year term bank facility borrowed by ASF

During June 2014, the Group completed a loan of £190 0m from the EIB borrowed by AF1, with an expected term of 10 years The proceeds of this loan have been utilised to settle the remaining £57 5m of the 3-year term bank facility and £132 5m to make a part repayment of the 5-year term bank facilities

The 3-year and 5-year senior bank debt represents amounts borrowed by ASF under a Senior Facility Agreement The 3-year facility was fully repaid in the year and in relation to the 5-year facility £653 5m was outstanding at 30 June 2014 The loans have floating interest rates which range between LIBOR + 2 25% to LIBOR + 4 00% by the end of the agreement AF1 has further undrawn facilities of £700 0m available

Subsequent to the year end, the Group concluded a new 15-year amortising US Private Placement debt issue which has raised £300 0m at a coupon of LIBOR + 2 1% to be used to further pay down the remaining 5-year facility to a balance of £353 5m

Senior bonds include the issuance of £750 0m Notes raised in February 2013 and £164 0m Notes raised in February 2014 by Arqiva Financing Plc ('AF') are rated BBB by Standard & Poors and Fitch These Notes have fixed interest rates which range between 4 04% and 5 34% and are repayable between June 2020 and December 2032 These Notes are listed on the London Market

The remaining senior bonds were raised on 27 June 2013 by Arqiva PP Financing Plc ('APPF') through a US Private Placement transaction raising £398 5m in a combined sterling and US dollar denominated offering These Notes have fixed interest rates which range between 4 101% and 4 420% and have amortising repayment profiles commencing December 2018 with an end maturity date of June 2025

All **junior bonds** of £600 0m represent amounts raised from the issuance of Notes by Arqiva Broadcast Finance Plc ('ABF') These Notes have a fixed interest rate of 9 5% and are repayable in March 2020 These Notes are listed on the Luxembourg Market

All of these financing instruments have covenants attached, principally an interest cover ratio and a debt leverage ratio, and benefit from security over substantially all of the Group's assets under a Whole Business Securitisation structure The Group continues to comply with all covenant requirements

In December 2013, as part of the Group's new smart metering contract we established two further facilities in Arqiva Smart Financing Limited ('ASFL'), a Group company that sits outside the main WBS financing Group The Comms Hub Receivables Purchasing ('CHuRP') facility allows the Group to borrow up to £30 0m, the Fee Facility allows the Group to borrow up to £1 6m At 30 June 2014 a balance of £0 5m has been drawn against the fee facility, this loan has floating interest rates of LIBOR + 1 20% and is fully repayable on 30 June 2017 There were no drawdowns on the CHuRP facility as at 30 June 2014, this loan has floating interest rates which range from LIBOR + 1 20% to LIBOR + 1 75% during the initial six years of the facility, increasing to LIBOR + 2 50% at the end of the agreement in June 2026

The **deferred derivative close out costs** relate to costs incurred in February 2013 on the termination of interest rate swap instruments pursuant to the Group's refinancing and are deferred to reflect the economic substance of the Group's original hedging strategy

The **premium on swap issuance** arose on a restructuring of certain derivative financial instruments whereby the Group terminated existing interest rate swaps crystallising a loss of £112 3m (note 4) and established new interest rate swaps with a nominal value, maturity and terms to match the new financing arrangements established in the year The termination payment was partially funded by the £105 3m premium received from entering into the replacement interest rate swaps The £7 0m difference between the termination costs paid and the premium received was cash settled

17 Creditors: amounts falling due after more than one year (continued)

All shareholder loan notes are unsecured, are listed on the Channel Islands Stock Exchange and are repayable between March 2021 and March 2022, they cannot be called upon early The shareholder loan notes carry a fixed rate of interest ranging between 13% and 14% which can be deferred at the option of the Group, applicable to the capital and un-paid interest The Group has exercised this option to defer interest payments since June 2009 and a balance of £513 0m (2013 £297 5m) is held in relation to accrued interest (note 16)

Derivative financial instruments
At refinancing, the Group restructured its £2,335 7m of interest rate and inflation swaps There has been some further restructuring during the year as a result of the above changes to the bank and other loans held by the Group

£1,023 2m of variable rate debt is now hedged via three classes of interest rate swaps contracted by Arqiva Senior Finance Limited ('ASF') and AF1 at an average fixed rate of 6 0296% The ASF interest rate swaps (nominal value £653 5m) have 5 year mandatory break clauses co-terminus with the ASF variable rate bank debt The interest rate swaps held by AF1 (combined nominal values of £370 0m) have 10 year maturity dates, co-terminus with the Institutional Term Loan ('ITL') and EIB loans

£1,312 5m of fixed and variable rate debt is hedged via three classes of inflation linked swaps which fix interest at an average rate of 2 9498% indexed with RPI In addition, the principal amount of these swaps increases with RPI One class of these swaps with a nominal value of £235 0m has a 10 year mandatory break clause, whilst the remaining two classes are break free The maturity date for all three classes of inflation swaps is April 2027

AF1 has entered into £1,312 5m of floating / fixed interest rate swaps to overlay the above RPI swaps, amending the cash flow characteristics to align to the fixed coupon payable on the senior bonds and USPP debt In addition, AF1 entered into USD 358 0m of cross-currency swaps to fix the Sterling cost of future interest and capital repayment obligations relating to the USD tranche of the Private Placement at an exchange rate of 1 52

Included within creditors falling due within one year (2013 creditors falling due after more than one year) an amount of £59 9m (2013 £20 2m) reflecting accrued liabilities under the inflation swaps since the refinancing This amount is calculated on an accruals basis The remaining fair value of the interest rate, inflation and cross currency swaps at 30 June 2014 (excluding the inflation swap accrual and the premium on swap issuance), is a liability of £1,228 0m (2013 £1,412 3m) which comprises £978 5m (2013 £1,051 8m) in relation to the RPI linked swaps, £220 3m (2013 £351 8m) in relation to the interest rate swaps, and £29 2m (2013 £8 7m) in relation to the cross currency swap, which is not recognised on the balance sheet in accordance with Group accounting policy and UK GAAP accounting standards This fair value is calculated on a mark-to-market basis

The Group holds Swap Options with a total principal value of £843 2m The options are exercisable at maturity (co-terminus with the floating rate bank debt drawn in February 2013), and hedge the Group's exposure for the duration of the interest rate swaps to a decline in LIBOR below 1%

Subsequent to the year end, the Group restructured a further £300 0m notional value of interest rate swaps so that they are contracted by AF1 rather than ASF with maturity and terms to match the new 15-year amortising US Private Placement debt issue The associated premium was £100 5m which fully offset the loss crystallised leaving a zero net cash settlement, matching the breakage costs incurred on the ASF swaps that were replaced

Company
The Company has no creditors amounts falling due after more than one year (2013 nil)

18 Provisions for liabilities and charges

Group	Onerous contract	Decommissioning	Restructuring	Remediation	Other	Total
	£'m	£'m	£'m	£'m	£'m	£'m
At 1 July 2013	2 2	37 2	3 5	10 4	0 8	54 1
Released to profit and loss account	(0 5)	(0 1)	-	(6 8)	(0 3)	(7 7)
Charged to profit and loss account	1 3	0 2	7 5	-	-	9 0
Changes relating to movements in the discounted amount	-	1 6	-	-	-	1 6
Utilised	(1 0)	(0 2)	(7 8)	(0 1)	-	(9 1)
At 30 June 2014	**2 0**	**38 7**	**3 2**	**3 5**	**0 5**	**47 9**

The onerous contract provision relates to supplier contracts where the costs are expected to exceed the benefits, and onerous lease contracts where the buildings are empty but lease costs are being incurred, The provision is expected to be utilised over the next three years

Provisions are made for decommissioning and asset at risk costs where the Group has an obligation to restore sites and the cost of restoration is not recoverable from third parties The provision is in relation to assets of which the remaining useful economic life ranges up to 20 years

The restructuring provision relates to the costs of a reorganisation of Group operations which will be utilised during the next financial year

The remediation provision represents the cost of works identified as being required across a number of the Group's sites and is expected to be utilised over the next two to three years

Other provisions represent a variety of smaller items which are expected to be utilised over the next one to three years

The Company has no provisions (2013 nil)

19 Share capital

	Group and Company 30 June 2014 £'m	Group and Company 30 June 2013 £'m
Allotted, called up and fully paid:		
653 928 000 ordinary shares of £1 each	653 9	653 9

20 Share premium account

	Group and Company £'m
At 1 July 2013 and 30 June 2014	**315 6**

21 Profit and loss reserve

	£m
Group	
At 1 July 2013	(1,820 2)
Actuarial loss on pension scheme (see note 27)	(5 3)
Movement on deferred tax relating to pension asset	1 1
Exchange adjustments offset in reserves (translation of foreign investments)	0 2
Loss for the financial year	(503 7)
At 30 June 2014	**(2,327 9)**

	£m
Company	
At 1 July 2013	799 3
Profit for the financial year	-
At 30 June 2014	**799 3**

22 Reconciliation of movement in shareholders' (deficit) / funds

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
Group		
Loss for the financial year	(503 7)	(304 4)
Other recognised gains and losses relating to the year	(4 0)	(0 6)
Net change in shareholders' deficit	**(507 7)**	**(305 0)**
Opening shareholders' deficit	(850 7)	(545 7)
Closing shareholders' deficit	**(1,358 4)**	**(850 7)**
Company		
Profit for the financial year	-	91 9
Net change in shareholders' funds	-	91.9
Opening shareholders' funds	1,768 8	1,676 9
Closing shareholders' funds	**1,768 8**	**1,768 8**

23 Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities

	Group Year ended 30 June 2014 £'m	Group Year ended 30 June 2013 £'m
Operating profit	117 9	122 6
Depreciation charge	122 6	105 9
Amortisation charge	157 7	159 1
Loss on disposal of tangible fixed assets	1 2	1 9
Decrease / (increase) in debtors	2 1	(5 7)
Decrease in creditors	(51 7)	(25 4)
Decrease in provisions	(7 7)	(9 4)
Total net cash inflow from operating activities	**342.1**	**349 0**

Net cash inflow from operating activities includes cash outflows relating to exceptional items of £7 7m (2013 £25 7m) The exceptional costs accrued at 30 June 2014 are expected to be paid within the next financial year

24 Analysis of changes in net debt

	Note	At 1 July 2013 £'m	Cash flows £'m	Non-cash changes £'m	At 30 June 2014 £'m
Cash at bank and in hand	15	120 5	(51 6)	-	68 9
Loans to joint ventures	14	0 1	0 2	-	0 3
Debt due within one year	16	-	-	(69 1)	(69 1)
Debt due after one year	17	(4,070 1)	15 0	(121 4)	(4,176 5)
Finance leases	16, 17	(14 5)	0 5	-	(14 0)
Total		**(3,964 0)**	**(35 9)**	**(190 5)**	**(4,190 4)**

Debt due after one year comprises bank loans, other loans, and shareholder loan notes as shown within note 17

Major non-cash changes include recognition of exceptional financing costs in relation to breaking interest rate swaps, an increase in accrued liability on inflation rate swaps, and a movement in unamortised debt issue costs Also included is the reclassification of accrued liability on inflation rate swaps from debt due after one year (per note 17) to debt due within one year (per note 16)

25 Commitments for expenditure

Capital commitments

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

	30 June 2014 £'m	30 June 2013 £'m
Within one year	33 7	19 8
Within two to five years	10 7	-
Total capital commitments	**44 4**	**19 8**

Commitments due within one year include £17 5m in relation to the Smart Metering contract (2013 £nil) Commitments due within two to five years include £9 5m in relation to the Smart Metering contract (2013 £nil)

Operating leases

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

	30 June 2014 £'m	30 June 2013 £'m
Within one year	0 5	0 4
Later than one year but not later than five years	7 8	7 5
Later than five years	14 6	14 6
Total land, buildings and other infrastructure locations annual lease commitments	**22 9**	**22 5**

The annual commitments above exclude amounts relating to contingent rentals, cancellable leases and leases which have expired their initial term and now operate on a rolling notice period of less than one year Accordingly, the annual lease expense seen in note 3 is greater than the commitment shown above

Other annual lease commitments expiring

	30 June 2014 £'m	30 June 2013 £'m
Within one year	0 4	0 7
Later than one year but not later than five years	0 9	0 8
Total other annual lease commitments	**1 3**	**1 5**

26 Contingent liabilities

Under the terms of the Group's external debt facilities, the Group has provided security over substantially all of its fixed and other assets by way of a Whole Business Securitisation structure

27 Pension commitments

Defined benefit scheme

In the year to 30 June 2014, the Group operated one defined benefit scheme, sponsored by Arqiva Limited The assets of the scheme are held separately from those of Arqiva Limited in trustee administered funds

Triennial valuation

The triennial valuation of the Group's defined benefit pension obligations as at 30 June 2011, for actuarial funding purposes, had resulted in an assessed deficit of £17 4m Gross plan liabilities at the valuation date were £130 5m compared to gross plan assets of £113 1m Arqiva Limited has agreed with the trustee to make deficit recovery payments into the Plan during 2013 (£5 7m) and 2014 (£5 7m), with one further payment due of £4 1m in July 2015 A new triennial valuation will be prepared as at 30 June 2014 in the coming months

FRS 17 assumptions

The assumptions used for the scheme for the purpose of the FRS 17 accounting position as at the year end are set out below, along with the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS 17 liabilities and the deficit / surplus of assets below / above the FRS 17 liabilities (which equals the gross pension liability / asset)

An actuarial valuation for the purpose of statutory reporting under FRS 17 was carried out at 30 June 2014 in consultation with an independent firm of consulting actuaries, Lane Clark & Peacock LLP The principal assumptions made are

	30 June 2014	30 June 2013
Price inflation (RPI)	3 30%	3 40%
Price inflation (CPI)	2 30%	2 40%
Discount rate	4 40%	4 80%
Pension increases (LPI with a minimum of 3%)	3 70%	3 70%
Salary growth	2 80%	3 40%
Life expectancy of a male age 60 (current pensioner)	26 8yrs	26 7yrs
Life expectancy of a male age 60 (future pensioner)	28 4yrs	28 3yrs

As required by FRS 17 'Retirement benefits', the value of the defined benefit liabilities has been measured using the projected unit method

Asset distribution and long term rate of return expected

	30 June 2014 Expected return	30 June 2014 Fair value £'m	30 June 2013 Expected return	30 June 2013 Fair value £'m
Equities	7 20%	75 1	7 30%	80 0
Bonds	3 80%	93 4	3 95%	66 1
Cash	0 50%	5 9	0 50%	1 0
Total		**174 4**		**147 1**
Balance sheet				
Total fair value of assets		174 4		147 1
Present value of scheme liabilities		(169 7)		(150 1)
Gross pension asset/(liability)		4 7		(3 0)
Deferred tax (liability)/asset		(0 9)		0 7
Net pension asset/(liability)		**3 8**		**(2 3)**

Deficit contributions of £5 7m received on 30 June 2014 were held as cash at the year end and had not been invested in portfolio funds This investment process was completed in July 2014

27 Pension commitments (continued)

No amounts within the fair value of the arrangements are in respect of the Company's own financial instruments or any property occupied by, or assets used by, the Group

A higher long term rate of return is expected on equity investments than that which is available on bonds The extent to which equities are assumed to provide higher returns than bonds in the future is estimated based on the returns achieved above bond returns historically and market conditions at the balance sheet date

Arqiva Limited pays contributions of between 24 1% and 32 7% of pensionable salaries for the majority of the 351 active members of the scheme as at the last triennial valuation date, plus the cost of matching Additional Voluntary Contributions ('AVCs')

The present value of the scheme liabilities has moved over the year as follows

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
1 July	150 1	131 3
Current service costs	4 6	4 7
Settlements	-	0 6
Contributions by employees	1 3	1 7
Interest cost	7 3	6.3
Benefits paid	(2 8)	(2 5)
Actuarial loss	9 2	8 0
30 June	**169 7**	**150 1**

The fair value of the scheme assets has moved over the year as follows

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
1 July	147 1	128 3
Expected return on scheme assets	8 8	6 7
Actuarial gain	3 9	7.5
Contributions by employer	16 1	5 4
Contributions by employees	1 3	1 7
Benefits paid	(2 8)	(2 5)
30 June	**174 4**	**147 1**

The post retirement deficit under FRS 17 moved over the year as follows

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
Deficit at 1 July	(3 0)	(3 0)
Current service costs	(4 6)	(4 7)
Settlements	-	(0 6)
Contributions	16 1	5 4
Other net finance income	1 5	0 4
Actuarial loss	(5 3)	(0 5)
Surplus/(Deficit) at 30 June	**4 7**	**(3 0)**

27 Pension commitments (continued)

The following amounts have been included within operating profit

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
Current services cost (employer only)	4 6	4 7
Settlements	-	0 6
Total operating charge	4 6	5 3

The following amounts have been included as net finance income under FRS 17

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
Expected return on pension scheme assets	8 8	6 7
Interest on post retirement liabilities	(7 3)	(6 3)
Net finance income	1 5	0 4

The actual return on scheme assets was a gain of £12 7m (2013 £14 2m)

The following amounts have been recognised within the statement of group total recognised gains and losses ('STRGL') under FRS 17

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
Actual return less expected return on scheme assets	3 9	7 5
Losses due to changes in assumptions underlying the FRS 17 value of scheme liabilities	(9 2)	(8 0)
Actuarial loss recognised in the STRGL	(5 3)	(0 5)

The cumulative amount of actuarial gains and losses recognised in the STRGL is a loss of £20 8m (2013 £15 5m)

The history of experience gains and losses is

	2014 £ m	2013 £'m	2012 £'m	2011 £'m	2010 £'m
Present value of scheme liabilities	(169 7)	(150 1)	(131 3)	(109 5)	(101 8)
Fair value of scheme assets	174 4	147 1	128 3	113 1	89 5
Surplus/(Deficit) on scheme	4 7	(3 0)	(3 0)	3 6	(12 3)
Actual return less expected return on scheme assets	3 9	7 5	(3 3)	10 6	7 6
Percentage of Scheme's assets	2%	5%	(3%)	9%	9%
Experience gains arising on scheme s liabilities	-	-	1 7	-	-
Percentage of the FRS 17 value of the scheme's liabilities	0%	0%	(1%)	0%	0%
Total amount recognised in the STRGL	(5 3)	(0 5)	(13 8)	12 5	(6 1)
Percentage of the FRS 17 value of the scheme's liabilities	3%	0%	11%	(11%)	6%

27 Pension commitments (continued)

The scheme is closed to new entrants and under the method used to calculate pension costs in accordance with FRS 17, the cost as a percentage of covered pensionable payroll will tend to increase as the average age of the membership increases

Other pension schemes

Arqiva Limited

Arqiva Limited has operated a defined contribution scheme during the year, for those employees who are not members of the Defined Benefit scheme described above Contributions payable in respect of this scheme for the year were £5 4m (2013 £4 6m) The assets of the scheme are held outside of the Group

An amount of £1 0m (2013, £0 7m) is included in accruals being the outstanding contributions to the defined contribution scheme

28 Related party disclosures

On a consolidated basis, transactions and balances between Group entities have been eliminated in full and are therefore not disclosed in accordance with FRS 8 'Related party disclosures'

The Company has taken advantage of the exemptions available under FRS 8 for disclosure of transactions with entities that are part of the Group as related parties in these financial statements The only Company related party transaction that is not exempt from disclosure was the intercompany debtor balance with Arqiva Financing No 3 Plc ('AF3') which was eliminated upon refinancing in the prior year There was no further interest charged during the year (2013 £73 8m)

Related party transactions
As at 30 June 2014, the amount outstanding from Arts Alliance Media Investment Limited, a joint venture company, including accrued interest was £0 3m (2013 £0 1m) This balance has increased with a further loan advanced during the year Interest charged during the year was £22,000 at 12% (2013 £5,000 at 12%)

In 2014 the Group received a dividend from MXR Holdings Limited, a Company in which the Group has a trade investment, of £0 1m (2013 £0 1m) and a dividend from YouView TV Limited, a joint venture company, of £0 3m (2013 £nil)

The Group paid subscriptions of £3 0m (2013 £2 8m) to DTV Services Limited, an associate undertaking, and £3 4m (2013 £4 3m) to YouView TV Limited, a joint venture

There are two investor companies, FICAL and MEIF II, which are related parties with the Group in accordance with FRS 8, by virtue of significant shareholding in the Group Refer to the Directors Report for further details of these investor companies

2014	MGIF II *	MEIF II +	Macquarie Prism *	FICAL +
	£m	£m	£m	£m
Shareholder loan notes	4 7	344 8	9 3	665 2
Shareholder loan note interest for the year	1 1	54 8	1 9	105 7
Accrued shareholder loan note interest	4 7	109 3	6 1	210 4

* A related party by virtue of common influence
+ An investor company and a related party by virtue of significant shareholding (as at 30 June 2014)

2013	MGIF II *	MEIF II +	Macquarie Prism *	FICAL +
	£m	£m	£m	£m
Shareholder loan notes	4 7	344 8	9 3	665 2
Shareholder loan note interest for the year	1 0	39 1	1 3	75 2
Accrued shareholder loan note interest	3 6	54 5	4 2	104 8

* A related party by virtue of common influence
+ An investor company and a related party by virtue of significant shareholding (as at 30 June 2013)

29 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 There is no ultimate controlling party of the Company, as defined by FRS 8

The Company is the parent company of the largest group to consolidate these financial statements