



# **Guardian Digital Communications Holdings Limited**

**Registered number 06143511**

## **Annual Report and Consolidated Financial Statements**

**Year ended 30 June 2015**



# Guardian Digital Communications Holdings Limited

Registered number 06143511

## Annual Report and Consolidated Financial Statements

Year ended 30 June 2015



### Table of Contents

|  |           |
|--|-----------|
| <b>General Information</b>   | <b>2</b>  |
| <b>Strategic Report</b>  | <b>3</b>  |
| <b>Directors' Report</b>   | <b>9</b>  |
| <b>Independent auditors' report to the members of Guardian Digital Communications Holdings Limited</b> | <b>13</b> |
| <b>Consolidated Balance Sheet</b>  | <b>15</b> |
| <b>Consolidated Statement of Comprehensive Income</b>  | <b>16</b> |
| <b>Consolidated Statement of Changes in Equity</b>   | <b>17</b> |
| <b>Consolidated Statement of Cash Flows</b>  | <b>18</b> |
| <b>Notes to the Consolidated Financial Statements</b>  | <b>19</b> |
| 1 Summary of Significant Accounting Policies   | 19        |
| 2 Loss for the Year  | 30        |
| 3 Taxation   | 32        |
| 4 Cash and Cash Equivalents  | 33        |
| 5 Trade and Other Receivables  | 34        |
| 6 Inventories  | 35        |
| 7 Property, Plant and Equipment  | 36        |
| 8 Goodwill   | 37        |
| 9 Investments in Subsidiaries  | 38        |
| 10 Other Intangible Assets   | 38        |
| 11 Trade and Other Payables  | 39        |
| 12 Deferred Income   | 39        |
| 13 Borrowings  | 40        |
| 14 Finance lease liabilities   | 41        |
| 15 Provisions for liabilities and charges  | 42        |
| 16 Deferred Taxation   | 43        |
| 17 Financial Instruments   | 45        |
| 18 Ordinary Shares   | 49        |
| 19 Related Party Disclosures   | 49        |
| 20 Pension Scheme  | 50        |
| 21 Key Management and Director Compensation  | 50        |
| 22 Employees   | 51        |
| 23 Financial Commitments   | 51        |
| 24 Operating Cash  | 51        |
| 25 Contingent Liabilities  | 52        |
| 26 Parent Company and Controlling Party  | 52        |
| 27 Events Occurring after Balance Sheet Date   | 52        |
| <b>Independent auditors' report to the members of Guardian Digital Communications Holdings Limited</b> | <b>53</b> |
| <b>Parent Company Balance Sheet</b>  | <b>55</b> |
| <b>Parent Company Statement of Changes in Equity</b>   | <b>56</b> |
| <b>Parent Company Statement of Cash Flows</b>  | <b>57</b> |
| <b>Notes to the Financial Statements</b>   | <b>58</b> |
| 28 Summary of Significant Accounting Policies  | 58        |
| 29 Statement of Comprehensive Income   | 60        |
| 30 Investments   | 60        |
| 31 Other Receivables   | 60        |
| 32 Borrowings  | 61        |
| 33 Other Payables  | 61        |
| 34 Financial Instruments   | 62        |
| 35 Ordinary Shares   | 63        |
| 36 Related Party Disclosures   | 64        |
| 37 Contingent Liabilities  | 64        |
| 38 Parent Company and Controlling Party  | 65        |
| 39 Events Occurring after Balance Sheet Date   | 65        |

**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015



## **General Information**

### **Directors**

Philip Bramwell  
Peter Dyer  
Stephen Hurrell  
Gerry Loftus  
Nathan Luckey

### **Company Secretary**

Paul Boyle

### **Registered Office**

Charter Court  
50 Windsor Road  
Slough  
Berkshire  
SL1 2EJ

### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
4th Floor  
One Reading Central  
23 Forbury Road  
Reading  
RG1 3JH

### **Bankers**

HSBC Bank Plc  
8 Canada Square  
London  
E14 5HQ

---

# **Guardian Digital Communications Holdings Limited**

Registered number 06143511

## **Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015



## **Strategic Report**

The Directors present their strategic report for the year ended 30 June 2015.

### **Review and analysis of the business during the current year**

The Group, through its subsidiary undertaking Airwave Solutions Limited ('Airwave'), continued to deliver its core network services under existing long term contracts, covering all three blue light customers, Police, Ambulance and Fire, including additional resilience and coverage solutions.

### **Development and financial performance during the year**

#### *Operating review*

The Group continues to meet the demanding service levels required by its public safety customers and has delivered 99.95% network availability during the year. Airwave continues to offer its users a secure and dedicated service which is uncompromised by the requirements of commercial users and, in addition, a resilient service which ensures users can access the network whilst many commercial providers lose service.

During the year, Airwave supported its emergency users covering a number of events hosted in Great Britain. This began with the Tour de France in July 2014 which saw two million spectators travel to Yorkshire to watch the Grand Départ with Airwave providing coverage across a number of remote areas with challenging terrain.

In August 2014, Airwave built upon its London 2012 Olympic and Paralympic Games communications experience in assisting Police Scotland in their support of the Glasgow 2014 Commonwealth Games. Airwave worked with Police Scotland to ensure the right coverage and capacity was available to support events over 11 days and across 14 venues.

In September 2014, Wales hosted the NATO summit with 150 visiting dignitaries, including an unprecedented 67 heads of state. Airwave supported 9,500 police officers using our Special Coverage solution over the course of the event.

The current economic climate and government budgetary pressures continue to contribute towards slow new business revenues. Through its subsidiary Airwave Application Services Limited (formerly Kelvin Connect Limited), Airwave continues to develop mobile data solutions and products that aim to create significant efficiencies allowing greater utilisation of our customers' front line resources and allowing them to secure savings in their back office activities. Over a third of all police forces are now using these solutions and products.

In the prior year, the Group completed the amendment of its existing banking facilities and extended the facility to 27 March 2017. The Group has the option to extend the facility to 27 March 2019 subject to satisfying certain conditions. Further details regarding the bank facilities can be found in note 13 to these financial statements.

In April 2014, the Home Office through its Emergency Services Mobile Communication Programme (ESMCP) launched a competitive tender with the aim of procuring an Emergency Services Network potentially replacing Airwave's existing service contracts, which is detailed further in the Directors' report.

---



## Strategic Report (continued)

### Review and analysis of the business during the current year (continued)

#### Development and financial performance during the year (continued)

##### *Financial performance*

The Group results for the year are set out below and in more detail in the attached financial statements:

|   | 2015<br>£'000 | 2014<br>£'000 |
|---|---------------|---------------|
| Revenue   | 427,411       | 419,554       |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) <sup>1</sup> before exceptional items and management fees | 244,187       | 242,641       |
| Net finance costs   | (99,195)      | (65,130)      |
| Loss for the year   | (677,170)     | (66,138)      |

<sup>1</sup> A reconciliation of operating profit to EBITDA is shown in note 2 to the financial statements

Total revenue for the year of £427.4 million was 1.9% higher than prior year, mainly due to indexation and incremental income earned from special coverage contracts.

EBITDA has increased over the prior year by £1.5 million as a result of business transformation savings.

Net finance costs were £99.2 million (2014: £65.1 million) driven by interest payments on the Group's bank facilities and the absence of the fair value gain on interest rate swaps in the prior year.

During the year the Group recognised exceptional costs of £586.9 million (2014: £nil) comprising £4.4 million related to staff redundancy and associated restructuring costs in Airwave, £4.3 million of legal and professional fees relating to a review of the Group's strategy and a £578.2 million goodwill impairment charge based on the Group's annual impairment test.

The Group has performed the annual impairment test by comparing discounted future cashflows with the carrying value of assets. As a consequence of Airwave having not been down selected for the final stage of the Emergency Services Mobile Communication Programme (which is detailed further in the Directors' report), there is now greater uncertainty as to the quantum and timing of cashflows beyond the end of Airwave's existing contracts. As a result, the Directors have chosen to take a prudent approach and have written off goodwill of £578.2 million. The remaining value of assets is more than adequately covered by the discounted forecast future cashflows of the business from existing customer contracts.

This resulted in a loss after tax of £677.2 million (2014: £66.1 million).

The Home Office commissioned the Airwave network as a Private Finance Initiative ("PFI"). As is typical of a PFI, Airwave experienced large cash outflows in the early years of operation as it invested £1.5 billion in designing and building the Airwave Network. The return on this investment is now being realised over the latter years of the Company's customer contracts, which is typical of this type of contract.

##### *Financial position at 30 June 2015*

The Group has net liabilities of £1,446.9m (2014: £769.5m) driven by the Group's liabilities under the current bank facility, but generates stable operating cash flows from long-term government contracts.

Operating cash inflow in the year of £240.6m (2014: £139.0m) was significantly higher than last year reflecting the receipt in the period of £58.9 million in respect of the trade receivables balance held at 30 June 2014.



## Strategic Report (continued)

### Review and analysis of the business during the current year (continued)

#### Development and financial performance during the year (continued)

##### *Key performance indicators*

The Group has performed strongly this year against its objectives and key performance indicators. The Group continues to meet the demanding service levels required by its public safety customers and has delivered 99.95% network availability during the year.

Management monitor progress on both financial and customer satisfaction measures through regular meetings of the Executive Committee and the Airwave Board. Mitigating actions are taken by management as appropriate.

The Group measures the level of service credits payable to customers as a result of incidents on the network that impact the level of service experienced. We continue to experience a low level of service credits due to the stable and robust nature of the network together with the dedication of Airwave employees in the management of the network.

The Group also undertakes annual customer satisfaction surveys for value optimisation and service optimisation. These were in accordance with management's expectations.

|                                   | Note | 2015<br>£'000  | 2014<br>£'000 | Definition, method of calculation and analysis  |
|-----------------------------------|------|----------------|---------------|---|
| Revenue                           | 2(a) | <b>427,411</b> | 419,554       | Revenue comprises the fair value of services and equipment provided, excludes VAT and is after elimination of sales within the Group. Revenue has increased due to indexation and incremental income earned on special coverage contracts.            |
| EBITDA (before exceptional items) | 2(d) | <b>244,187</b> | 242,641       | EBITDA is calculated by adding back depreciation charges in the year to operating profit before exceptional items. EBITDA has increased as a result of business transformation savings achieved.  |
| Operating cash flow               | 24   | <b>240,593</b> | 139,034       | Operating cash flow is calculated by deducting working capital and capital expenditure movements from EBITDA in the year. The increase over last year primarily reflects the receipt of £58.9m of the trade receivables balance held at 30 June 2014. |

## **Strategic Report (continued)**

### **Principal risks and uncertainties**

#### **Financial risk management**

The management of the business and the execution of the Group strategy are subject to a number of risks and uncertainties. The key risks facing the business are set out below.

#### **Operational risk management, policies and exposure**

##### **Network outage risk**

There is a risk of an Airwave network outage due to events outside of the Group's control. A serious outage would have a major impact on customers' performance and with the nature of the emergency service customer base, repercussions could be critical. This could result in severe damage to the Group, its brand and reputation and has therefore been mitigated by increasing network security and resilience and putting in place robust operational procedures to enable the service to be maintained during such incidents.

##### **Contract risk**

The Group's core customer contracts become due for renewal between 2016 and 2020. There is a risk that the Group is unsuccessful in either extending or renewing those contracts. In response to this risk, the Group is developing new products and services that are sold and delivered outside of its core contracts.

##### **Health risk**

Concerns about the perceived health risks of TETRA radio technology could have a negative impact on business and tarnish the Airwave brand. Airwave takes the issue of health and safety extremely seriously. We are very aware of our responsibilities to ensure that staff, customers and the general public are not put at risk, which is why we are committed to rigorous compliance with strict safety guidelines.

#### **Financial risk management objectives, policies and exposure**

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

##### **Price risk**

The Group has exposure to fluctuations in the market prices of electricity and other commodities that are consumed in its operational activities. The Group mitigates this risk through its negotiation of fixed price and longer term contracts with its suppliers.

The Group is also subject to the impact on its contracts by changes to Government spending patterns based on the economic cycle and increasing pressure on pricing from customer organisations. The Group manages this risk through the development of new services that support the Government's efficiency and spending agenda.

##### **Credit risk**

The Group's principal credit risks are attributable to cash and cash equivalents and trade receivables. Cash and cash equivalent credit risk is monitored on an overall basis through the application of counterparty credit limits which are dependent on the long-term credit rating of the counterparty.

##### **Liquidity risk**

The Group generates significant, stable operating cash flows from its long-term government contracts within the Airwave business, which give the Group adequate access to liquid resources to allow the Group to meet its commitments under the bank facility agreement.

##### **Exchange rate risk**

Management monitors exchange rate risk but as yet there is no current significant foreign currency exchange exposure. This is because more than 99% of assets and liabilities are denominated in Pounds Sterling (GBP).

##### **Interest rate risk**

The Group has no immediate exposure to interest rate risk as its bank facilities have a fixed interest rate of 3.7%.

---



## **Strategic Report (continued)**

### **Business Review (continued)**

#### **Financial risk management objectives, policies and exposure (continued)**

##### **Capital risk**

The Group is funded through a mix of external bank facilities, shareholder debt and equity which was determined during the shareholder acquisition process incorporating the Group's financial model and future strategy.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern whilst providing returns to shareholders, benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's Capital Management Policy is to ensure the availability of an adequate supply of reasonably priced funding to meet current and future requirements anticipated under Airwave's budget and strategic plan, within the constraints of the Group's banking covenant requirements.

#### **Employees**

##### **Our people**

Our people are important to us and we believe that every person who works in the Group has a vital role to play in delivering the highest levels of cost effective business performance and service to our customers. Our people are committed, customer focused, take pride in what they do and have a passion for delivering the highest standards, no matter what the situation. Our people consistently demonstrate our values of Dedicated, Inclusive, Smart and Unified. The dedication of our people was particularly relevant during this financial year, as they contended with some of the worst winter weather on record to keep our network operational.

We continually work on improving the engagement and motivation of our people as we know this leads to improved business performance and higher levels of customer service.

We recognise that the quality of our leadership is critical to our future success and ensure our leaders at all levels understand what is expected of them in leading and developing their teams. We support them in their own development through formal management and leadership programmes.

##### **Learning and development**

We constantly look to improve our customers' experience by actively investing in our people to ensure they have the skills, tools and experience needed to carry out their roles to the best of their ability, through on-the-job experience, secondment opportunities, coaching and mentoring and formal training programmes. Individual development needs are identified as part of twice yearly performance reviews, regular one to ones and personal development planning with their managers.

We continue to run a successful apprentice programme, offering young people the opportunity to gain valuable work experience, whilst studying for a formal qualification. Many of our apprentices have gone on to secure permanent employment with us.

##### **Engagement and communication**

We are committed to keeping our people informed and taking their views into account when we are making decisions that are likely to affect them. Communications and engagement with our people continues to be undertaken using various media including, forums, our in-house magazine, our intranet, e-zines and monthly teleconferences with executives and other business leaders.

##### **Reward and recognition**

We aim to create and maintain a high performing culture by delivering initiatives that reward and recognise employee capabilities, behaviours and performance and ensure that reward processes are market relevant, fair and cost effective.

---



## Strategic Report (continued)

### Employees (continued)

#### Equal opportunities and diversity

We are an equal opportunities employer and feel strongly that our people should have an equal chance of advancement, access to opportunity, and the training and development needed, irrespective of their gender (including sex, marital status, gender reassignment and pregnancy), race (including colour, nationality, national origin and ethnic origin), sexual orientation, religion or belief, age, disability or caring responsibilities.

The table below provides a breakdown of the gender of Board members, senior management and employees at the end of the financial year. Senior management includes persons responsible for planning, directing and controlling activities as part of the Group's executive and operating committees and excludes Directors of the Company.

|                   | Males | Females |
|-------------------|-------|---------|
| Board membership  | 5     | 0       |
| Senior management | 13    | 2       |
| Group employees   | 469   | 134     |

We employ and provide a suitable environment for people with disabilities and all reasonable facilities are provided for people with disabilities to pursue their careers without difficulty or disadvantage. We are committed to eliminating discrimination and encouraging diversity amongst our people, partners, suppliers and customers. We oppose all forms of unlawful and unfair discrimination.

#### Health and safety

The health and safety of our people remains of paramount importance and we have maintained our focus on educating our people and our managers in order to maintain a healthy and safe workforce. This includes formal training programmes and performing relevant risk assessments. A separate board subcommittee meets not less than twice a year to review health and safety issues and risks across the business.

#### Corporate Responsibility

Core to the Group's business is a responsible and sustainable approach to customers, employees, the environment, supply chain and the community. Our approach is consistent with market and government expectations.

We are committed to ensuring the long-term sustainability of our business operations, through the delivery of our sustainability policy and programme. The programme includes deliverables that support the social, environmental and economic performance of our business, customers and partners. We publish our performance through our annual Sustainability Report which is externally assured and also participate in the annual government assessment (CAESER - Corporate Assessment of Environmental, Social and Economic Responsibility). Last financial year Airwave scored 88% in the assessment, which further establishes Airwave as one of the leading sustainable suppliers to government.

We continue to assess the impact, development and participation of small and medium enterprises (SMEs) within the Airwave supply chain. Airwave recognises the importance of creating innovative policies and solutions to increase SME usage across all categories of spend. More than 50% of strategic and operational suppliers to Airwave are SMEs. Further information can be found at <http://www.airwavesolutions.co.uk/sustainability>.

This report was approved by the Board on 14 October 2015 and signed on its behalf by:



**Peter Dyer**  
Director

# **Guardian Digital Communications Holdings Limited**

Registered number 06143511

## **Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015



## **Directors' Report**

The Directors present their report and the audited consolidated financial statements for the year ended 30 June 2015.

### **Corporate Structure**

Guardian Digital Communications Holdings Limited (the "Company") is a private limited company incorporated, domiciled and registered in England and Wales under the number 6143511. The registered address is Charter Court, 50 Windsor Road, Slough, Berkshire SL1 2EJ. The Company was incorporated on 7 March 2007.

The ultimate parent company is Macquarie European Infrastructure Fund II ("MEIFII"), a fund that makes investments in infrastructure and related businesses. MEIFII is owned by a diverse group of institutional investors, including pension funds and insurance funds. The Company's immediate parent is Guardian Digital Communications Luxembourg S.à r.l. ("GDCLux").

The Guardian group of companies were established in order to acquire Airwave Solutions Limited ("Airwave") on 20 April 2007. The acquisition was made by the Company's subsidiary Guardian Digital Communications Limited ("GDCL").

Airwave Solutions International Limited is a wholly owned subsidiary of Airwave and itself owns the international subsidiary Airwave Solutions Deutschland GmbH. Airwave Application Services Limited, a leading mobile data capture system provider, is also a wholly owned subsidiary of Airwave.

GDCL, Airwave and all subsidiary undertakings are incorporated within the consolidated financial statements contained in this report, and together with the Company are referred to as the "Group".

### **Principal Activities**

The principal activity of the Company during the year was investing in companies which develop and provide mobile information and communications technology to Public Safety Organisations, principally via Airwave.

### **Business model**

Airwave was incorporated in 2000 having successfully won a Home Office contract to design, build and operate a secure communications network for Police forces across England and Wales. The Airwave network has since been expanded to include all three blue light services and many more non-blue light Public Safety Organisations across Great Britain. The network provides coverage across more than 99% of the UK's land mass through a resilient ground-based network of more than 3,850 base sites.

The Home Office commissioned the Airwave network as a Private Finance Initiative ("PFI"), whereby a private contractor develops or builds an asset up-front using their own funding, before being paid by the government for the use of that service over the long-term. From winning the contract to the date of these financial statements, the Group has invested £1.5 billion building, expanding and developing the Airwave network which is based around the established and open technology standard of Terrestrial Trunked Radio ("TETRA").

The Group is focused on providing excellent service to all customers and expanding its services to existing and new customers. Central to our proposition is ensuring we provide a stable, resilient and efficiently run network to our customers.

The Group's strategy is to build upon existing capabilities by leveraging our reputation, service capability and UK based assets and resources.

The Group also provides products and consulting services both in Great Britain and internationally with regard to designing, building, operating and maintaining public safety networks. The Group's international strategy is to concentrate our resource on those geographies where we have already invested time to build credibility and market knowledge successfully.

### **Business Review**

#### **Results and proposed dividend**

The Group's loss for the year ended 30 June 2015 was £677.2 million (2014: £66.1 million).

The Directors do not recommend the payment of a dividend for the year ended 30 June 2015 (2014: £nil).

---

# **Guardian Digital Communications Holdings Limited**

Registered number 06143511

## **Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015



## **Directors' Report (continued)**

### **Business Review (continued)**

#### **Future developments**

In April 2014, the Home Office through its Emergency Services Mobile Communication Programme (ESMCP) launched a competitive tender with the aim of procuring an Emergency Services Network to deliver integrated voice and data service to the three main emergency services users throughout Great Britain, potentially replacing Airwave's existing service contracts, which expire between 2016 and 2020.

In February 2015, the Group was advised that it was unsuccessful in progressing to the Best and Final Offer stage of the ESMCP programme.

The Group continues to work with its customers to ensure mission critical communications are maintained under contracts which run up to 2020 and is continuing to develop products and services that are provided independently of its core contracts. A number of contract extensions were agreed and signed with certain customers during the financial year, most notably the Fire service, indicating that customers believe that Airwave's service will be needed for the foreseeable future until a reliable replacement for the existing Airwave service can be established.

More information on the ESMCP can be found at <https://www.gov.uk/government/publications/the-emergency-services-mobile-communications-programme>.

#### **Going concern**

In making an assessment of the Group's ability to continue as a going concern, the Directors have reviewed the Group's liquid resources, access to and terms of committed borrowings facilities and expected returns from the Group's key trading subsidiary, Airwave Solutions Limited. As a result of their review, the Directors have a reasonable expectation that the Group has adequate resources to continue as a going concern and to meet its liabilities as they fall due. Therefore these financial statements have been prepared on a going concern basis.

#### **Directors**

The Directors who held office during the year and up to the date of signing the financial statements were as follows:

|   |  |
|---|--|
| Philip Bramwell<br>(appointed 7 July 2014)      | Philip has spent more than 20 years as an international corporate lawyer, specialising in mergers and acquisitions in the pharmaceuticals, IT and telecommunications industries in Europe, the United States, Asia and the Middle East   |
| Peter Dyer<br>(appointed 18 June 2015)          | Peter was a director of Macquarie European Infrastructure Plc and has extensive experience in infrastructure and engineering projects, as well as in the development of a number of UK-based PFI projects  |
| Christopher Heathcote<br>(resigned 8 June 2015) | Christopher served as Managing Director in Macquarie Infrastructure and Real Assets having joined from Lloyds Banking Group, where he was global head of project finance responsible for project finance activities in infrastructure, utilities, renewable and conventional energy. |
| Stephen Hurrell                                 | Steve has held a number of senior finance roles in Infrastructure, Construction and Transport related companies. He was previously Director of Finance of Tube Lines Ltd, the private PPP contractor for the renewal and maintenance of the Jubilee, Northern and Piccadilly lines.  |
| Gerry Loftus                                    | Gerry is experienced in the world of Corporate Finance having been head of Deloitte's London Restructuring Services where he supported management in household name organisations in the UK and Europe.  |
| Nathan Luckey<br>(appointed 21 July 2014)       | Nathan is a Managing Director in Macquarie Infrastructure and Real Assets with transaction expertise in listed and unlisted environments across utilities, telecommunications, transportation and media.   |

---

## **Directors' Report (continued)**

### **Business Review (continued)**

#### **Directors (continued)**

The Company Secretary who held office during the year and up to the date of signing the financial statements was as follows:

Paul Boyle

#### **Directors' indemnities**

GDCLux (an entity with control over the Group) has granted an indemnity in the form permitted by the Qualifying Third Party Indemnity Provisions of the Companies Act 2006 to Directors of its subsidiary companies and the Directors of the Company are accordingly covered by this indemnity. This continues until such time as any relevant limitation periods for bringing claims (as defined in the indemnity) against the Director has expired, or for so long as the past Director, where relevant, remains liable for any losses (as defined in the indemnity). The qualifying third party indemnity was in force during the financial year and at the date of approval of the accounts.

#### **Charitable contributions**

The Group made donations to charities of £8,000 during the year (2014: £27,000), of which £4,000 (2014: £13,000) were donations made to match employee donations to various charities as part of the 'Give as you earn' scheme. The Group's involvement with charitable organisations is described under Corporate Responsibility.

#### **Post balance sheet events**

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements.

---

## **Directors' Report (continued)**

### **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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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:

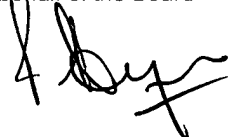
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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.

### **Disclosure of information to auditors**

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board



A handwritten signature in black ink, appearing to read 'P. Dyer', written over a horizontal line.

**Peter Dyer**  
Director

14 October 2015

---

**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015



## **Independent auditors' report to the members of Guardian Digital Communications Holdings Limited**

### **Report on the group financial statements**

#### **Our opinion**

In our opinion, Guardian Digital Communications Holdings Limited's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 30 June 2015 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **What we have audited**

The financial statements comprise:

- the Consolidated Balance Sheet as at 30 June 2015;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated Statement of Changes in Equity 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 the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

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.

### **Other 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 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. 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.

## **Independent auditor's report to the members of Guardian Digital Communications Holdings Limited (continued)**

### **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 12, 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 International Standards on Auditing (UK and Ireland) ("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.

#### **What an audit of financial statements involves**

We conducted our audit in accordance with 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 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.

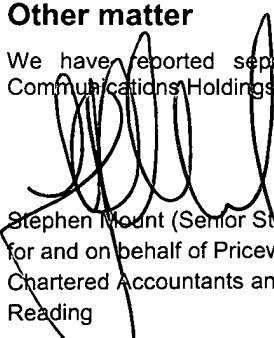
We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Consolidated Financial Statements 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.

#### **Other matter**

We have reported separately on the parent company financial statements of Guardian Digital Communications Holdings Limited for the year ended 30 June 2015.



Stephen Mount (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Reading

14 October 2015

**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015

**Consolidated Balance Sheet**

|   | Note | 2015<br>£'000      | 2014<br>£'000      |
|---|------|--------------------|--------------------|
| <b>Non-current assets</b>   |      |                    |                    |
| Property, plant and equipment                                     | 7    | 391,940            | 476,563            |
| Goodwill  | 8    | -                  | 578,190            |
| Other intangible assets   | 10   | 419,352            | 558,831            |
| Deferred income tax assets  | 16   | 57,055             | 67,467             |
| <b>Total non-current assets</b>                                   |      | <b>868,347</b>     | <b>1,681,051</b>   |
| <b>Current assets</b>   |      |                    |                    |
| Inventories   | 6    | 626                | 347                |
| Trade and other receivables                                       | 5    | 60,233             | 105,424            |
| Cash and cash equivalents   | 4    | 38,287             | 32,058             |
| <b>Total current assets</b>                                       |      | <b>99,146</b>      | <b>137,829</b>     |
| <b>Current liabilities</b>  |      |                    |                    |
| Borrowings  | 13   | (185,572)          | (188,152)          |
| Trade and other payables  | 11   | (63,081)           | (73,415)           |
| Deferred income   | 12   | (64,405)           | (49,048)           |
| Provisions for liabilities and charges                            | 15   | (2,734)            | (2,715)            |
| <b>Total current liabilities</b>                                  |      | <b>(315,792)</b>   | <b>(313,330)</b>   |
| <b>Net current liabilities</b>                                    |      | <b>(216,646)</b>   | <b>(175,501)</b>   |
| <b>Total assets less current liabilities</b>                      |      | <b>651,701</b>     | <b>1,505,550</b>   |
| <b>Non-current liabilities</b>                                    |      |                    |                    |
| Borrowings  | 13   | (1,862,929)        | (1,990,884)        |
| Trade and other payables  | 11   | (12,980)           | (479)              |
| Deferred income   | 12   | (115,491)          | (149,955)          |
| Deferred income tax liabilities                                   | 16   | (83,899)           | (111,794)          |
| Provisions for liabilities and charges                            | 15   | (23,260)           | (21,913)           |
| <b>Total non-current liabilities</b>                              |      | <b>(2,098,559)</b> | <b>(2,275,025)</b> |
| <b>Net liabilities</b>  |      | <b>(1,446,858)</b> | <b>(769,475)</b>   |
| <b>Equity</b>   |      |                    |                    |
| <b>Capital and reserves attributable to owners of the Company</b> |      |                    |                    |
| Ordinary shares   | 18   | 2                  | 2                  |
| Share premium   |      | 152,998            | 152,998            |
| Foreign currency translation reserve                              |      | (280)              | (67)               |
| Accumulated losses  |      | (1,599,578)        | (922,408)          |
| <b>Total equity</b>   |      | <b>(1,446,858)</b> | <b>(769,475)</b>   |

The above consolidated balance sheet should be read in conjunction with the accompanying notes on pages 19 to 52.

The financial statements on pages 15 to 52 were authorised by the Board of Directors on 14 October 2015 and were signed on its behalf.

 A handwritten signature in black ink, appearing to read 'Peter Dyer'.
 

Peter Dyer  
Director



**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015

**Consolidated Statement of Comprehensive Income**

|   | Note | 2015<br>£'000 | 2014<br>£'000 |
|---|------|---------------|---------------|
| Revenue   | 2(a) | 427,411       | 419,554       |
| Cost of sales   |      | (359,780)     | (400,784)     |
| Gross profit  |      | 67,631        | 18,770        |
| Administrative expenses   |      | (663,087)     | (65,286)      |
| Operating loss  |      | (595,456)     | (46,516)      |
| <b>Analysed as:</b>   |      |               |               |
| Operating loss before exceptional items                           | 2(d) | (8,527)       | (46,516)      |
| Exceptional items   | 2(c) | (586,929)     | -             |
| Operating loss  |      | (595,456)     | (46,516)      |
| Finance income  | 2(b) | -             | 46            |
| Finance costs   | 2(b) | (99,195)      | (117,372)     |
| Fair value gain on interest rate swaps                            | 2(b) | -             | 52,196        |
| Net finance costs   |      | (99,195)      | (65,130)      |
| Loss before tax   |      | (694,651)     | (111,646)     |
| Taxation  | 3    | 17,481        | 45,515        |
| Loss for the year   |      | (677,170)     | (66,131)      |
| Other comprehensive expense:                                      |      |               |               |
| Currency translation differences                                  |      | (213)         | (7)           |
| Total comprehensive expense for the year                          |      | (677,383)     | (66,138)      |
| Total comprehensive expense attributable to owners of the Company |      | (677,383)     | (66,138)      |

All results relate to continuing operations.

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes on pages 19 to 52.

**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015

**Consolidated Statement of Changes in Equity**

|                                    | Ordinary<br>Shares<br>£'000 | Share<br>Premium<br>£'000 | Foreign<br>Currency<br>Translation<br>Reserve<br>£'000 | Accumulated<br>Losses<br>£'000 | Total<br>£'000     |
|------------------------------------|-----------------------------|---------------------------|--|--------------------------------|--------------------|
| Balance at 1 July 2013             | 2                           | 152,998                   | (60)   | (856,277)                      | (703,337)          |
| <b>Comprehensive expense</b>       |                             |                           |  |                                |                    |
| Loss for the year                  | -                           | -                         | -  | (66,131)                       | (66,131)           |
| <b>Other comprehensive expense</b> |                             |                           |  |                                |                    |
| Currency translation differences   | -                           | -                         | (7)  | -                              | (7)                |
| <b>Total comprehensive expense</b> | -                           | -                         | (7)  | (66,131)                       | (66,138)           |
| <b>Balance at 30 June 2014</b>     | <b>2</b>                    | <b>152,998</b>            | <b>(67)</b>  | <b>(922,408)</b>               | <b>(769,475)</b>   |
| <b>Comprehensive expense</b>       |                             |                           |  |                                |                    |
| Loss for the year                  | -                           | -                         | -  | (677,170)                      | (677,170)          |
| <b>Other comprehensive expense</b> |                             |                           |  |                                |                    |
| Currency translation differences   | -                           | -                         | (213)  | -                              | (213)              |
| <b>Total comprehensive expense</b> | -                           | -                         | (213)  | (677,170)                      | (677,383)          |
| <b>Balance at 30 June 2015</b>     | <b>2</b>                    | <b>152,998</b>            | <b>(280)</b>   | <b>(1,599,578)</b>             | <b>(1,446,858)</b> |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes on pages 19 to 52.

**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015

**Consolidated Statement of Cash Flows**

|   | Note | 2015<br>£'000    | 2014<br>£'000    |
|---|------|------------------|------------------|
| <b>Cash flows from operating activities</b>                 |      |                  |                  |
| Loss before tax   |      | (694,651)        | (111,646)        |
| Depreciation charges  | 7    | 100,735          | 103,283          |
| Amortisation charges  | 10   | 139,479          | 185,874          |
| Impairment charges  | 8    | 578,190          | -                |
| Other finance costs   | 2(b) | 97,493           | 117,372          |
| Fair value gains on interest swaps                          | 2(b) | -                | (52,196)         |
| Finance income  | 2(b) | -                | (46)             |
| Decrease (increase) in trade and other receivables          |      | 45,086           | (46,891)         |
| Decrease in trade and other payables and deferred income    |      | (15,639)         | (25,921)         |
| Decrease in provisions for liabilities and charges          | 15   | (152)            | (12,744)         |
| (Increase) decrease in inventories                          | 6    | (279)            | 35               |
| Movement in tax liability                                   |      | -                | 301              |
| <b>Cash flows from operating activities</b>                 |      | <b>250,262</b>   | <b>157,421</b>   |
| <b>Cash flows from investing activities</b>                 |      |                  |                  |
| Purchase of property, plant and equipment                   |      | (16,109)         | (29,458)         |
| Interest received from third parties                        |      | -                | 46               |
| <b>Net cash used in investing activities</b>                |      | <b>(16,109)</b>  | <b>(29,412)</b>  |
| <b>Cash flows from financing activities</b>                 |      |                  |                  |
| Interest paid to third parties                              |      | (70,900)         | (83,014)         |
| Drawdown of finance leases                                  |      | -                | 943              |
| Repayments under finance leases                             |      | (1,350)          | (1,280)          |
| Repayment of third party borrowings                         |      | (155,674)        | (40,063)         |
| Costs of raising debt                                       |      | -                | (22,956)         |
| <b>Net cash used in financing activities</b>                |      | <b>(227,924)</b> | <b>(146,370)</b> |
| <b>Net increase (decrease) in cash and cash equivalents</b> |      | <b>6,229</b>     | <b>(18,361)</b>  |
| Cash and cash equivalents at the beginning of the year      |      | 32,058           | 50,419           |
| <b>Cash and cash equivalents at the end of the year</b>     | 4    | <b>38,287</b>    | <b>32,058</b>    |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes on pages 19 to 52.

## Notes to the Consolidated Financial Statements

### 1 Summary of Significant Accounting Policies

The significant policies which have been adopted in the preparation of the financial statements are stated to assist in a general understanding of these financial statements.

#### General information

*The principal activities of the Company and the Group are the development and provision of mobile Information and Communication Technology ("ICT") to Public Safety Organisations in Great Britain.*

#### (a) Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), and IFRS IC (International Financial Reporting Standards Interpretations Committee) interpretations and those parts of the Companies Act 2006 applicable to Companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the valuation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. The derivative instruments are the only financial assets and financial liabilities held as fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(x).

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A statement on going concern is included in the Directors' Report. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore can continue to adopt the going concern basis in preparing the financial statements.

While there are risks to the monthly profile of cash flows from operating activities due to the potential for delays to the delivery of programmes, these risks are partially mitigated by a matching delay in capital expenditure. The Group has a strong opening cash position with access to further committed bank facilities. Therefore these financial statements have been prepared on a going concern basis.

#### (b) Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Consistent with the terms of the bank refinancing completed on 27 March 2014, the Boards of the Company and its subsidiary undertakings GDCL and Airwave now include two independent directors. In instances where the Boards do not reach consensual agreement, the affirmative vote of at least one of the independent directors is required. The Directors have evaluated the new Board structure post refinancing and have concluded that this does not represent a change of control and that the Company therefore continues to control its subsidiary undertakings and include them within the Group's consolidation.

Notes to the Consolidated Financial Statements (continued)

**1 Summary of Significant Accounting Policies (continued)**

**(b) Consolidation (continued)**

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (see note 8). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Consolidated Statement of Comprehensive Income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies have been applied consistently across the group.

**(c) Property, plant and equipment**

Property, plant and equipment comprise mainly network assets and are stated at historical cost less accumulated depreciation. The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Capitalised costs include third party costs and internal employee benefits.

Depreciation is provided on property, plant and equipment over their estimated useful lives on a straight-line basis from the date they are brought into use. The lives assigned to property, plant and equipment are:

|                               |               |
|-------------------------------|---------------|
| Property, Plant and Equipment | 2 to 15 years |
|-------------------------------|---------------|

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Administrative expenses' in the Consolidated Statement of Comprehensive Income. No gains or losses occurred during the year reported.

;

**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015



**Notes to the Consolidated Financial Statements (continued)**

**1 Summary of Significant Accounting Policies (continued)**

**d) Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in non-current assets and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Group's of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Company allocates goodwill to each entity acquired.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

**(e) Other Intangible Assets**

Other intangible assets represent customer contracts and related customer relationships that are recorded at fair value on acquisition, less amortisation. These assets were acquired through a business combination and are capitalised separately from goodwill.

Customer contracts are being amortised on a 25% reducing balance basis, which represents management's best estimate of their remaining contractual value. The value of the customer contracts will be fully amortised not later than management's assessment of the expected latest date of expiry within the contractual portfolio.

Other intangible assets also contain marketing rights associated with the London 2012 Olympics that are recorded at cost less amortisation. The rights were amortised based on the usage of the rights over a 4 year period and are now fully amortised.

Intellectual property has been acquired as part of the acquisition of Airwave Application Services Limited representing software and products recorded at fair value on acquisition and is being amortised over 9.5 years on a straight line basis.

**Notes to the Consolidated Financial Statements (continued)**

**1 Summary of Significant Accounting Policies (continued)**

**(f) Impairment of non-financial assets**

Assets that have an indefinite useful life (including goodwill) are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

**(g) Inventories**

Inventories comprise handsets, control room hardware and work in progress. This is stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method and comprises costs of purchase and costs incurred in bringing inventory to its current location and condition. Provisions are made, if necessary, for obsolete, slow-moving or defective inventories.

**(h) Cash and cash equivalents**

Cash and cash equivalents in the Consolidated Balance Sheet and Statement of Cash Flows include cash in hand and deposits held at call with banks.

**(i) Financial assets**

The Group classifies its financial assets as fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables.

If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and conventional option pricing models making maximum use of observable market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in note 1(j).

**Notes to the Consolidated Financial Statements (continued)**

**1 Summary of Significant Accounting Policies (continued)**

**(j) Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Consolidated Statement of Comprehensive Income within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the Consolidated Statement of Comprehensive Income.

**(k) Trade and other payables**

Trade payables initially are recognised at fair value and subsequently measured at amortised cost using the effective interest method.

**(l) Borrowing costs**

Borrowing costs are expensed as incurred except for transaction costs as described below in note 1(m).

**(m) Borrowings**

Subsequent to initial recognition at fair value, net of transaction costs incurred, interest bearing liabilities are measured at amortised cost and classified as financial liabilities. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Consolidated Statement of Comprehensive Income over the year of the borrowings using the effective interest method. Transaction costs are included in the carrying amount and are charged to the Consolidated Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

When debt instruments have been exchanged with an existing lender for debt instruments with different terms, an assessment is performed as to whether this transaction is debt extinguishment or modification. The modifications are accounted for as an extinguishment if the discounted present value of the cash flows under the terms of the new debt differs by at least 10% from the discounted present value of the remaining cash flows of the original debt instrument. If the difference is less than 10% the Company is not required to derecognise the old debt and any costs or fees incurred in the refinancing process are held on the balance sheet as an adjustment to the carrying value of the debt and will be amortised by the effective interest method over the term of the debt instrument.

**(n) Foreign currencies**

**i) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Pounds Sterling (GBP), which is the Group's functional currency.



## Notes to the Consolidated Financial Statements (continued)

### 1 Summary of Significant Accounting Policies (continued)

#### (n) Foreign currencies (continued)

##### *(ii) Transactions and balances*

Transactions denominated in foreign currencies are translated, at the exchange rate on the day the transaction occurred, to the functional currency of the entity. Monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the balance sheet date. Foreign exchange differences are recognised in the Consolidated Statement of Comprehensive Income. Non-monetary assets and liabilities denominated in foreign currency are translated at the foreign currency exchange rate prevailing at the dates the values were determined and differences are taken to the reserves.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss in finance cost or income.

Foreign exchange gains and losses on cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income as finance income or cost.

##### *(iii) Group Companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

#### (o) Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Notes to the Consolidated Financial Statements (continued)

**1 Summary of Significant Accounting Policies (continued)**

**(o) Taxation (continued)**

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Income tax relating to items recognised directly in equity is recognised in equity, not in the Consolidated Statement of Comprehensive Income.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**(p) Employee benefits**

**Pension obligations**

The Group operates a defined contribution plan into which it pays contributions on behalf of employees. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**(q) Provisions for liabilities and charges**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. Provisions are not recognised for future operating losses.

Provisions are made for the discounted future cost of restoration of mast sites at the date of acquisition of the site, for potential additional costs in respect of delayed contractual milestones, onerous contracts and restructuring costs.

**(r) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(s) Exceptional Items**

The Group separately identifies and discloses one-off or unusual items (termed 'exceptional items'). This provides a meaningful analysis of the underlying trading results of the Group and aids readers' understanding of the impact of such items. Therefore, in the discussion of the Group's results of operations, reference is made to measurements before and after exceptional items. Exceptional items may not be comparable to similarly titled measures used by other companies.

Notes to the Consolidated Financial Statements (continued)

**1 Summary of Significant Accounting Policies (continued)**

**(t) Derivative financial instruments and hedging activities**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 17. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Derivative instruments that do not qualify for hedge accounting are therefore accounted for as derivatives at fair value through the Consolidated Statement of Comprehensive Income. Changes in the fair value of any of these derivative instruments are recognised immediately in the consolidated statement of comprehensive income within 'finance costs or income' (see note 2(b)).

**(u) Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable during the ordinary course of business net of discounts and sales taxes and after elimination of sales within the Group.

Revenue consisting primarily of regular fees for ongoing services, such as network access, control room services, managed terminal services and additional coverage solutions are recognised from implementation over the period to which the services relate.

Revenue for the sale of equipment is recognised when all the significant risks and rewards of ownership are transferred to the buyer, which is normally the date the equipment is delivered and accepted by the customer, and the amount of revenue and the associated costs can be measured reliably.

Revenue arising from separable installation and connection services is recognised when it is earned, upon activation. Revenue from the implementation of peripheral and other equipment is recognised when all the significant risks and rewards of ownership are transferred to the buyer, which is normally the date the equipment is delivered and accepted by the customer.

Revenue from long-term contractual arrangements is recognised based on the percentage of completion method. The stage of completion is estimated using an appropriate measure according to the nature of the contract. For long-term services contracts revenue is recognised on a straight line basis over the term of the contract. However, if the performance pattern is other than straight line, revenue is recognised as services are provided, usually on an output or consumption basis. For fixed price contracts, including contracts to design and build communications solutions, revenue is recognised by reference to the stage of completion, as determined by the proportion of costs incurred relative to the estimated total contract costs, or other measures of completion such as site and vehicle installation and contract milestone customer acceptance.

Differences between revenue recognised and revenue billed to the customer give rise to accrued and deferred income.

## Notes to the Consolidated Financial Statements (continued)

### 1 Summary of Significant Accounting Policies (continued)

#### (v) Leases

The group leases certain equipment. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals under operating leases are charged to the Consolidated Statement of Comprehensive Income in equal annual instalments over the periods of the leases.

Lease of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in long term borrowings. The interest element of the finance costs is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

#### (w) Accounting Standards and interpretations

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning after the start date of these financial statements but which the Group has chosen not to early adopt. The new standards and interpretations, applicable to the Group which will be adopted by the Group as appropriate are as follows:

- IFRS 9, 'Financial instruments', issued in July 2014. This addresses the requirements for the recognition, measurement, impairment, derecognition and general hedge accounting to be applied to financial instruments. The standard is not applicable until 1 January 2018.
- IFRS 15, 'Revenue from Contracts with Customers', issued in May 2014. This addresses the principles governing the reporting of information about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. The standard is not applicable until 1 January 2018.

The Group is currently assessing the impact of such standards and does not expect at this stage that they would significantly impact the Group's financial position.

#### (x) Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. A significant change in the facts and circumstances on which these estimates are based could have a material negative impact on the Group's earnings and financial position. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed below:

##### *(i) Property, plant and equipment and intangible assets*

Accounting for property, plant and equipment and intangible assets involves the use of estimates for determining (a) the useful lives of the assets, over which they are to be depreciated or amortised, and (b) the existence and amount of any impairment. Details of property, plant and equipment are provided in note 7. Details of intangible assets, which represent customer contract and related customer relationships, are provided in note 10.

Notes to the Consolidated Financial Statements (continued)

**1 Summary of Significant Accounting Policies (continued)**

**(x) Critical accounting estimates and judgments (continued)**

**(i) Property, plant and equipment and intangible assets (continued)**

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. When the Group estimates useful lives various factors are considered including expected technological obsolescence and the expected usage of the asset. The Group regularly reviews these asset lives and change them as necessary to reflect the useful estimated current remaining lives in light of technological changes, future economic utilisation and physical condition of the assets concerned. A significant change in these facts and circumstances may have a material impact on the carrying value of these assets. An increase/decrease in the useful life by three years would result in a decrease/increase to depreciation expense for the year of approximately £30 million.

The carrying amount of property, plant and equipment is assessed periodically to determine whether there are indications of any impairment of the value beyond what is expressed in the depreciation charge. If that is the case, an impairment charge is taken against the carrying amount of the assets, if that is higher than the recoverable amount.

Intangible assets include customer contracts and related customer relationships that are recorded at fair value on acquisition, less amortisation. With effect from 1 July 2012, customer contracts are being amortised on a 25% reducing balance basis, which represents management's best estimate of their remaining contractual value. The value of the customer contracts will be fully amortised not later than management's assessment of the expected latest date of expiry within the contractual portfolio.

Other intangible assets also contain marketing rights associated with the London 2012 Olympics, which are now fully amortised, and intellectual property that has been acquired as part of the acquisition of Airwave Application Services Limited.

The recoverable amount of the asset is determined as the higher of fair value less costs to sell and the value in use. If it is not possible to determine a recoverable amount for the individual assets, the assets are assessed together in the smallest group of assets for which a reliable recoverable amount can be determined in an overall assessment.

The determination of whether an impairment of property, plant and equipment and intangibles is necessary, involves the use of estimates that include, but are not limited to, the analysis of the cause of the potential impairment in value, the timing of such potential impairment and an estimate of the amount of the impairment. The Group considers technological obsolescence, discontinuance of services and other changes in circumstances that indicate a need to perform an impairment test. A significant change in the facts and circumstances that were relied upon in making the estimates may trigger the requirement for recording an impairment and may have a material adverse impact on the operating results and financial condition of the Group.

**(ii) Goodwill**

Goodwill is not subject to a regular amortisation charge and is instead tested annually to determine whether any impairment has arisen. This is completed by calculating the recoverable amount of cash-generating units based on value in use. These calculations require the use of estimates and judgements to calculate expected cash flows. Management makes assumptions including, but not limited to, the discount rate to be applied, technological evolution and revenue growth rates in calculating expected cash flows. A significant change in these facts and circumstances may have a material impact on the carrying value of goodwill. Details of goodwill are provided in note 8.

## Notes to the Consolidated Financial Statements (continued)

### 1 Summary of Significant Accounting Policies (continued)

#### (x) Critical accounting estimates and judgments (continued)

##### *(iii) Deferred tax assets and liabilities*

The Group evaluates the recoverability of deferred tax assets based on estimates of future earnings. The ability to recover these taxes depends ultimately on the Group's ability to generate taxable earnings over the course of the year for which the deferred tax assets remain deductible. This analysis is based on the estimated reversal of deferred taxes as well as estimates of taxable earnings, which are sourced from internal projections and are updated to reflect the latest trends.

The appropriate classification of tax assets and liabilities depends on a series of factors including estimates as to the timing and materialisation of deferred tax assets and the forecast tax payment schedule. Actual income tax receipts and payments could differ from the estimates made by the Group as a result of changes in tax legislation or unforeseen transactions that could affect tax balances. Details of deferred tax assets and liabilities are provided in note 16.

##### *(iv) Revenue recognition*

Certain contractual arrangements contain significant timing differences between the date of cash receipt and the point of revenue recognition at a stage of completion. Where cash is received in advance of revenue recognition, the cash receipt is recorded as deferred income in the balance sheet and released to the Consolidated Statement of Comprehensive Income over the remaining period of the contract. Where revenue is earned in advance of an invoice being raised, revenue is recognised as accrued income in the balance sheet and transferred to accounts receivable when an invoice is raised.

Management's judgement is applied to determine when a contract satisfies the above criteria and therefore a change to these criteria could have a material effect on the earnings of the Group.

##### *(v) Management fees*

A contractual arrangement between Airwave Solutions Limited and Guardian Digital Communications Luxembourg S.à. r.l (GDCLux) requires that if Airwave meets or exceeds certain performance criteria over the period 28 April 2014 to 31 March 2019, Airwave has agreed to pay a management fee to GDCLux in respect of strategic and management services provided. The fee is contingent on cumulative financial performance over this period. The Group records a non-current liability and an operating expense for the year based on current projections of whether the cumulative performance criteria will be met and the contribution to that performance during the current financial year. Details of amounts currently accrued are included within the related party disclosures made in note 19.

##### *(vi) Provisions*

Provisions are recognised when an event in the past gives rise to a current obligation for the Group, settlement of which requires an outlay that is considered probable and can be estimated reliably. The obligation may be legal or constructive; deriving from regulations, contracts, normal practices or public commitments that lead third parties to reasonably expect that the Group will assume certain responsibilities. The amount of the provision is determined based on the best estimate of the outflow of resources required to settle the obligation, taking into account all the available information.

No provision is recognised if the amount of liability cannot be estimated reliably. In this case, the relevant information is disclosed in the notes to the financial statements.

Given the uncertainties inherent in the estimates used to determine the amount of provision, actual outflows of resources may differ from the amounts recognised originally on the basis of the estimates. Details of the provisions are included in note 15.

Notes to the Consolidated Financial Statements (continued)

**2 Loss for the Year**

(a) The loss before income tax includes the following specific items of revenue and expense:

|  | 2015<br>£'000  | 2014<br>£'000  |
|--|----------------|----------------|
| Service revenue                                | 411,887        | 405,760        |
| Implementation and other non-recurring revenue | 15,524         | 13,794         |
| <b>Total revenue</b>                           | <b>427,411</b> | <b>419,554</b> |

Service revenue consists of income from the ongoing development and provision of mobile information and communication technology services to public safety organisations under the Group's core contracts. Implementation and other non-recurring revenue primarily consists of one-off implementation fees.

**Expenses include:**

|   | Note | 2015<br>£'000 | 2014<br>£'000 |
|---|------|---------------|---------------|
| Depreciation of property, plant and equipment   | 7    | 100,735       | 103,283       |
| Amortisation of other intangible assets   | 10   | 139,479       | 185,874       |
| Staff costs   | 22   | 44,021        | 43,394        |
| Auditors' remuneration  |      |               |               |
| - The audit of the Company's annual financial statements                                  |      | 13            | 23            |
| - The audit of financial statements of the Company's subsidiaries pursuant to legislation |      | 151           | 143           |
| - Tax services  |      | 60            | 55            |
| - Other services  |      | 216           | 41            |
| Operating lease rentals payable   |      |               |               |
| - Operating minimum lease payments  |      | 35,420        | 32,189        |

**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015

**Notes to the Consolidated Financial Statements (continued)****2 Loss for the Year (continued)****(b) Net finance costs**

|  | Note | 2015<br>£'000   | 2014<br>£'000    |
|--|------|-----------------|------------------|
| Bank interest receivable                   |      | -               | 46               |
| <b>Total finance income</b>                |      | -               | 46               |
| Interest payable to related party entities | 19   | (18,000)        | (18,000)         |
| Interest payable on external borrowings    |      | (71,005)        | (95,123)         |
| Finance lease liabilities                  |      | (64)            | (149)            |
| Provisions: Unwinding of discounts         | 15   | (1,518)         | (1,464)          |
| Amortisation of deferred financing fees    |      | (8,423)         | (2,106)          |
| Other finance charges                      |      | (185)           | (530)            |
| <b>Total finance costs</b>                 |      | <b>(99,195)</b> | <b>(117,372)</b> |
| Fair value gains on interest swaps         |      | -               | 52,196           |
| <b>Net finance costs</b>                   |      | <b>(99,195)</b> | <b>(65,130)</b>  |

**c) Exceptional items**

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. During the year the Group recognised exceptional costs of £586,929,000 before tax comprising:

- £4,411,000 related to staff redundancy and associated restructuring costs in Airwave;
- £4,328,000 of legal and professional fees relating to a review of the Group's strategy;
- £578,190,000 goodwill impairment charge based on the Group's annual impairment test (see note 8).

There were no exceptional items in year ended 30 June 2014.

**d) Earnings before interest, tax, depreciation and amortisation (EBITDA)**

|  | Note | 2015<br>£'000  | 2014<br>£'000  |
|--|------|----------------|----------------|
| Operating loss before exceptional items                                      |      | (8,527)        | (46,516)       |
| Add back: Depreciation   | 7    | 100,735        | 103,283        |
| Add back: Amortisation   | 10   | 139,479        | 185,874        |
| Add back: Management fees  |      | 12,500         | -              |
| <b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b> |      | <b>244,187</b> | <b>242,641</b> |



**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015



## Notes to the Consolidated Financial Statements (continued)

**3 Taxation**

|   | 2015<br>£'000 | 2014<br>£'000 |
|---|---------------|---------------|
| <b>(a) Analysis of the credit in the year</b>       |               |               |
| Current tax comprises:                              |               |               |
| - Adjustment in respect of prior periods            | -             | (301)         |
| <b>Total current tax</b>                            | -             | (301)         |
| Deferred tax comprises:                             |               |               |
| - Origination and reversal of temporary differences | (18,076)      | (23,154)      |
| - Adjustment in respect of prior periods            | 593           | (12,620)      |
| - Impact of tax rate change                         | 2             | (9,440)       |
| <b>Total deferred tax</b>                           | (17,481)      | (45,214)      |
| <b>Taxation</b>                                     | (17,481)      | (45,515)      |

The effective income tax rate for the year is lower (2014: higher) than the standard rate of corporation tax in the UK of 20% (2014: 21%). The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015 and therefore a blended average rate of 20.75% has been used for the current period. In the prior year, tax was calculated at a blended rate of 22.5%.

The differences are reconciled as follows:

|  | 2015<br>£'000 | 2014<br>£'000 |
|--|---------------|---------------|
| <b>(b) Loss before tax</b>   | (694,651)     | (111,646)     |
| Loss on ordinary activities at rate of corporation tax of 20.75% (2014: 22.5%) | (144,140)     | (25,120)      |
| Factors affecting tax charge:  |               |               |
| - Finance charges (income) not included for tax purposes                       | 353           | (12,329)      |
| - Impairment charge not included for tax purposes                              | 119,975       | -             |
| - Adjustments in respect of prior periods – current tax                        | -             | (301)         |
| - Adjustments in respect of prior periods – deferred tax                       | 593           | -             |
| - Expenses not deductible for tax purposes                                     | 5,738         | 1,675         |
| - Impact of tax rate change  | -             | (9,440)       |
| <b>Taxation</b>  | (17,481)      | (45,515)      |

## Notes to the Consolidated Financial Statements (continued)

### 4 Cash and Cash Equivalents

|              | 2015<br>£'000 | 2014<br>£'000 |
|--------------|---------------|---------------|
| Cash at bank | 38,287        | 32,058        |
|              | <b>38,287</b> | <b>32,058</b> |

Cash at bank is non interest bearing.

The Group does not have an overdraft arrangement in place.

#### Credit risk

Cash and cash equivalents credit risk is monitored on an overall basis by Group Treasury through the application of counterparty credit limits which are dependent on the long term credit rating of the counterparty. At 30 June 2015, cash and cash equivalents were held with two (2014: two) counterparties with a long term credit rating of AA. In the prior year, cash and cash equivalents were also held with one counterparty with a long term credit rating of A.

The carrying value of cash and cash equivalents approximates the fair value. Cash and cash equivalents are denominated in the following currencies:

|                       | 2015<br>£'000 | 2014<br>£'000 |
|-----------------------|---------------|---------------|
| Pounds Sterling (GBP) | 37,396        | 31,536        |
| Norwegian Krone (NOK) | 16            | 24            |
| Euro (EUR)            | 875           | 498           |
|                       | <b>38,287</b> | <b>32,058</b> |

Notes to the Consolidated Financial Statements (continued)

**5 Trade and Other Receivables**

|   | 2015<br>£'000 | 2014<br>£'000 |
|---|---------------|---------------|
| Trade receivables                                   | 29,014        | 79,798        |
| Less: provision for impairment of trade receivables | (58)          | (100)         |
| Trade receivables – net                             | 28,956        | 79,698        |
| Other receivables                                   | 951           | 1,145         |
| Prepayments   | 25,682        | 22,186        |
| Accrued income                                      | 4,644         | 2,395         |
|   | 60,233        | 105,424       |

The fair value of trade receivables was equal to the carrying value at year end. Trade receivables were all denominated in Pounds Sterling. The Group does not hold any collateral as security.

Movements in provisions for impairment of trade receivables are as follows:

|                                      | £'000 |
|--------------------------------------|-------|
| As at 1 July 2013                    | (136) |
| Provision for receivables impairment | 36    |
| At 30 June 2014                      | (100) |
| Provision for receivables impairment | 42    |
| At 30 June 2015                      | (58)  |

The movement in the impairment provision recognised during the year was £620,000 (2014: £36,000 profit) and is included in administrative expenses.

Trade receivables that are past due but not impaired are shown below:

| Days outstanding      | 2015<br>£'000 | 2014<br>£'000 |
|-----------------------|---------------|---------------|
| 31 to 90 days         | 78            | 9,249         |
| 91 to 180 days        | 43            | 9,813         |
| Greater than 180 days | 28            | 35,302        |
| Provision             | (58)          | (100)         |
|                       | 91            | 54,264        |

**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015



## Notes to the Consolidated Financial Statements (continued)

**5 Trade and Other Receivables (continued)**

The above balances relate to number of independent customers, majority of customers are Public Safety Organisations and local authorities, for whom there is no recent history of default.

Trade receivables presented in the Consolidated Balance Sheet are net of provision for impairment of trade receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is not considered significant as the majority of customers are Public Safety Organisations and local authorities.

At the balance sheet date there were no significant concentrations of credit risk, with exposure spread over a number of counter-parties and customers. The maximum exposure to credit risk is represented by the carrying amount of each class of receivable mentioned below. The Group does not hold any collateral as security.

The maximum exposure to credit risk is as shown below:

|   | 2015<br>£'000 | 2014<br>£'000  |
|---|---------------|----------------|
| Trade and other receivables (excluding prepayments) | 34,551        | 83,238         |
| Cash and cash equivalents                           | 38,287        | 32,058         |
|   | <b>72,838</b> | <b>115,296</b> |

**6 Inventories**

|   | 2015<br>£'000 | 2014<br>£'000 |
|---|---------------|---------------|
| Handsets, hardware and work in progress | 626           | 347           |

The cost of inventories recognised as expense and included in cost of sales amounted to £624,000 (2014: £135,000). There were write downs during the year of £108,000 (2014: £nil). None of the inventory held has been pledged as security for a liability.

**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015

**Notes to the Consolidated Financial Statements (continued)****7 Property, Plant and Equipment**

|                                 | Network<br>equipment<br>£'000 | Other equipment,<br>fixtures and<br>fittings<br>£'000 | Total<br>£'000   |
|---------------------------------|-------------------------------|---|------------------|
| <b>Cost</b>                     |                               |   |                  |
| As at 1 July 2013               | 1,383,775                     | 68,045  | 1,451,820        |
| Additions                       | 20,435                        | 9,056   | 29,491           |
| As at 30 June 2014              | 1,404,210                     | 77,101  | 1,481,311        |
| Currency retranslation          | -                             | 3   | 3                |
| Additions                       | 13,101                        | 3,008   | 16,109           |
| <b>As at 30 June 2015</b>       | <b>1,417,311</b>              | <b>80,112</b>   | <b>1,497,423</b> |
| <b>Accumulated depreciation</b> |                               |   |                  |
| As at 1 July 2013               | 853,827                       | 47,638  | 901,465          |
| Charge for the year             | 97,067                        | 6,216   | 103,283          |
| As at 30 June 2014              | 950,894                       | 53,854  | 1,004,748        |
| Charge for the year             | 90,770                        | 9,965   | 100,735          |
| <b>As at 30 June 2015</b>       | <b>1,041,664</b>              | <b>63,819</b>   | <b>1,105,483</b> |
| <b>Net Book Value</b>           |                               |   |                  |
| As at 1 July 2013               | 529,948                       | 20,407  | 550,355          |
| As at 30 June 2014              | 453,316                       | 23,247  | 476,563          |
| <b>As at 30 June 2015</b>       | <b>375,647</b>                | <b>16,293</b>   | <b>391,940</b>   |

Depreciation totalling £100,735,000 (2014: £103,283,000) has been charged to cost of sales during the year.

Property, plant and equipment include the following amounts where the group is a lessee under a finance lease for computer equipment and software.

|                          | 2015<br>£'000 | 2014<br>£'000 |
|--------------------------|---------------|---------------|
| Cost                     | 4,886         | 4,886         |
| Accumulated depreciation | (4,162)       | (3,439)       |
| <b>Net book value</b>    | <b>724</b>    | <b>1,447</b>  |

**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015

**Notes to the Consolidated Financial Statements (continued)****8 Goodwill**

|   | £'000     |
|---|-----------|
| <b>Cost</b>                                   |           |
| As at 1 July 2013, 30 June 2014, 30 June 2015 | 578,190   |
| <b>Provision</b>                              |           |
| As at 1 July 2013 and 30 June 2014            | -         |
| Impairment charge                             | (578,190) |
| As at 30 June 2015                            | (578,190) |
| <b>Net book value</b>                         |           |
| As at 1 July 2013 and 30 June 2014            | 578,190   |
| As at 30 June 2015                            | -         |

Goodwill arose from the acquisition of Airwave Solutions Limited and Airwave Application Services Limited and is not subject to amortisation.

**Impairment testing**

The Group performs an annual goodwill impairment test, which is based on fair value calculations of the recoverable amount of each Cash Generating Unit (CGU) using the income approach.

The Guardian Group comprises one CGU, namely Airwave. This represents the smallest identifiable group of assets that generate cash inflows that have goodwill and are largely independent of the cash inflows from other groups of assets.

A discounted cash flow analysis was prepared. This is an analysis of the unlevered cash flow projections derived from financial budgets approved by the management team covering a five year period. They reflect management's expectation of revenue growth, operating costs and margin for the CGU based on past experience.

The discount rate applied to the unlevered cash flow projections is a market-based pre-tax weighted average cost of capital for the Group, which used the equity betas of seven comparable publicly traded companies compiled from monthly stock price data for the last six years.

The fair value of the CGU has been calculated at year end and is lower than the present carrying value of the assets. As a result, the Group has written off the goodwill balance and included the £578,190,000 impairment charge within exceptional items in the income statement. This is discussed in more detail in the Strategic Report.

The remaining carrying value of all other assets is more than adequately covered by the discounted forecast future cash flows of the business from existing customer contracts.

## Notes to the Consolidated Financial Statements (continued)

### 9 Investments in Subsidiaries

|   | Country of incorporation | Ownership % | Type of share | Type of holding |
|---|--------------------------|-------------|---------------|-----------------|
| Guardian Digital Communications Limited | UK                       | 100%        | Ordinary      | Direct          |
| Airwave Solutions Limited               | UK                       | 100%        | Ordinary      | Indirect        |
| Airwave Solutions International Limited | UK                       | 100%        | Ordinary      | Indirect        |
| Airwave Solutions Deutschland GmbH      | Germany                  | 100%        | Ordinary      | Indirect        |
| Airwave Application Services Limited    | UK                       | 100%        | Ordinary      | Indirect        |
| Antelope Finance 1 Limited              | UK                       | 100%        | Ordinary      | Indirect        |
| Antelope Finance 2 Limited              | UK                       | 100%        | Ordinary      | Indirect        |
| Antelope Finance 3 Limited              | UK                       | 100%        | Ordinary      | Indirect        |
| Antelope Finance 4 Limited              | UK                       | 100%        | Ordinary      | Indirect        |
| Antelope Finance 5 Limited              | UK                       | 100%        | Ordinary      | Indirect        |

All of the above entities are included within the consolidated results.

### 10 Other Intangible Assets

|                                 | Customer contracts<br>£'000 | Marketing rights<br>£'000 | Intellectual Property<br>£'000 | Total<br>£'000   |
|---------------------------------|-----------------------------|---------------------------|--------------------------------|------------------|
| <b>Group cost</b>               |                             |                           |                                |                  |
| As at 1 July 2013               | 1,208,359                   | 11,094                    | 4,464                          | 1,223,917        |
| Additions                       | -                           | -                         | -                              | -                |
| As at 30 June 2014              | 1,208,359                   | 11,094                    | 4,464                          | 1,223,917        |
| Additions                       | -                           | -                         | -                              | -                |
| <b>As at 30 June 2015</b>       | <b>1,208,359</b>            | <b>11,094</b>             | <b>4,464</b>                   | <b>1,223,917</b> |
| <b>Accumulated Amortisation</b> |                             |                           |                                |                  |
| As at 1 July 2013               | 466,940                     | 11,094                    | 1,178                          | 479,212          |
| Charge for the year             | 185,400                     | -                         | 474                            | 185,874          |
| As at 30 June 2014              | 652,340                     | 11,094                    | 1,652                          | 665,086          |
| Charge for the year             | 139,005                     | -                         | 474                            | 139,479          |
| <b>As at 30 June 2015</b>       | <b>791,345</b>              | <b>11,094</b>             | <b>2,126</b>                   | <b>804,565</b>   |
| <b>Net Book value</b>           |                             |                           |                                |                  |
| As at 1 July 2013               | 741,419                     | -                         | 3,286                          | 744,705          |
| As at 30 June 2014              | 556,019                     | -                         | 2,812                          | 558,831          |
| <b>As at 30 June 2015</b>       | <b>417,014</b>              | <b>-</b>                  | <b>2,338</b>                   | <b>419,352</b>   |

Other intangible assets under customer contracts relate to customer relationships and other marketing rights. The amortisation expense for customer contracts is included within cost of sales in the consolidated statement of comprehensive income. Customer contracts are being amortised on a 25% reducing balance basis, which represents management's best estimate of their remaining contractual value.

Marketing rights were in connection with the London 2012 Olympics and are now fully amortised. The amortisation expense for marketing rights was included within administrative expenses.

Intellectual property was acquired as part of the acquisition of Airwave Application Services Limited representing software and associated products. Amortisation expense is included in cost of sales in the consolidated statement of comprehensive income. The remaining amortisation period is five years.

Notes to the Consolidated Financial Statements (continued)

**11 Trade and Other Payables**

|  | 2015<br>£'000 | 2014<br>£'000 |
|--|---------------|---------------|
| <b>Current</b>                                 |               |               |
| Trade payables                                 | 4,875         | 5,312         |
| Other payables                                 | 11,465        | 11,597        |
| Accrued expenses                               | 43,717        | 54,891        |
| Contingent consideration                       | 1,558         | 150           |
| Taxation and social security                   | 1,466         | 1,465         |
|  | <b>63,081</b> | <b>73,415</b> |
| <b>Non-current</b>                             |               |               |
| Contingent consideration                       | 480           | 479           |
| Management fee owed to ultimate parent company | 12,500        | -             |
|  | <b>12,980</b> | <b>479</b>    |

The carrying value of trade and other payables approximate to their fair value.

**12 Deferred Income**

|                               | 2015<br>£'000  | 2014<br>£'000  |
|-------------------------------|----------------|----------------|
| Deferred income – current     | 64,405         | 49,048         |
| Deferred income – non-current | 115,491        | 149,955        |
| <b>Total</b>                  | <b>179,896</b> | <b>199,003</b> |

The carrying value of deferred income approximates to its fair value.



**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015



## Notes to the Consolidated Financial Statements (continued)

**13 Borrowings**

|  | Note | 2015<br>£'000    | 2014<br>£'000    |
|--|------|------------------|------------------|
| <b>Non-current unsecured borrowings</b>            |      |                  |                  |
| Eurobond – GDCLux                                  |      | 150,000          | 150,000          |
| Loan – GDCLux                                      |      | 31,014           | 31,014           |
|  |      | <b>181,014</b>   | <b>181,014</b>   |
| <b>Non-current secured borrowings</b>              |      |                  |                  |
| Bank Loan Facility                                 |      | 1,681,915        | 1,809,164        |
|  |      | <b>1,681,915</b> | <b>1,809,164</b> |
| Finance lease liabilities                          | 14   | -                | 706              |
| <b>Total non-current borrowings</b>                |      | <b>1,862,929</b> | <b>1,990,884</b> |
| <b>Current unsecured borrowings</b>                |      |                  |                  |
| Eurobond – GDCLux                                  |      | 52,471           | 34,471           |
|  |      | <b>52,471</b>    | <b>34,471</b>    |
| <b>Current secured borrowings</b>                  |      |                  |                  |
| Bank Loan Facility                                 |      | 132,376          | 152,376          |
|  |      | <b>132,376</b>   | <b>152,376</b>   |
| Finance lease liabilities                          | 14   | 725              | 1,305            |
| <b>Total current borrowings</b>                    |      | <b>185,572</b>   | <b>188,152</b>   |
| <b>Total interest bearing loans and borrowings</b> |      | <b>2,048,501</b> | <b>2,179,036</b> |

On 27 March 2014, the Group completed the amendment of its existing banking facilities with its existing lenders and extended the facility to 27 March 2017, with the option to extend the facility by two further periods of 12 months, should certain conditions be satisfied at the end of the initial three year term and any subsequent 12 month period. As part of the refinancing, the counterparties to the Group's interest rate swaps agreed to close out their contracts at market value in exchange for debt of the same value in the amended facility.

This exchange of debt instruments has been accounted for as a debt modification.

The amended bank facility of £2,009,962,000 was fully drawn down on the effective scheme date, of which £1,829,043,000 remains outstanding at 30 June 2015.

Ongoing interest is payable at a fixed margin of 3.7% and capital repayments are to be made on a quarterly basis.

## Notes to the Consolidated Financial Statements (continued)

### 13 Borrowings (continued)

Issue costs of £25,282,000 were incurred in connection with the raising of debt and have been offset against the relevant debt instrument. These costs are being amortised over the initial three year term of the extended debt facility.

The amended bank facility is subject to financial covenants in respect of 'Total Debt Service Cover' and 'Leverage' ratios, which are tested quarterly with thresholds that reflect long term financial projections over the term of the facility. In addition, there is an obligation under the facility to ensure that capital expenditure does not exceed certain limits.

The borrowing facilities are secured on all of the Group's assets including the shares held in Airwave Solutions Limited.

The Eurobond was issued by Guardian Digital Communications Limited and is held by Guardian Digital Communications Luxembourg S.à r.l (GDCLux). Ongoing interest is accrued at a fixed rate of 12%.

The loan with GDCLux is non-interest bearing and matures on 30 April 2097.

All borrowings are denominated in Pounds Sterling (GBP).

### 14 Finance lease liabilities

|  | 2015<br>£'000 | 2014<br>£'000 |
|--|---------------|---------------|
| Gross lease liabilities:   |               |               |
| Within one year  | 725           | 1,350         |
| Between 2 and 5 years  | -             | 724           |
|  | 725           | 2,074         |
| Future interest  | -             | (63)          |
| Present value of finance lease liabilities                             | 725           | 2,011         |
| The present value of finance lease liabilities is repayable as follows |               |               |
| Within one year  | 725           | 1,305         |
| Between 2 and 5 years  | -             | 706           |
| Total lease liabilities payable after more than one year               | 725           | 2,011         |

The fair value of lease liabilities as at 30 June 2015 amounted to £725,000 (2014: £2,011,000). The fair value is the present value of the minimum lease payments.

**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015



## Notes to the Consolidated Financial Statements (continued)

**15 Provisions for liabilities and charges**

|             | 2015<br>£'000 | 2014<br>£'000 |
|-------------|---------------|---------------|
| Current     | 2,734         | 2,715         |
| Non-current | 23,260        | 21,913        |
|             | <b>25,994</b> | <b>24,628</b> |

Movements in each class of provisions during the year are set out below:

|                           | Site restoration<br>£'000 | Contract delays<br>£'000 | Restructuring<br>£'000 | Total<br>£'000 |
|---------------------------|---------------------------|--------------------------|------------------------|----------------|
| As at 1 July 2013         | 19,285                    | 4,595                    | 12,028                 | 35,908         |
| Additional provision      | -                         | -                        | -                      | -              |
| Unused amounts reversed   | (231)                     | -                        | -                      | (231)          |
| Unwinding of discount     | 1,171                     | 293                      | -                      | 1,464          |
| Utilised during year      | (210)                     | (895)                    | (11,408)               | (12,513)       |
| As at 30 June 2014        | 20,015                    | 3,993                    | 620                    | 24,628         |
| Additional provision      | -                         | -                        | 4,411                  | 4,411          |
| Unwinding of discount     | 1,399                     | 119                      | -                      | 1,518          |
| Utilised during year      | (31)                      | (1,070)                  | (3,462)                | (4,563)        |
| <b>As at 30 June 2015</b> | <b>21,383</b>             | <b>3,042</b>             | <b>1,569</b>           | <b>25,994</b>  |

Provisions include £21,383,000 (2014: £20,015,000) in respect of property restoration. The Group has certain legal obligations relating to the restoration of leased property to its original condition at the end of the lease term. This obligation relates principally to mast sites and head offices. The provision is based on assumptions covering the lease term, the characteristics of the site, the expected cost of restoring the site and the period of time before the obligation is expected to be incurred. The provision is discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

The Group has changed its accounting estimate in respect of when the liability is expected to be incurred with reference to the residual life of the assets under current customer contracts. As a result, the provision is now expected to be utilised within the next six years (2014: 21 years). The undiscounted costs expected to be incurred within this period are £30,186,000 (2014: £85,154,000).

Provisions include £3,042,000 (2014: £3,993,000) in respect of delayed contractual milestone payments. In the Directors' opinion, it is considered that there will not be any significant additional costs beyond the amounts provided at 30 June 2015. The provision is expected to be utilised within the next four years. The undiscounted costs expected to be incurred within this period are £3,288,000 (2014: £4,294,000).

Provisions also include £1,569,000 (2014: £620,000) in respect of restructuring costs comprising staff redundancy and associated costs which is expected to be utilised within seven years.

**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015



## Notes to the Consolidated Financial Statements (continued)

**16 Deferred Taxation**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20%. The net movements in deferred tax balances are as follows:

|                                      | 2015<br>£'000   | 2014<br>£'000   |
|--------------------------------------|-----------------|-----------------|
| As at 1 July                         | (44,327)        | (89,541)        |
| Tax rate changes                     | -               | 9,431           |
| Adjustment relating to prior periods | (593)           | 12,620          |
| Income statement credit              | 18,076          | 23,163          |
| <b>As at 30 June</b>                 | <b>(26,844)</b> | <b>(44,327)</b> |

Deferred tax assets are recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets when it is probable that these assets will be recovered.

**Deferred tax assets (liabilities)**

|   | 2015<br>£'000 | 2014<br>£'000 |
|---|---------------|---------------|
| <b>Depreciation in excess of capital allowances</b> |               |               |
| As at 1 July  | 38,477        | 23,721        |
| Credit for the year                                 | 381           | 19,776        |
| Adjustment relating to prior periods                | 341           | -             |
| Impact of change in tax rate                        | -             | (5,020)       |
| <b>As at 30 June</b>                                | <b>39,199</b> | <b>38,477</b> |

**Provision for unrealised gain and losses**

|                                      |               |               |
|--------------------------------------|---------------|---------------|
| As at 1 July                         | 28,990        | 58,115        |
| Charge for the year                  | (10,200)      | (38,435)      |
| Adjustment relating to prior periods | (934)         | 12,620        |
| Impact of change in tax rate         | -             | (3,310)       |
| <b>As at 30 June</b>                 | <b>17,856</b> | <b>28,990</b> |

**Deferred tax on intangible assets**

|                              |                 |                  |
|------------------------------|-----------------|------------------|
| As at 1 July                 | (111,794)       | (171,377)        |
| Credit for the year          | 27,895          | 41,822           |
| Impact of change in tax rate | -               | 17,761           |
| <b>As at 30 June</b>         | <b>(83,899)</b> | <b>(111,794)</b> |

Notes to the Consolidated Financial Statements (continued)

**16 Deferred Taxation (continued)**

|  | 2015<br>£'000 | 2014<br>£'000 |
|--|---------------|---------------|
| <b>Deferred tax assets:</b>  |               |               |
| - Deferred tax asset to be recovered after more than 12 months     | 39,756        | 49,933        |
| - Deferred tax asset to be recovered within 12 months              | 17,299        | 17,534        |
| Total deferred tax assets  | 57,055        | 67,467        |
| <b>Deferred tax liabilities</b>                                    |               |               |
| - Deferred tax liability to be recovered after more than 12 months | (62,927)      | (83,847)      |
| - Deferred tax liability to be recovered within 12 months          | (20,972)      | (27,947)      |
| Total deferred tax liabilities                                     | (83,899)      | (111,794)     |
| <b>Net deferred tax liability</b>                                  | (26,844)      | (44,327)      |

Deferred tax assets have been recognised to the extent that the realisation of the related tax benefit through future capital allowance claims is probable. Unutilised tax losses may be carried forward indefinitely.

**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015

**Notes to the Consolidated Financial Statements (continued)****17 Financial Instruments****Interest rate swap contracts**

In April 2007, the Group entered into a 12 year interest rate hedge such that all floating interest rate payments due on the £1,500,000,000 term loan were fixed. The swap contracts had structured fixed payments at levels that were static over the life of the swap. The fixed payments level was 5.496%. These swap contracts were settled on a six monthly basis.

As part of the Group refinancing that completed on 27 March 2014, the counterparties to these interest rate swaps agreed to close out their contracts at market value in exchange for debt of the same value in the amended facility (see note 13).

**Financial instruments by category**

The accounting policies for financial instruments have been applied to the line items below:

| At 30 June 2015  | Loans and receivables<br>£'000                                       | Assets at fair value<br>through profit and loss<br>£'000        | Total<br>£'000     |
|--|--|---|--------------------|
| <b>Assets as per consolidated balance sheet:</b>                               |  |   |                    |
| Trade and other receivables (excluding prepayments)                            | 34,551   | -   | 34,551             |
| Cash and cash equivalents  | 38,287   | -   | 38,287             |
|  | <b>72,838</b>  | <b>-</b>  | <b>72,838</b>      |
|  |  |   |                    |
|  | Liabilities at fair value<br>through the profit and loss<br>£'000    | Other financial liabilities<br>at amortised cost<br>£'000       | Total<br>£'000     |
| <b>Liabilities as per consolidated balance sheet:</b>                          |  |   |                    |
| Borrowings (excluding finance lease liabilities)                               | -  | (2,047,776)   | (2,047,776)        |
| Finance lease liabilities  | -  | (725)   | (725)              |
| Trade and other payables (excluding statutory liabilities) and deferred income | -  | (255,957)   | (255,957)          |
|  | <b>-</b>   | <b>(2,304,458)</b>  | <b>(2,304,458)</b> |
|  |  |   |                    |
| At 30 June 2014  | Loans and receivables<br>£'000                                       | Assets at fair value<br>through the profit and<br>loss<br>£'000 | Total<br>£'000     |
| <b>Assets as per consolidated balance sheet:</b>                               |  |   |                    |
| Trade and other receivables (excluding prepayments)                            | 83,238   | -   | 83,238             |
| Cash and cash equivalents  | 32,058   | -   | 32,058             |
|  | <b>115,296</b>   | <b>-</b>  | <b>115,296</b>     |
|  |  |   |                    |
|  | Liabilities at fair value<br>through the profit and<br>loss<br>£'000 | Other financial<br>liabilities at amortised<br>cost<br>£'000    | Total<br>£'000     |
| <b>Liabilities as per consolidated balance sheet:</b>                          |  |   |                    |
| Borrowings (excluding finance lease liabilities)                               | -  | (2,177,025)   | (2,177,025)        |
| Finance lease liabilities  | -  | (2,011)   | (2,011)            |
| Trade and other payables (excluding statutory liabilities) and deferred income | -  | (271,432)   | (271,432)          |
|  | <b>-</b>   | <b>(2,450,468)</b>  | <b>(2,450,468)</b> |

**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015

**Notes to the Consolidated Financial Statements (continued)****17 Financial Instruments (continued)****Credit quality of financial assets**

Credit risk is not considered material within the Group as the majority of contracts are with Public Safety Organisations.

An ageing of trade receivables is contained in note 5.

The maximum exposure to credit risk is as shown below:

|  | 2015<br>£'000 | 2014<br>£'000  |
|--|---------------|----------------|
| Trade and other receivables (excluding prepayments and receivables from other Group companies) | 34,551        | 83,238         |
| Cash and cash equivalents  | 38,287        | 32,058         |
|  | <b>72,838</b> | <b>115,296</b> |

**Financial risk management****Financial risk factors**

The Group's operations expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments in the form of interest rate swaps to hedge certain risk exposures.

Financial risks are identified and managed by the Group's treasury function, the role of which is to identify, monitor and manage financial risk within the framework of Board approved policies and delegated authorities.

The principal financial risks of the Group and how the Group manages these risks are discussed below.

**(i) Market Risk****(a) Foreign exchange risk**

The Group operates from UK sites and predominantly in the UK market but has some transactions denominated in currencies other than sterling. The currencies giving rise to this risk are primarily US dollars and Euros. The majority of the Group's revenues and costs are sterling based and accordingly exposure to foreign exchange risk is low. There is a natural hedge between costs and revenues.

**(b) Interest rate risk**

Interest rate risk is not considered material as the Group's borrowings from both third parties and related parties incur interest at fixed rates.

**(c) Price risk**

The Group has exposure to fluctuations in prices of electricity, gas and other commodities. The potential impact of this is reduced through the negotiation of fixed price contracts.

**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015

**Notes to the Consolidated Financial Statements (continued)****17 Financial Instruments (continued)****(ii) Credit Risk**

The Group's principal credit risks are attributable to its cash and cash equivalents and trade receivables.

The credit risk associated with cash and cash equivalents is disclosed in note 4.

The maximum exposure to credit risk is as shown in the table below.

**(iii) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash. The Group aims to maintain appropriate liquidity through the daily monitoring of its actual and projected cash position.

Prudent liquidity risk management implies maintaining sufficient cash. The Group aims to maintain appropriate liquidity through the daily monitoring of its actual and projected cash position.

The table analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed on the balance sheet for borrowings, derivative financial instruments and trade and other payables.

Borrowings in the table include principal plus interest rate payments on the borrowings facility.

| <b>At 30 June 2015</b>                           | <b>Less than 1 year<br/>£'000</b> | <b>Between 1 and 2 years<br/>£'000</b> | <b>Between 2 and 5 years<br/>£'000</b> | <b>Over 5 Years<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--|-----------------------------------|--|--|-------------------------------|------------------------|
| Borrowings (excluding finance lease liabilities) | 184,847                           | 141,912                                | 1,540,003                              | 181,014                       | 2,047,776              |
| Finance lease liabilities                        | 725                               | -                                      | -                                      | -                             | 725                    |
| Trade payables                                   | 4,875                             | -                                      | -                                      | -                             | 4,875                  |
| Other payables                                   | 58,206                            | 480                                    | 12,500                                 | -                             | 71,186                 |
|  | <b>248,653</b>                    | <b>142,392</b>                         | <b>1,552,503</b>                       | <b>181,014</b>                | <b>2,124,562</b>       |
| <b>At 30 June 2014</b>                           | <b>Less than 1 year<br/>£'000</b> | <b>Between 1 and 2 years<br/>£'000</b> | <b>Between 2 and 5 years<br/>£'000</b> | <b>Over 5 Years<br/>£'000</b> | <b>Total<br/>£'000</b> |
| Borrowings (excluding finance lease liabilities) | 166,200                           | 175,200                                | 1,654,611                              | 181,014                       | 2,177,025              |
| Finance lease liabilities                        | 1,305                             | 706                                    | -                                      | -                             | 2,011                  |
| Trade payables                                   | 5,312                             | -                                      | -                                      | -                             | 5,312                  |
| Other payables                                   | 68,103                            | -                                      | 479                                    | -                             | 68,582                 |
|  | <b>240,920</b>                    | <b>175,906</b>                         | <b>1,655,090</b>                       | <b>181,014</b>                | <b>2,252,930</b>       |



Notes to the Consolidated Financial Statements (continued)

**17 Financial Instruments (continued)**

**(iv) Cash flow interest rate risk**

The Group's significant interest-bearing assets include cash and cash equivalents and interest bearing loans and borrowings. The Group's interest-rate risk is not considered material as borrowings are issued at fixed interest rates.

**(v) Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt or drawdown additional debt.

The Group's Capital Management Policy is to ensure the availability of an adequate supply of reasonably priced funding (and other credit lines) to meet current requirements as well as future growth anticipated under the Group's budget and strategic plan, within the constraints of debt capacity (as determined by long-term gearing targets, operational covenants, and financial covenant requirements).

The Group is funded through a mix of equity and debt, to match the maturity profile of its assets and liabilities. The funding profile was determined during the shareholder acquisition process to reflect the dynamics of the organisation and its future strategy.

The Treasury function centrally manages all funding activity for the Group and determines the optimum source of funding for each funding requirement, with the appropriate maturity, whilst ensuring maximum flexibility in the covenants provided.

**(vi) Fair value estimation**

The fair value of the trade and other receivables, trade and other payables, short-term deposits, money market funds, cash at bank and short-term borrowings approximates to the carrying value due to the short-term or on-demand maturity of these instruments.

The fair value of long term borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the prevailing market interest rate available to the Group for similar financial instruments.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Discounted future estimated cash flows using prevailing market interest rates are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

There are three levels of financial instruments as defined by the valuation methods. These include Level 1 for instruments valued using quoted market prices, Level 2 for valuations using inputs other than quoted prices that are observable from the market and Level 3 for valuations based on inputs not based on observable market data. The derivative financial instruments are carried at fair value at 30 June 2014 and are included in Level 2 of the fair value hierarchy.

These financial instruments are not traded in an active market and the fair value is determined by calculating the present value of the estimated future cash flows based on observable yield curves. All significant inputs to fair value the financial instruments use observable market data so the instrument is included in Level 2.

**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015

**Notes to the Consolidated Financial Statements (continued)****18 Ordinary Shares****Allotted, called up and fully paid**

|  | 2015<br>£ | 2014<br>£ |
|--|-----------|-----------|
| 153,100 (2014: 153,100) Ordinary Share of £0.01 each | 1,531     | 1,531     |

The Company has one class of authorised and issued share capital, comprising ordinary shares of £0.01 each. Subject to the Company's Articles of Association and applicable law, the Company's ordinary shares confer on the holder the right to receive notice of and vote at general meetings of the Company, the right to receive any surplus assets on a winding-up of the Company and an entitlement to receive any dividend declared on ordinary shares.

The issue of share capital in 2007 resulted in share premium of £152,998,000 (2014: £152,998,000).

**19 Related Party Disclosures**

The Group's parent and ultimate parent companies are disclosed in note 26.

All transactions with related parties are conducted under normal trading terms. No guarantees are given or received on the transactions. No provisions have been made for the amounts, nor are any of the related party transactions recognised or considered as bad or doubtful debt.

The Group has the following loans and other receivables and payables with related parties:

|  |   | 2015<br>£'000 | 2014<br>£'000 |
|--|---|---------------|---------------|
| <b>Intercompany Loans</b>                            |   |               |               |
| Eurobond - GDCLux                                    | Opening balance                         | (184,471)     | (166,471)     |
|  | Interest charged                        | (18,000)      | (18,000)      |
|  | Interest repaid                         | -             | -             |
|  | Closing balance                         | (202,471)     | (184,471)     |
| Loan - GDCLux  | Opening balance                         | (31,014)      | (31,014)      |
|  | Loan repayments during the year         | -             | -             |
|  | Closing balance                         | (31,014)      | (31,014)      |
| <b>Other payables</b>                                |   |               |               |
| With GDCLux  | Opening balance                         | -             | -             |
|  | Management fees accrued                 | (12,500)      | -             |
|  | Closing balance                         | (12,500)      | -             |
| <b>Interest Rate Swaps</b>                           |   |               |               |
| Entities with joint control or significant influence | Interest rate swap settlements received | -             | 2,214         |
|  | Interest rate swap settlements paid     | -             | (20,666)      |

Related party transactions with Directors and key management are detailed in note 21.

Following the acquisition of GDCL and Airwave, the Company entered into an agreement to guarantee any financial claim made by the National Policing Improvement Agency, the Secretary of State for Health, the Scottish Ambulance Board or the Secretary of State for Communities and Local Government, to the extent that such a claim had not been satisfied by Airwave within a prescribed period. In the event that the claim is not satisfied in full by the Company within a further prescribed period, MEIFII has agreed to indemnify the Customers in respect of any claim, subject to a cap on liability.

**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015



## Notes to the Consolidated Financial Statements (continued)

**20 Pension Scheme**

The Airwave Plan is a defined contribution arrangement and employer contributions are recognised as a benefit expense when they are due. The amounts charged to the Consolidated Statement of Comprehensive Income for defined contribution pension arrangements are set out below.

|                                     | 2015<br>£'000 | 2014<br>£'000 |
|-------------------------------------|---------------|---------------|
| Defined contribution – Airwave Plan | 3,120         | 2,971         |

The Group's contributions to the Airwave Plan consist of payments made under a company policy to match employee contributions into the pension plan. The Company offers a salary sacrifice pension scheme to provide additional benefits for employees in retirement. Contributions under the salary sacrifice pension scheme are included above.

Company contributions payable at 30 June 2015 amounted to £241,000 (2014: £267,000). This related solely to contributions for the month of June 2015 and is included within trade and other payables in the balance sheet.

**21 Key Management and Director Compensation**

The compensation of key management for the year ended 30 June 2015 was as follows:

|                              | 2015<br>£'000 | 2014<br>£'000 |
|------------------------------|---------------|---------------|
| Short-term employee benefits | 2,996         | 3,171         |
| Post-employment benefits     | 168           | 162           |
| Long-term incentive plan     | 9,306         | -             |
|                              | 12,470        | 3,333         |

The key management compensation analysed above represents compensation earned by the Group's Management Board including four Directors of the Group (2014: four). The emoluments of the Directors who were remunerated for their services to the Group, for the year ended 30 June 2015 were as follows:

|  | 2015<br>£'000 | 2014<br>£'000 |
|--|---------------|---------------|
| Aggregate emoluments in respect of qualifying services | 155           | 105           |
|  | 155           | 105           |

The emoluments of certain Directors representing MEIFII are paid by entities related to the ultimate joint parent companies. No recharge is made to the ultimate joint parent company. Accordingly, the above details include no emoluments in respect of these Directors.

In respect of the highest paid Director:

|  | 2015<br>£'000 | 2014<br>£'000 |
|--|---------------|---------------|
| Aggregate emoluments in respect of qualifying services | 117           | 60            |
|  | 117           | 60            |

**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015



## Notes to the Consolidated Financial Statements (continued)

**22 Employees**

|   | 2015<br>Number | 2014<br>Number |
|---|----------------|----------------|
| <b>Monthly average number of employees:</b> |                |                |
| UK and international services               | 124            | 126            |
| Network operations and administration       | 469            | 525            |
| <b>Total employees</b>                      | <b>593</b>     | <b>651</b>     |

The staff costs incurred in respect of these employees were:

|                                       | Note | 2015<br>£'000 | 2014<br>£'000 |
|---------------------------------------|------|---------------|---------------|
| Wages and salaries                    |      | 41,595        | 41,664        |
| Social security costs                 |      | 3,471         | 3,401         |
| Other pension costs                   | 20   | 3,120         | 2,971         |
| <b>Total employee benefits</b>        |      | <b>48,186</b> | <b>48,036</b> |
| Capitalised employee benefits         |      | (4,165)       | (4,642)       |
| <b>Net employee benefits expensed</b> |      | <b>44,021</b> | <b>43,394</b> |

**23 Financial Commitments****Operating lease commitments**

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

|   | 2015<br>£'000  | 2014<br>£'000  |
|---|----------------|----------------|
| Within one year                                   | 34,497         | 28,155         |
| Later than one year but not later than five years | 101,003        | 115,242        |
| Later than five years                             | 36,246         | 89,130         |
|   | <b>171,746</b> | <b>232,527</b> |

The Group leases various offices, vehicles and mast sites under non-cancellable operating lease agreements. These leases have various terms and renewal rights. The Group recognised lease payments of £35,420,000 in the Consolidated Statement of Comprehensive Income for year ended 30 June 2015 (2014: £32,189,000).

**Capital commitments**

|   | 2015<br>£'000 | 2014<br>£'000 |
|---|---------------|---------------|
| Contracts placed for capital expenditure not provided for in the financial statements – property, plant and equipment | 1,728         | 9,061         |

**24 Operating Cash**

|  | 2015<br>£'000  | 2014<br>£'000  |
|--|----------------|----------------|
| Net cash flows from operating activities       | 250,262        | 157,421        |
| Purchase of property, plant and equipment      | (16,109)       | (29,458)       |
| Finance lease used to fund capital expenditure | (1,350)        | (337)          |
| Exceptional payments                           | 7,790          | 11,408         |
| <b>Operating cash flow</b>                     | <b>240,593</b> | <b>139,034</b> |

## Notes to the Consolidated Financial Statements (continued)

### **25 Contingent Liabilities**

The Home Office has instigated a dispute with Airwave Solutions Limited in respect of a benchmarking exercise it has performed regarding the Value for Money of one of its contracts. The Company's assessment is that the dispute is without merit and will defend its position vigorously in the High Court. If the Company is unsuccessful in defending its position, there is a risk that it would be required to reduce the price charged for some of its services with effect from September 2014.

The Group has no other contingent liabilities or guarantees on which material losses are expected. The Group does not believe there are any other pending legal proceedings which would have a material adverse effect on the financial position or results of operations of the Group.

### **26 Parent Company and Controlling Party**

The Group's immediate parent undertaking and controlling party is GDCLux, a company incorporated in Luxembourg. This is the parent company of the smallest group to consolidate the Group's financial statements.

MEIFII, an English limited partnership with its registered office address at 3rd Floor, 10 Lefebvre Street, St Peter Port, Guernsey, GY1 2PE is considered to be the global ultimate controlling parent company and is the largest group of undertakings to consolidate the Group.

### **27 Events Occurring after Balance Sheet Date**

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements.

No other significant events occurred after the balance sheet date.

## **Independent auditors' report to the members of Guardian Digital Communications Holdings Limited**

### **Report on the parent company financial statements**

#### **Our opinion**

In our opinion, Guardian Digital Communications Holdings Limited's parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the parent company's affairs as at 30 June 2015 and of its cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **What we have audited**

The financial statements comprise:

- the Parent Company Balance Sheet as at 30 June 2015;
- the Parent Company Statement of Cash Flows for the year then ended;
- the Parent Company Statement of Changes in Equity 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 the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

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.

### **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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

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.

## **Independent auditors' report to the members of Guardian Digital Communications Holdings Limited (continued)**

### **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 12, 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 International Standards on Auditing (UK and Ireland) ("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.

#### **What an audit of financial statements involves**

We conducted our audit in accordance with 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 parent 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.

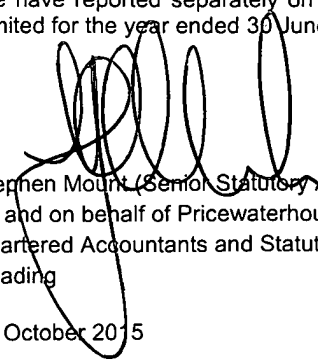
We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Consolidated Financial Statements 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.

#### **Other matter**

We have reported separately on the group financial statements of Guardian Digital Communications Holdings Limited for the year ended 30 June 2015



Stephen Mount (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Reading

14 October 2015

**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015

**Parent Company Balance Sheet**

|   | Note | 2015<br>£'000   | 2014<br>£'000   |
|---|------|-----------------|-----------------|
| <b>Non-current assets</b>   |      |                 |                 |
| Investments   | 30   | -               | -               |
| Other receivables   | 31   | 254,226         | 254,226         |
| <b>Total non-current assets</b>                                   |      | <b>254,226</b>  | <b>254,226</b>  |
| <b>Current assets</b>   |      |                 |                 |
| Other receivables   | 31   | 76,943          | 46,436          |
| <b>Total current assets</b>                                       |      | <b>76,943</b>   | <b>46,436</b>   |
| <b>Total assets</b>   |      | <b>331,169</b>  | <b>300,662</b>  |
| <b>Non-current liabilities</b>                                    |      |                 |                 |
| Other payables  | 33   | (15,833)        | (9,731)         |
| Borrowings  | 32   | (31,014)        | (31,014)        |
| <b>Total non-current liabilities</b>                              |      | <b>(46,847)</b> | <b>(40,745)</b> |
| <b>Net assets</b>   |      | <b>284,324</b>  | <b>259,917</b>  |
| <b>Equity</b>   |      |                 |                 |
| <b>Capital and reserves attributable to owners of the Company</b> |      |                 |                 |
| Ordinary shares   | 35   | 2               | 2               |
| Share premium   | 35   | 152,998         | 152,998         |
| Retained earnings   |      | 131,324         | 106,917         |
| <b>Total equity</b>   |      | <b>284,324</b>  | <b>259,917</b>  |

The above Balance Sheet should be read in conjunction with the accompanying notes on pages 58 to 65.

The financial statements on pages 55 to 65 were authorised by the Board of Directors on 14 October 2015 and were signed on its behalf by

A handwritten signature in black ink, appearing to read 'P. Dyer'.

**Peter Dyer**  
Director



**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015

**Parent Company Statement of Changes in Equity**

|  | Ordinary Shares<br>£'000 | Share Premium<br>Account<br>£'000 | Retained Earnings<br>£'000 | Total Equity<br>£'000 |
|--|--------------------------|-----------------------------------|----------------------------|-----------------------|
| Balance at 1 July 2013                             | 2                        | 152,998                           | 83,275                     | 236,275               |
| Profit for the year and total comprehensive income | -                        | -                                 | 23,642                     | 23,642                |
| Balance at 30 June 2014                            | 2                        | 152,998                           | 106,917                    | 259,917               |
| Profit for the year and total comprehensive income | -                        | -                                 | 24,407                     | 24,407                |
| <b>Balance at 30 June 2015</b>                     | <b>2</b>                 | <b>152,998</b>                    | <b>131,324</b>             | <b>284,324</b>        |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes on pages 58 to 65.

**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015

**Parent Company Statement of Cash Flows**

|   | Note | 2015<br>£'000 | 2014<br>£'000 |
|---|------|---------------|---------------|
| <b>Cash generated from operating activities</b>         |      |               |               |
| Profit before tax                                       |      | 30,507        | 30,507        |
| Finance income  | 37   | (30,507)      | (30,507)      |
| Amounts paid in respect of group tax relief             |      | -             | (10,721)      |
| <b>Net cash used in operating activities</b>            |      | -             | (10,721)      |
| <b>Net decrease in cash and cash equivalents</b>        |      | -             | (10,721)      |
| Cash and cash equivalents at the beginning of the year  | 32   | -             | 10,721        |
| <b>Cash and cash equivalents at the end of the year</b> | 32   | -             | -             |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes on pages 58 to 65.

# **Guardian Digital Communications Holdings Limited**

Registered number 06143511

## **Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015

### **Notes to the Financial Statements**



## **28 Summary of Significant Accounting Policies**

The significant policies which have been adopted in the preparation of the financial statements are stated to assist in a general understanding of these financial statements.

### **(a) General information**

The principal activities of the Company are to invest in subsidiaries which develop and provide mobile Information and Communication Technology ("ICT") to Public Safety Organisations in Great Britain.

The Company is a private limited company domiciled and registered in England and Wales. The registered address is Charter Court, 50 Windsor Road, Slough, Berkshire SL1 2EJ.

The registered number of the Company is 6143511.

### **(b) Basis of Preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), and IFRIC (International Financial Reporting Interpretations Committee) interpretations applicable to Companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A statement on going concern is included in the Directors' Report. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore can continue to adopt the going concern basis in preparing the financial statements.

The Company has a strong closing cash position with access to further committed bank facilities. Therefore these financial statements have been prepared on a going concern basis.

### **(c) Investments**

Investments in subsidiary undertakings are recorded at cost, which is the fair value of the consideration paid.

### **(d) Cash and cash equivalents**

Cash and cash equivalents in the Statement of Cash Flows includes cash in hand, deposits held at call with banks and bank overdrafts.

### **(e) Borrowing costs**

Borrowing costs are written off as incurred unless capitalised as part of qualifying assets.

## **28 Summary of Significant Accounting Policies (continued)**

### **(f) Borrowings**

Subsequent to initial recognition at fair value, net of transaction costs incurred, interest bearing liabilities are measured at amortised cost and classified as financial liabilities. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method. Transaction costs are included in the carrying amount and are charged to the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

### **(g) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **(h) Revenue recognition**

Interest income is recognised on a time-proportion basis using the effective interest method.

### **(i) Accounting Standards and interpretations**

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning after the start date of these financial statements but which the Company has chosen not to early adopt. The new standards and interpretations, applicable to the Company, which will be adopted by the Company as appropriate are as follows:

- IFRS 9, 'Financial instruments', issued in July 2014. This addresses the requirements for the recognition, measurement, impairment, derecognition and general hedge accounting to be applied to financial instruments. The standard is not applicable until 1 January 2018.

The Company is currently assessing the impact of these standards and does not expect at this stage that they would significantly impact the Company's financial position.

### **(j) Taxation**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity, not in the Statement of Comprehensive Income

### **(k) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **(l) Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statement in the period in which the dividends are approved by the Company's shareholders.

**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015

**Notes to the Financial Statements (continued)****29 Statement of Comprehensive Income**

As permitted by Section 408 of the Companies Act of 2006, the Company's Statement of Comprehensive Income has not been included in these financial statements.

The Company's profit for the year was £24,407,000 (2014: £23,642,000).

**30 Investments**

|   |  |          |
|---|--|----------|
| <b>Investment in subsidiaries</b>                 |  |          |
| <b>Guardian Digital Communications Limited</b>    |  | <b>£</b> |
| <b>Cost and net book value</b>                    |  |          |
| <b>At 1 July 2013, 30 June 2014, 30 June 2015</b> |  | <b>1</b> |

Investments in subsidiary undertakings are holdings of 100% of the ordinary shares of UK registered companies. Details of the companies are as follows:

| Name of Company                         | Country of Registration | Nature of Business           | Total Equity at 30 June 2015<br>£000 | Statement of Comprehensive Income for the year ended 30 June 2015<br>£000 | Total Equity at 30 June 2014<br>£000 | Statement of Comprehensive Income for the year ended 30 June 2014<br>£000 |
|---|-------------------------|------------------------------|--------------------------------------|---|--------------------------------------|---|
| Guardian Digital Communications Limited | England and Wales       | Intermediate holding company | (1,704,222)                          | (738,220)   | (966,002)                            | (18,086)  |

Subsidiaries in which the Company holds indirect holdings are disclosed in note 9 of the consolidated financial statements.

**31 Other Receivables**

|                                    | 2015<br>£'000  | 2014<br>£'000  |
|------------------------------------|----------------|----------------|
| <b>Non-current</b>                 |                |                |
| Amounts owed by group undertakings | 254,226        | 254,226        |
| <b>Current</b>                     |                |                |
| Amounts owed by group undertakings | 76,943         | 46,436         |
|                                    | <b>331,169</b> | <b>300,662</b> |

Amounts owed by group undertakings comprise an intercompany loan to GDCL which is repayable on demand at any time or as otherwise agreed, provided repayment does not make the borrower insolvent. The Company has classified the loan as non-current as the Board have no intention to recall the loan in the next 12 months. The interest element is classified as current.

Credit risk is not considered material within the Company as the majority of the balances are with other group undertakings.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables and cash mentioned above. The Company does not hold any collateral as security. Credit risk is not considered material within the Company as the majority of its balances relate to group undertakings. Other receivables are all denominated in Pounds Sterling (GBP).

**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015



## Notes to the Financial Statements (continued)

**32 Borrowings**

|   | 2015<br>£'000 | 2014<br>£'000 |
|---|---------------|---------------|
| <b>Non-Current unsecured borrowings</b>                   |               |               |
| Loan – Guardian Digital Communications Luxembourg S.a r.l | 31,014        | 31,014        |

The Company's borrowings are denominated in Pounds Sterling (GBP).

The loan with GDCLux is non-interest bearing and matures on 30 April 2097.

**33 Other Payables**

|  | 2015<br>£'000 | 2014<br>£'000 |
|--|---------------|---------------|
| Amounts payable to group undertakings – GDCL (non-current) | 15,833        | 9,731         |

The carrying value of other payables approximates to its fair value. The payable has been classified as non-current as the group undertaking has agreed not to demand payment within 12 months.

**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015

**Notes to the Financial Statements (continued)****34 Financial Instruments****Financial instruments by category**

The accounting policies for financial instruments have been applied to the line items below:

| At 30 June 2015                    | Loans and receivables<br>£'000 | Assets at fair value<br>through profit or loss<br>£'000 | Total<br>£'000 |
|------------------------------------|--------------------------------|---|----------------|
| <b>Assets as per balance sheet</b> |                                |   |                |
| Other receivables                  | 331,169                        | -   | 331,169        |
| <b>Total</b>                       | <b>331,169</b>                 | <b>-</b>  | <b>331,169</b> |

|   | Liabilities at fair value<br>through profit or loss<br>£'000 | Other financial<br>liabilities at amortised cost<br>£'000 | Total<br>£'000  |
|---|--|---|-----------------|
| <b>Liabilities as per balance sheet</b> |  |   |                 |
| Borrowings                              | -  | (31,014)  | (31,014)        |
| Other payables                          | -  | (15,833)  | (15,833)        |
| <b>Total</b>                            | <b>-</b>   | <b>(46,847)</b>   | <b>(46,847)</b> |

| At 30 June 2014                    | Loans and receivables<br>£'000 | Assets at fair value<br>through profit or loss<br>£'000 | Total<br>£'000 |
|------------------------------------|--------------------------------|---|----------------|
| <b>Assets as per balance sheet</b> |                                |   |                |
| Other receivables                  | 300,662                        | -   | 300,662        |
| <b>Total</b>                       | <b>300,662</b>                 | <b>-</b>  | <b>300,662</b> |

|   | Liabilities at fair value<br>through profit or loss<br>£'000 | Other financial<br>liabilities at amortised cost<br>£'000 | Total<br>£'000  |
|---|--|---|-----------------|
| <b>Liabilities as per balance sheet</b> |  |   |                 |
| Borrowings                              | -  | (31,014)  | (31,014)        |
| Other payables                          | -  | (9,731)   | (9,731)         |
| <b>Total</b>                            | <b>-</b>   | <b>(40,745)</b>   | <b>(40,745)</b> |

**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015



## Notes to the Financial Statements (continued)

**34 Financial Instruments (continued)****Credit quality of financial assets**

The credit quality of financial assets can also be assessed with reference to the following groups:

|   | 2015<br>£'000 | 2014<br>£'000 |
|---|---------------|---------------|
| <b>Loans to subsidiary undertakings</b> |               |               |
| Guardian Digital Communications Limited | 331,169       | 300,662       |

The maximum exposure to credit risk is as shown below:

|                   | 2015<br>£'000  | 2014<br>£'000  |
|-------------------|----------------|----------------|
| Other receivables | 331,169        | 300,662        |
|                   | <b>331,169</b> | <b>300,662</b> |

Financial risk management policies for the Company are disclosed in the Directors' Report.

**35 Ordinary Shares****Allotted, called up and fully paid**

|  | 2015<br>£ | 2014<br>£ |
|--|-----------|-----------|
| 153,100 (2014: 153,100) Ordinary Share of £0.01 each | 1,531     | 1,531     |

The Company has one class of authorised and issued share capital, comprising ordinary shares of £0.01 each. Subject to the Company's Articles of Association and applicable law, the Company's ordinary shares confer on the holder the right to receive notice of and vote at general meetings of the Company, the right to receive any surplus assets on a winding-up of the Company and an entitlement to receive any dividend declared on ordinary shares.

The issue of share capital in 2007 resulted in share premium of £152,998,000 (2014: £152,998,000).



**Guardian Digital Communications Holdings Limited**

Registered number 06143511

**Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015

**Notes to the Financial Statements (continued)****36 Related Party Disclosures**

The Company's immediate parent company is GDCLux, incorporated in Luxembourg.

GDCL is a subsidiary undertaking registered in the UK. Transactions with GDCL are disclosed below. Airwave is a wholly owned subsidiary of GDCL registered in the UK. There were no transactions with Airwave in the year.

All transactions with related parties are conducted under normal trading terms. No guarantees are given or received on the above transactions. No provisions have been made for the above amounts, nor are any of the above related party transactions recognised or considered as bad or doubtful debt.

The following transactions were carried out with related parties:

|                           |                                 | 2015<br>£'000 | 2014<br>£'000 |
|---------------------------|---------------------------------|---------------|---------------|
| <b>Intercompany Loans</b> |                                 |               |               |
| With GDCLux               | Opening balance                 | (31,014)      | (31,014)      |
|                           | Loan repayments during the year | -             | -             |
|                           | Closing balance                 | (31,014)      | (31,014)      |
| With GDCL                 | Opening balance                 | 300,662       | 270,155       |
|                           | Interest charged                | 30,507        | 30,507        |
|                           | Closing balance                 | 331,169       | 300,662       |
| <b>Other Payables</b>     |                                 |               |               |
| With GDCL                 | Opening Balance                 | (9,731)       | (13,587)      |
|                           | Consideration for tax losses    | (6,102)       | (6,865)       |
|                           | Repayments                      | -             | 10,721        |
|                           | Closing Balance                 | (15,833)      | (9,731)       |

Following the acquisition of GDCL and Airwave, the Company entered into an agreement to guarantee any financial claim made by the National Policing Improvement Agency, the Secretary of State for Health, the Scottish Ambulance Board or the Secretary of State for Communities and Local Government, to the extent that such a claim had not been satisfied by Airwave within a prescribed period. In the event that the claim is not satisfied in full by the Company within a further prescribed period, MEIFII has agreed to indemnify the Customers in respect of any claim, subject to a cap on liability.

**37 Contingent Liabilities**

The Home Office has instigated a dispute with the Company's subsidiary, Airwave Solutions Limited, in respect of a benchmarking exercise it has performed regarding the Value for Money of one of its contracts. Airwave's assessment is that the dispute is without merit and will defend its position vigorously in the High Court. If Airwave is unsuccessful in defending its position, there is a risk that it would be required to reduce the price charged for some of its services with effect from September 2014.

The Company has no other contingent liabilities or guarantees on which material losses are expected. The Company does not believe there are any other pending legal proceedings which would have a material adverse effect on the financial position or results of operations of the Company.

## **Guardian Digital Communications Holdings Limited**

Registered number 06143511

### **Annual Report and Consolidated Financial Statements**

Year ended 30 June 2015



#### Notes to the Financial Statements (continued)

### **38 Parent Company and Controlling Party**

The Company's immediate parent undertaking and controlling party is GDCLux, a company incorporated in Luxembourg. This is the parent company of the smallest group to consolidate the Group's financial statements.

MEIFII, an English limited partnership with its registered office address at 3rd Floor, 10 Lefebvre Street, St Peter Port, Guernsey, GY1 2PE is considered to be the global ultimate controlling parent company and is the largest group of undertakings to consolidate the Company.

### **39 Events Occurring after Balance Sheet Date**

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements.

No other significant events occurred after the balance sheet date.