IMPORTANT NOTICE

THIS PRELIMINARY OFFERING MEMORANDUM (THE **OFFERING MEMORANDUM**) AND THE OFFERING ARE AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS (AS DEFINED IN REGULATION S (REGULATION S) UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT (AND, IF INVESTORS ARE IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA, NOT A RETAIL INVESTOR).

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the Offering Memorandum following this page. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Group as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OR SOLICITATION OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS SUCH TERMS ARE DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED OFFERING MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

CONFIRMATION OF YOUR REPRESENTATION: In order to be eligible to view this Offering Memorandum or make an investment decision with respect to the securities, investors must be non-U.S. persons (as defined in Regulation S) who are outside the United States; provided that any investor in a Member State of the European Economic Area must not be a retail investor. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following: (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); (b) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (c) not a qualified investor as defined in Directive 2003/71/EC (as amended, the **Prospectus Directive**). This Offering Memorandum is being sent at your request. By accepting the e-mail and accessing this Offering Memorandum, you shall be deemed to have represented to the Group and the Joint Global Coordinators and Joint Bookrunners (in each case as defined in the attached Offering Memorandum) that (1) you and any customers you represent are non-U.S. persons (as defined in Regulation S) who are outside the United States in accordance with Regulation S under the Securities Act and that the e-mail address to which the Offering Memorandum has been delivered is not located in the United States, its territories, its possessions and other areas subject to its jurisdiction), and (2) you consent to delivery of the Offering Memorandum and any amendments or supplements thereto by electronic transmission.

You are reminded that the Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this document, electronically or otherwise, to any person. If you receive this document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. No action has been or will be taken in any jurisdiction by the Joint Global Coordinators, the Joint Bookrunners, the Issuer or the Guarantors (in each case as defined in the attached Offering Memorandum) that would, or is intended to, permit a public offering of the securities, or possession or distribution of the Offering Memorandum (in preliminary, proof or final form) or any other offering or publicity material relating to the securities, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Global Coordinators or the Joint Bookrunners or any affiliate of the Joint Global Coordinators or Joint Bookrunners is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Global Coordinators, the Joint Bookrunners or such affiliate on behalf of the Issuer in such jurisdiction.

This Offering Memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended the (**Financial Promotion Order**), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

The attached Offering Memorandum has been sent to you in an electronic format. You are reminded that documents transmitted in an electronic format may be altered or changed during the process of transmission and consequently none of the Issuer, the Guarantors, the Joint Global Coordinators, the Joint Bookrunners and their respective affiliates, directors, officers, employees, representatives and agents or any other person controlling the Issuer, the Guarantor, the Joint Global Coordinators, the Joint Bookrunners or any of their respective affiliates of any such person accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard-copy version.

SUBJECT TO COMPLETION DATED SEPTEMBER 10, 2018

PRELIMINARY OFFERING MEMORANDUM

STRICTLY CONFIDENTIAL
NOT FOR GENERAL DISTRIBUTION
IN THE UNITED STATES

arqiva

ARQIVA BROADCAST FINANCE PLC

£625,000,000 % Senior Notes due 2023

unconditionally and irrevocably guaranteed by Arqiva Financing No 2 Limited, Arqiva Broadcast Parent Limited and Arqiva Broadcast Immediate Limited

Arqiva Broadcast Finance plc, a public limited company existing under the laws of England and Wales (the **Issuer**), is offering £625,000,000 in aggregate principal amount of its % Senior Notes due 2023 (the **Notes**). The Notes will mature on 2023. Interest on the Notes will be payable on 31 March and 30 September of each year, commencing on 31 March 2019. Prior to , the Issuer will be entitled, at its option, to redeem all or a portion of the Notes by paying the relevant "make-whole" premium (the **Applicable Premium**) plus accrued and unpaid interest. Prior to , the Issuer may also redeem at its option up to 40% of the original aggregate principal amount of the Notes using the net proceeds from certain equity offerings at the redemption price set forth in this Offering Memorandum, if at least 60% of the originally issued aggregate principal amount of the Notes remains outstanding. At any time on or after , the Issuer may redeem all or part of the Notes by paying the relevant specified premium plus accrued and unpaid interest. Additionally, the Notes may be redeemed upon the occurrence of certain changes in applicable tax law at their outstanding principal amount plus accrued and unpaid interest. Upon the occurrence of a change of control, the Issuer may be required to make an offer to purchase the Notes. See "*Terms and Conditions*".

The Notes will be senior obligations of the Issuer and will be guaranteed (the **Guarantees**) by Arqiva Financing No 2 Limited (**AF No 2** and the **Intermediate Guarantor**), Arqiva Broadcast Parent Limited (the **Parent Guarantor**) and Arqiva Broadcast Intermediate Limited (**Intermediate HoldCo** and, together with the Intermediate Guarantor and the Parent Guarantor, the **Guarantors**). The Notes will rank pari passu in right of payment with all existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes and will rank senior to any existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes. The Notes will be structurally subordinated to the Senior Financing (as defined herein).

The Notes and the Guarantees will be secured by first ranking fixed and floating security interests over all (or substantially all) of the assets of the Issuer and each of the Guarantors, including the shares in each of the Issuer and the Intermediate Guarantor held by the Parent Guarantor, the shares in Intermediate HoldCo held by the Intermediate Guarantor and the shares in the Senior Parent held by Intermediate HoldCo. See "*Terms and Conditions—Condition 3.3 (Transaction Security)*". The Guarantees and the Transaction Security (as defined herein) will be subject to contractual limitations and may be released under certain circumstances.

This offering memorandum (this **Offering Memorandum**) includes information on the terms of the Notes and the Guarantees, including redemption and purchase prices, security, covenants and transfer restrictions. Application has been made to list the Notes on the official list (the **Official List**) of the Luxembourg Stock Exchange and to admit them to trading on the Euro MTF market of the Luxembourg Stock Exchange (the **Euro MTF Market**). There can be no assurance this application will be accepted. The Euro MTF Market is not a regulated market pursuant to the provisions of Directive 2004/39/EC.

Investing in the Notes involves certain risks. Please see "*Risk Factors*" beginning on page 49.

Price for the Notes: % plus accrued interest, if any, from the Issue Date

The Notes and the Guarantees have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the Securities Act) or with any securities regulatory authority of any state or other jurisdiction of the United States. Subject to certain exemptions, the Notes may not be offered or sold within the United States to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (Regulation S)). The Notes may be offered and sold only to non-U.S. persons (as defined in Regulation S) outside the United States in offshore transactions in reliance upon Regulation S. Investors in the Notes will be deemed to have made or be required to make certain representations and warranties in connection with purchasing the Notes. For a description of certain restrictions on resales and transfers, as to which each purchaser of Notes will be deemed to have acknowledged, represented and agreed, see "*Plan of Distribution*" and "*Transfer Restrictions*" in this Offering Memorandum.

The Notes are expected to be delivered in book-entry form through Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) on or about 2018 (the **Issue Date**).

Joint Global Coordinators and Joint Bookrunners

BofA Merrill Lynch **HSBC**

Joint Bookrunners

Deutsche Bank **ING** **Lloyds Bank Corporate Markets**

Offering Memorandum dated 2018

CONTENTS

NOTICES

The Notes will be obligations of the Issuer only. They will not be obligations or responsibilities of, or guaranteed by, any of the other parties to the transactions described in this Offering Memorandum (other than pursuant to the Guarantees) and any suggestion otherwise, express or implied, is expressly excluded.

If any withholding or deduction for or on account of tax is applicable to the Notes, payments on the Notes will be made subject to such withholding or deduction, and (subject to certain exceptions) the Issuer being obliged to pay additional amounts as a consequence.

Notes will be represented on issue by beneficial interests in Global Notes, in fully registered form, without interest coupons attached, which will be deposited with, and be registered in the name of, a nominee of a common depositary for Euroclear and Clearstream, Luxembourg. Ownership interests in the Global Notes will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg and their respective participants. Notes in definitive, certificated and fully registered form will be issued only in the limited circumstances described herein. In each case, purchasers and transferees of Notes will be deemed to have made certain representations and agreements. See "*Forms of the Notes*", "*Plan of Distribution*" and "*Transfer Restrictions*" in this Offering Memorandum.

IMPORTANT NOTICES

This Offering Memorandum is being distributed only to, and is directed only at, relevant persons. This Offering Memorandum, or any of its contents, must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such investments will be engaged in only with, relevant persons.

Neither the delivery of this Offering Memorandum nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Issuer or the Guarantors (together, the **Obligors**) is correct at any time subsequent to the date hereof or that there has been no adverse change in the financial position of the Issuer or the Obligors as of any time subsequent to the date indicated in the document containing the same. None of the Joint Global Coordinators and the Joint Bookrunners, the Financial Advisor, the Note Trustee, the Security Trustee or the other parties undertakes to review the financial condition or affairs of any of the Issuer or the Obligors for as long as any Notes are outstanding or to advise any investor in the Notes of any information coming to their attention.

This Offering Memorandum is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, any member of the Group (as defined below), Merrill Lynch International and HSBC Bank plc (the **Joint Global Coordinators**), Deutsche Bank AG, London Branch, ING Bank N.V., London Branch and Lloyds Bank Corporate Markets plc (together with the Joint Global Coordinators, the **Joint Bookrunners**), N M Rothschild & Sons Limited (the **Financial Advisor**), Deutsche Trustee Company Limited (the **Note Trustee**), Deutsche Trustee Company Limited (the **Security Trustee**) or any of the other parties that any recipient of this Offering Memorandum should purchase any of the Notes.

This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Memorandum and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Joint Global Coordinators and the Joint Bookrunners do not represent that this Offering Memorandum may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Joint Global Coordinators and the Joint Bookrunners which is intended to permit a public offering of any Notes or distribution of this Offering Memorandum in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Memorandum or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Memorandum and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Memorandum and the offer or sale of Notes in the United States and the European Economic Area (including the United Kingdom).

PRIIPS REGULATION / PROSPECTUS DIRECTIVE / PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the **Prospectus Directive**). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation. This Offering Memorandum has been prepared on the basis that any offer of Notes in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. This Offering Memorandum is not a prospectus for the purposes of the Prospectus Directive.

Each person contemplating making an investment in the Notes should make its own investigation and analysis of the creditworthiness of the Issuer and the Obligors and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. A prospective investor who is in any doubt whatsoever as to the risks involved in investing in the Notes should consult independent professional advisers.

In making an investment decision, investors must rely on their own examination of the Issuer and the Guarantors and the terms of the Notes being offered, including the merits and risks involved.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Memorandum;
- have access to, knowledge of and appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the experience (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

In addition, the investment activities or certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent Notes are legal investments for it, Notes can be used as security for indebtedness and other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The distribution of this Offering Memorandum and the offering, sale or delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by the Issuer, the Joint Global Coordinators and the Joint Bookrunners to inform themselves about and to observe any such restrictions. This Offering Memorandum does not constitute, and may not be used for the purposes of, an offer to or solicitation by any person to subscribe or purchase any Notes in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful.

In connection with the issue of the Notes, Merrill Lynch International acting as stabilising manager (the **Stabilising Manager**) (or person(s) acting on its behalf) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on its behalf) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the date of the issue of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or person(s) acting on its behalf) in accordance with all applicable laws and rules.

In connection with this new issue of Notes, the Joint Global Coordinators and the Joint Bookrunners do not act for or provide services, including providing any advice, in relation to this new issue of Notes to any person other than the Issuer. The Joint Global Coordinators and the Joint Bookrunners will not regard any person other than the Issuer, including actual or prospective holders of the Notes, as its client in relation to this new issue of Notes. Accordingly, the Joint Global Coordinators and the Joint Bookrunners will not be responsible to anyone other than the Issuer for providing the protections (regulatory or otherwise) afforded to its clients.

If you are in any doubt about the contents of this Offering Memorandum you should consult your stockbroker, bank manager, solicitor, accountant or other financial advisor. It should be remembered that the price of securities and the income from them can go down as well as up.

In this Offering Memorandum, words denoting the singular number only shall include the plural number also and *vice versa*.

Neither the U.S. Securities and Exchange Commission, or any state securities commission or any other regulatory authority has approved or disapproved these securities nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offence.

MIFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

SETTLEMENT

Each purchaser of the Notes will be deemed to have made the representations, warranties and acknowledgements that are described in this Offering Memorandum under the section entitled "Notice to Investors."

The Group expects that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be eleven business days following the date of pricing of the Notes (this settlement cycle is being referred to as "T+11"). Trades in the secondary market generally are required to settle in three to five business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next seven succeeding business days will be required, by virtue of the fact that the Notes initially will settle in T+11, to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next seven succeeding business days should consult their own advisors. See "*Plan of Distribution*."

RESPONSIBILITY STATEMENTS

The Obligors accept responsibility for the information contained in this Offering Memorandum. To the best of the knowledge of the Obligors (each having taken all reasonable care to ensure that such is the case) the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or to make representations other than the information or the representations contained in this Offering Memorandum in connection with the Issuer, the Guarantors, any member of the Group or the offering or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Obligors, any member of the Group, the Financial Advisor, the Joint Global Coordinators and Joint Bookrunners, the Note Trustee, the Security Trustee or any other party. Neither the delivery of this Offering Memorandum nor any offering or sale of Notes made in connection herewith shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer, the Guarantors or any member of the Group since the date hereof. Unless otherwise indicated herein, all information in this Offering Memorandum is given as of the date of this Offering Memorandum. This document does not constitute an offer of, or an invitation by, or on behalf of, the Issuer or any Joint Global Coordinators and Joint Bookrunners to subscribe for, or purchase, any of the Notes.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the other parties as to the accuracy or completeness of the information contained in this Offering Memorandum or any other information supplied in connection with the Notes or their distribution. The statements made in this paragraph are without prejudice to the responsibility of the Issuer for the information contained in this Offering Memorandum. Each person receiving this Offering Memorandum acknowledges that such person has not relied on the Joint Global Coordinators and Joint Bookrunners, the Note Trustee, the Security Trustee or any other party nor on any person affiliated with any of them in connection with its investigation of the accuracy of such information or its investment decision.

The Financial Advisor, which is authorised and regulated by the Financial Services Authority in the United Kingdom, is acting for the Issuer and the Group and no one else in relation to the offering of the Notes by the Issuer and will not be responsible to anyone other than the Issuer or the Group for providing the protections afforded to clients of the Financial Advisor nor for providing advice in relation to the proposed issue of Notes by the Issuer. The Financial Advisor is not acting as a Joint Bookrunner or Initial Purchaser in connection with this offering, and accordingly, the Financial Advisor; is neither purchasing Notes nor offering Notes to investors in connection with this offering.

NOTICE TO LUXEMBOURG INVESTORS

THE NOTES MAY NOT BE OFFERED OR SOLD TO THE PUBLIC IN THE GRAND DUCHY OF LUXEMBOURG, DIRECTLY OR INDIRECTLY, AND, NEITHER THIS OFFERING MEMORANDUM NOR ANY OTHER CIRCULAR, PROSPECTUS, FORM OF APPLICATION, ADVERTISEMENT, COMMUNICATION OR OTHER MATERIAL MAY BE DISTRIBUTED, OR OTHERWISE MADE AVAILABLE IN, OR FROM OR PUBLISHED IN, THE GRAND DUCHY OF LUXEMBOURG, EXCEPT FOR THE SOLE PURPOSE OF THE ADMISSION TO TRADING OF THE NOTES ON THE LUXEMBOURG STOCK EXCHANGE'S EURO MTF MARKET AND LISTING ON THE OFFICIAL LIST OF THE LUXEMBOURG STOCK EXCHANGE AND EXCEPT IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE AN OFFER OF SECURITIES TO THE PUBLIC.

NOTICE REGARDING U.S. SECURITIES LAWS

THE NOTES OFFERED PURSUANT TO THIS OFFERING MEMORANDUM HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), AND MAY BE OFFERED AND SOLD ONLY TO NON-U.S. PERSONS OUTSIDE THE UNITED STATES IN "OFFSHORE TRANSACTIONS" AS DEFINED IN, AND IN ACCORDANCE WITH, REGULATION S UNDER THE SECURITIES ACT (REGULATION S). THE TERM "U.S. PERSONS" HAS THE MEANING GIVEN TO IT IN REGULATION S.

ACCORDINGLY, THE OFFER IS NOT BEING MADE IN THE UNITED STATES OR TO U.S. PERSONS AND THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER, OR AN INVITATION TO APPLY FOR, OR AN OFFER OR INVITATION TO PURCHASE OR SUBSCRIBE FOR, ANY NOTES IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS.

ANY PERSON WHO SUBSCRIBES OR ACQUIRES THE NOTES WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND AGREED, BY ACCEPTING DELIVERY OF THIS OFFERING MEMORANDUM OR DELIVERY OF THE NOTES, THAT IT IS NOT A U.S. PERSON AND THAT IT IS SUBSCRIBING OR ACQUIRING THE NOTES IN COMPLIANCE WITH RULE 903 OF REGULATION S IN AN "OFFSHORE TRANSACTION" AS DEFINED IN REGULATION S.

IN ADDITION, UNTIL 40 DAYS AFTER THE COMMENCEMENT OF THE OFFERING OF THE NOTES, AN OFFER OR SALE OF THE NOTES WITHIN THE UNITED STATES BY A BROKER/ DEALER (WHETHER OR NOT PARTICIPATING IN THE OFFERING) MAY VIOLATE THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

ANY PERSON IN THE UNITED STATES OR ANY U.S. PERSON WHO OBTAINS A COPY OF THIS OFFERING MEMORANDUM IS REQUIRED TO DISREGARD IT.

AVAILABLE INFORMATION

For so long as the Notes are listed on the Euro MTF Market and the rules of the Luxembourg exchange so require, copies of the Issuer's and the Guarantors' organisational documents, the Intercreditor Agreement, the Note Trust Deed, the Security Agreement and the most recent consolidated financial statements published by the Group may be inspected and obtained at the office of the Principal Paying Agent.

FORWARD LOOKING STATEMENTS

This Offering Memorandum contains various forward-looking statements regarding events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of the Issuer and/or the Obligors to differ materially from the information presented herein. When used in this Offering Memorandum, the words "estimate", "project", "intend", "anticipate", "believe", "expect", "should" and similar expressions, as they relate to the Issuer, the Obligors and their management, are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Save as otherwise required by any rules or regulations, neither the Issuer nor the Guarantors undertake any obligations publicly to release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

The risks and uncertainties referred to above include:

- the level of demand for the Group's infrastructure or services;
- actions or decisions by governmental and regulatory bodies, or changes in the regulatory framework in which the Group operates, which may impact the ability of the Group to carry on its businesses;
- changes or advances in technology, and availability of resources such as spectrum, necessary to use new or existing technology, or customer and consumer preferences regarding technology;
- a breach or another critical disruption in the Group's technical or information infrastructure;
- the ability of the Group to develop, expand and maintain its broadcast and telecommunications infrastructure;
- the ability of the Group to create products which are competitive or accepted by customers;
- the ability of the Group to successfully deliver its significant contracts within budget or at all;
- the ability of the Group to realise its orderbook or its Projected EBITDA;
- the Group's dependency on a limited number of key customers for a large percentage of its revenue;
- the creditworthiness and financial strength of the Group's key customers;
- the ability of the Group to provide uninterrupted or quality services;
- the ability of the Group to effectively manage demand for its leased satellite transmission capacity;
- the Group's reliance on third parties for key equipment, technology, site access and services;
- the failure of the Group to attract and retain high-quality personnel;
- work stoppages and other labour matters;
- natural disasters and other unforeseen events;
- the performance of the markets in the UK, the EU and the wider region in which the Group operates;
- the ability of the Group to comply with environmental and health, data protection, anti-money laundering, anti-bribery and sanctions regulations;
- the ability of the Group to deliver on its cost savings programme;
- the consolidation of telecommunication service providers;
- factors outside the Group's control, including inclement weather and the outbreak of contagious disease;
- the Group's pensions commitments;
- the Group's potential liability for distributing content broadcast by its customers over its network;
- regulatory prohibition or limitation on the disposal of certain of the Group's central assets; and
- tax losses, a portion of which may not be available in certain circumstances.

Any forward looking statements contained in this Offering Memorandum speak only as at the date of this Offering Memorandum. Without prejudice to any requirements under applicable laws and regulations, the Issuer and the Guarantors expressly disclaim any obligation or undertaking to disseminate after the date of this Offering Memorandum any updates or revisions to any forward looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward looking statement is based.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

The financial information presented and discussed in this Offering Memorandum has, unless otherwise indicated, been extracted from the audited consolidated financial statements of Arqiva Broadcast Parent Limited as at and for each of the years ended 30 June 2016 (including unaudited comparative financial information as at and for the year ended 30 June 2015), 30 June 2017 (including unaudited comparative financial information as at and for the year ended 30 June 2016) and 30 June 2018 (including unaudited comparative financial information as at and for the year ended 30 June 2017) (altogether, the **Financial Statements**), prepared and presented in accordance with International Financial Reporting Standards as adopted by the EU (**IFRS**) and presented in pounds sterling. The Financial Statements, the notes thereto and the respective independent auditor's reports are included in this Offering Memorandum starting at page F-1.

The audited consolidated financial statements as at and for each of the years ended 30 June 2016, 2017 and 2018 have been audited by PricewaterhouseCoopers LLP, the independent auditor of Arqiva Broadcast Parent Limited.

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates, and requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of management judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial information are disclosed in Note 4 to the Financial Statements, included elsewhere in this Offering Memorandum.

The financial information set forth in this Offering Memorandum has been subjected to rounding adjustments for ease of presentation. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables may not conform exactly to the total figure given for that column or row. Percentage figures included in this Offering Memorandum have not been calculated on the basis of rounded figures but have been calculated on the basis of such amounts prior to rounding.

Prospective Noteholders should read the Financial Statements of the Group and the notes thereto included elsewhere in this Offering Memorandum, together with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

Unless otherwise indicated, the financial results and information presented in this Offering Memorandum is the historical consolidated financial information of Arqiva Broadcast Parent Limited and not that of the Issuer. See "*Certain Definitions*". The Issuer is a wholly owned subsidiary of Arqiva Broadcast Parent Limited.

Non-IFRS Financial Measures

This Offering Memorandum contains certain non-IFRS measures and ratios, including EBITDA, EBITDA margin, net cash inflow from operating activities, maintenance capital expenditure and growth capital expenditure (contracted and non-contracted), which are not required by, nor presented in accordance with IFRS. For a reconciliation of these measures, see "*Selected Historical Consolidated Financial Information*."

The Group presents these non-IFRS measures because the Group believes that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS measures may not be comparable to similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Group's operating results as reported under IFRS. Non-IFRS measures such as EBITDA, EBITDA margin, net cash inflow from operating activities, maintenance capital expenditure and growth capital expenditure (contracted and non-contracted) are not measurements of the Group's performance or liquidity under IFRS or any other generally accepted accounting principles. In particular, investors should not consider EBITDA, EBITDA margin, operating cash flow after capital and financial investment activities, maintenance capital expenditure and growth capital expenditure (contracted and non-contracted) as an alternative to (a) operating profit or profit for the period (as determined in accordance with IFRS) as a measure of the Group's operating performance, (b) cash flows from operating, investing and financing activities as a measure of the Group's ability to meet its cash needs or (c) any other measures of performance under generally accepted accounting principles.

These non-IFRS measures have limitations as analytical tools, and investors should not consider them in isolation, or as a substitute for an analysis of the Group's results as reported under IFRS.

EBITDA, as used in this Offering Memorandum, is defined as operating profit (taken from the Group's consolidated income statement data) before depreciation and amortisation, exceptional operating expenses and one-off items where the earnings or charges are not considered to be indicative of the Group's on-going operations, e.g. profit or loss on the disposal of non-current assets.

EBITDA margin, as used in this Offering Memorandum, is defined as EBITDA divided by group revenue.

EBITDA and EBITDA margin do not reflect and are not adjusted for:

- the significant interest expense, or the cash requirements necessary, to service interest or principal payments on the Group's debts;
- any cash or non cash corporation taxes that the Group may incur;
- certain non-cash income and expense items that are reflected in the Group's profit and loss statement such as depreciation and amortisation; and
- the impact of earnings or charges resulting from certain matters the Group considers not to be indicative of its ongoing operations.

Net cash inflow from operating activities, as used in this Offering Memorandum, is defined as EBITDA before exceptional items, working capital and certain other items.

Maintenance capital expenditure, as used in this Offering Memorandum, is defined as expenditure that is incurred to deliver cost-savings, productivity enhancements, to extend the useful life of existing non-current assets, or replace worn out and obsolete non-current assets with new ones in order to support existing contracts.

Growth capital expenditure—contracted, as used in this Offering Memorandum, is defined as capital expenditure that is incurred to deliver new or renewal revenues and which is supported by a signed customer contract.

Growth capital expenditure—non-contracted, as used in this Offering Memorandum, is defined as capital expenditure that is incurred to deliver revenues and which is supported by a business case but on which there is no signed customer contract at the time at which expenditure is incurred and reported.

Other companies in the Group's industry may calculate EBITDA, EBITDA margin, net cash inflow from operating activities, maintenance capital expenditure and growth capital expenditure (contracted and non-contracted) differently from the manner that the Group does, limiting its usefulness as a comparative measure.

Projected EBITDA

This Offering Memorandum also includes Projected EBITDA for the years ended 30 June 2019 and 31 December 2018. The Group is required to report Projected EBITDA further to the reporting covenants under the Senior Financing (as defined herein). See "*Selected Historical Consolidated Financial Information*".

Projected EBITDA is based on management estimates, is not part of the Group's consolidated financial information or financial accounting records and has not been audited or otherwise reviewed by independent auditors, consultants or experts. The Group's use or computation of this metric may not be comparable to the use or computation of a similarly titled measures reported by other companies in the broadcast, media or communications industry. Projected EBITDA should not be considered in isolation or as an alternative measure of performance or consistent with any performance measure under IFRS. This metric is forward-looking information that is subject to significant risks and uncertainties that could cause the actual results and financial position of the Group to differ materially. Investors are cautioned to not place undue reliance on such forecast data. See "*Forward Looking Statements*."

The prospective financial information included in this Offering Memorandum has been prepared by, and is the responsibility of, the Group's management. The Group and its management believe that Projected EBITDA has been prepared on a reasonable basis, reflecting the best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Group's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future results.

PricewaterhouseCoopers LLP has neither audited, reviewed, examined, compiled nor applied agreed-upon procedures with respect to the prospective financial information contained herein and, accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance on such information or its achievability. PricewaterhouseCoopers LLP assumes no responsibility for and denies any association with the prospective financial information and any other information derived therefrom included elsewhere in this Offering Memorandum.

The PricewaterhouseCoopers LLP reports included elsewhere in this Offering Memorandum refer exclusively to the Parent Guarantor's historical financial information. PricewaterhouseCoopers LLP reports do not cover any other information in this Offering Memorandum and should not be read to do so.

Pro Forma Financial Information

This Offering Memorandum includes *pro forma* consolidated financial data which has been adjusted to reflect certain effects of the sale of the Notes and the use of proceeds on the Group's senior and junior cash interest expense, gross senior and junior borrowings, cash at bank in hand, net senior and junior borrowings, net senior and junior borrowings to EBITDA, cashflow to senior and junior cash interest expense, senior cash interest expense, gross senior borrowings, senior cash at bank in hand, net senior borrowings, net senior borrowings to EBITDA and senior cashflow to senior cash interest expense and cashflow to senior and junior cash interest expense as at and for the year ended 30 June 2018. The Group's consolidated *pro forma* financial data has been prepared for illustrative purposes only and does not purport to represent what the Group's actual gross senior and junior borrowings, cash at bank in hand, net senior and junior borrowings, net senior and junior borrowings to EBITDA, gross senior borrowings, senior cash at bank in hand and net senior borrowings would have been if the sale of the Notes, the use of proceeds and the Senior Financing had been completed as of 30 June 2018, or what the Group's actual senior and junior cash interest expense, cashflow to senior and junior cash interest expense, senior cash interest expense, net senior borrowings to EBITDA, senior cashflow to senior cash interest expense and cashflow to senior and junior cash interest expense would have been if the sale of the Notes, the use of proceeds and the Senior Financing had occurred on 1 July 2017, nor does it purport to project the Group's senior and junior cash interest expense, gross senior and junior borrowings, cash at bank in hand, net senior and junior borrowings, net senior and junior borrowings to EBITDA, cashflow to senior and junior cash interest expense, senior cash interest expense, gross senior borrowings, senior cash at bank in hand, net senior borrowings, net senior borrowings to EBITDA and senior cashflow to senior cash interest expense and cashflow to senior and junior cash interest expense at any future date. The unaudited *pro forma* adjustments and the unaudited *pro forma* consolidated financial data set forth in this Offering Memorandum are based on available information and certain assumptions and estimates that the Group believes are reasonable and may differ materially from the actual adjusted amounts.

Orderbook

The Group has also included in this Offering Memorandum certain information regarding its orderbook. **Orderbook** reflects management's estimates of the Group's potential future revenue to be derived from awarded contracts and reflects nominal values which have not been adjusted to represent net present values. The Group believes that such information is reliable and based upon reasonable assumptions, but this information has not been independently verified. The Group has made a number of assumptions in compiling such information, including the following: (1) in respect of inflation, an adjustment based on the Retail Price Index (**RPI**) has been applied to revenue under each long-term contract where appropriate; (2) in respect of contract duration, (i) for contracts in the Satellite & Media division, Terrestrial Broadcast division and M2M division, the full contract term has been applied and no early termination has been assumed, (ii) for contracts in the Digital Platforms division, the Group has assumed that the contract will be terminated at the first break-clause, and (iii) for site share contracts in the Group's Telecoms division, the Group has assumed that the term of the contract equals the unexpired licence term (and if such licences have expired, the contracted period has been assumed to be the remaining contractual notice period); and (3) in respect of pass-through cost clauses, (i) for contracts in the Telecoms division, rates, electricity, and site access revenue were assumed as being contracted in line with the contracted site share revenue, (ii) for contracts in the Terrestrial Broadcast division, electricity pass-through revenues are included within the contracted revenue and (iii) for contracts in the Digital Platforms division, any cost pass-through for Administered Incentive Pricing (**AIP**) has not been included given the uncertainty regarding AIP.

Orderbook is derived from management estimates, is not part of the Group's consolidated financial information or financial accounting records and has not been audited or otherwise reviewed by independent auditors, consultants or experts. The Group's use or computation of this term may not be comparable to the use or computation of a similarly titled measure reported by other companies in the broadcast, media or communications industry. This term should not be considered in isolation or as an alternative measure of performance. The Group cannot assure that these assumptions will be correct and undue reliance should not be placed on such information. See also "*Forward Looking Statements*" for a discussion of the risks related to forward-looking statements.

CERTAIN DEFINITIONS

In this Offering Memorandum, **the Group** means Arqiva Group Limited and its Subsidiaries (together) or, for the purposes of the presentation of financial data included in the sections headed "*Summary Historical Consolidated Financial and Other Information", "Risk* Factors", "*Use of Proceeds", "Capitalisation", "Selected Historical Consolidated Financial Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations*" *and* "*Business*", and for the purposes of the Conditions of the Notes, **the Group** means the Parent Guarantor and its consolidated subsidiaries, in each case unless the context otherwise requires or unless otherwise indicated.

In this Offering Memorandum, **the Issuer** means Arqiva Broadcast Finance plc, a wholly owned subsidiary of the Parent Guarantor.

In this Offering Memorandum, all references to management, directors and executive officers refer to the management, directors and executive officers of Arqiva Group Limited.

Current Shareholders consist, with respect to the shareholders in Arqiva Group Limited as of the date of this Offering Memorandum, of a consortium of seven shareholder groups and these are Frequency Infrastructure Communications Assets Limited (of which CPP Investment Board is an 86% shareholder) (48.0%), Macquarie European Infrastructure Fund II (25.0%) and two Macquarie-affiliated minorities (Macquarie Global Infrastructure Funds 2 S.à r.l. and Macquarie Prism Proprietary Limited, which together hold 1.5%), Conyers Trust Company (Cayman) Limited in its capacity as trustee of the IFM Global Infrastructure Fund (14.8%), First State Super (5.4%) and Motor Trades Association of Australia Superannuation Fund (advised by Whitehelm Capital) (5.2%). All percentages included in this paragraph are as at the date of this Offering Memorandum.

The Index of Defined Terms containing all terms defined elsewhere in this Offering Memorandum is set out on page 331, other than any terms defined by reference to the Common Terms Agreement, which shall have the meaning given to them in the section titled "*Defined Terms for the purposes of the Common Terms Agreement*".

HISTORICAL AND CURRENT MARKET AND INDUSTRY DATA

This Offering Memorandum includes market share and industry data, which the Group obtained from industry publications and surveys, industry reports prepared by consultants, internal surveys and customer feedback. The market, economic and industry data has primarily been derived and extrapolated from reports provided by The Boston Consulting Group, as well as from information from the following sources:

- Ampere;
- BBC;
- Broadcasters Audience Research Board (**BARB**);
- Cisco Visual Networking Index Mobile Forecast Highlights, 2016-2021 (**Cisco**);
- Euroconsult, "Video Content Management and Distribution presentation March 2014";
- National Infrastructure Commission;
- the Office of Communications (**Ofcom**), including the "Connected Nations Report 2018", the "Communications Market Report 2018" and the "Digital Radio Report";
- the Office for National Statistics (**ONS**);
- OpenSignal reports;
- Radio Joint Audience Research (**RAJAR**);
- Statista 2017;
- Tefficient Mobile Data, Full Year 2016 report (**Tefficient**);
- Thinkbox;
- TV Licensing;
- UK Satellite Help; and
- Virgin Media.

This Offering Memorandum contains certain public sector information licensed under the Open Government Licence v3.0.

The Group confirms that the information from the above sources has been accurately reproduced and that as far as the Group is aware no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used in this Offering Memorandum, the source of such information has been identified. None of the third party sources has made any representation, express or implied, and has not accepted any responsibility, with respect to the accuracy or completeness of any of the information contained in this Offering Memorandum, and none of the third parties used as a source nor any of their affiliates, subsidiary companies, shareholders, directors or any of their relatives holds any shareholding or interest whatsoever in the Group.

These third-party sources generally state that the information they contain has been obtained from sources believed to be reliable. However, these third-party sources also state that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on significant assumptions. As the Group does not have access to all of the facts and assumptions underlying such market data, statistical information and economic indicators contained in these third-party sources, the Group is unable to verify such information and cannot guarantee its accuracy or completeness. Similarly, internal surveys, industry forecasts and market research have not been independently verified. The Group believes that these internal surveys, industry forecasts and market research, to the extent quoted or referred to herein, are reliable, but the Group has not independently verified them and cannot guarantee their accuracy or completeness. The Group accepts responsibility for accurately summarising the information from these external sources, but accepts no further responsibility in respect of such information.

In addition, certain information in this Offering Memorandum is not based on published data obtained from independent third parties or extrapolations thereof but on information and statements reflecting the Group's best estimates based upon information obtained from trade and business organisations and associations, consultants and other contacts within the industries in which the Group competes, as well as information published by the Group's competitors. Such information is based on the following: (i) in respect of the Group's market position, information obtained from trade and business organisations and associations and other contacts within the industries in which the Group competes and (ii) in respect of industry trends, the Group's senior management team's business experience and experience in the industry and the markets in which the Group operate. The Group cannot assure you that any of the assumptions that it has made in compiling this data are accurate or correctly reflect the Group's position in its markets.

GLOSSARY OF TECHNICAL TERMS

The following glossary of technical terms is not intended to be exhaustive, but provides a list of certain of the technical terms used in this Offering Memorandum.

2G	Second generation mobile technology.
3G	Third generation mobile technology.
4G	Fourth generation mobile technology.
5G	Fifth generation mobile technology.
Active licensed site	Any wireless site with at least one wireless sharer, and sites which the Group has a contractual right to assign now or in the future.
AIP	Administered Incentive Pricing, a type of spectrum fee to encourage efficient use of spectrum capacity which Ofcom is contemplating imposing in relation to Multiplex spectrum.
BARB	Broadcasters Audience Research Board, a third-party research institution.
BECTU	Broadcasting, Entertainment, Cinematograph and Theatre Union.
Churn	The number of disconnections by MNO service subscribers during a period divided by the average number of subscribers during the same period.
CMA	The Competition and Markets Authority, an independent UK regulatory body that investigates and monitors mergers and market competition, and performs certain oversight functions with regard to major regulated industries (preceded by the Competition Commission).
D1	Digital One Limited, a national commercial digital radio Multiplex owned by the Group.
DAB	Digital audio broadcast.
Digital Radio Switchover or DRS	The shift from existing analogue radio services to DAB.
Digital UK	A non-profit organisation that facilitates Freeview use, owned by the BBC, ITV, Channel 4 and the Group.
DTH	Direct-to-home.
DTT	Digital terrestrial television.
ECN	Electronic communications network.
FTA	Free-to-air.
GHz	Gigahertz.
HD	High definition.
IoT	Internet-of-Things
IP	Internet protocol.
IPTV	Internet protocol television.
ITU	International Telecommunication Union.
JV	Joint venture.
M2M	Machine to machine.
Marketable site	Any wireless site which hosts sharers or could host a new wireless sharer; includes active licensed sites which are marketable.
MB	Megabytes.

Mbps	Megabits per second.
MNOs	Mobile network operators.
MPEG	Moving Picture Experts Group, a standard for video compression.
MTS	Managed transmission services, a managed service offered to broadcasters involving transmission services provided from terrestrial broadcast sites.
Multiplexes	A licence or authorisation to provide a group of DTT or digital radio channels on a specified frequency band.
NA	Network access, wholesale access to terrestrial broadcast sites, supplied to an MTS Provider in order to enable the provision of MTS to a broadcaster.
Ofcom	The Office of Communications in the UK, the primary UK telecommunications and broadcasting regulatory body.
OTA-BTS	The Office of the Adjudicator—Broadcast Transmission Services, the independent figure appointed by Ofcom in accordance with the Undertakings with the responsibility to address any dispute raised by any customers regarding effective operation of the Undertakings.
PoP	Points of presence.
PSB	Public service broadcaster.
RPI	The UK Retail Price Index as published by the UK Office for National Statistics.
SD	Standard definition.
SLA	Service level agreement.
SLC	Substantial lessening of competition.
UHD	Ultra-high definition.
UHF	Ultra high frequency.
Undertakings	Undertakings required of the Group as provided to the Competition Commission (now its successor, the CMA).
WACC	Weighted Average Cost of Capital.

SUMMARY

The following does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Memorandum. The summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information included elsewhere in this Offering Memorandum, including the Financial Statements. The Offering Memorandum should be read carefully to understand the business, the nature and terms of the Notes and the tax and other considerations which are important to the decision to invest in the Notes, including, without limitation, the risks discussed under "Risk Factors". In addition, certain statements in this summary include forward-looking information that involves risks and uncertainties.

BUSINESS OVERVIEW

The Group is the UK's pre-eminent national provider of television and radio broadcast infrastructure and the leading independent provider of communications infrastructure to mobile network operators (**MNOs**) in the UK. In addition, the Group has been an early participant in the development of Machine-to-Machine (**M2M**) infrastructure in the UK through its smart water and energy metering services and through other Internet-of-Things (**IoT**) solutions. The Group is also a leading provider of satellite uplink infrastructure and satellite distribution services in the UK in terms of the number of channels available for UK DTH satellite broadcast. The Group's unique and long-life asset base enables it to generate revenues underpinned by long-term inflation-linked contracts, as demonstrated by a strong orderbook of £5.0 billion as at 30 June 2018, with significant revenue visibility. Approximately 85.6% of the Group's actual revenues realised in the year ended 30 June 2018 were already contracted as at 30 June 2017.

The Group operates through three main business units, which correspond to its three reporting segments, except for its Other reporting segment, which includes non-revenue generating central corporate functions.

- *Terrestrial Broadcast*—The Group benefits from a regulated position as the sole UK national provider of transmission services for digital terrestrial television (**DTT**) broadcasting, the most popular television broadcast platform in the UK in terms of the number of homes served. The Group operates all television transmission sites used for DTT broadcasting in the UK, with over 1,100 sites covering 98.5% of the UK population. Through its Digital Platforms division, the Group is also the UK market leader for the provision of access to the DTT platform for broadcast channels, owning two national commercial DVB-T Multiplexes and a further two High Definition (**HD**) capable DVB-T2 Multiplexes (**DVB-T2 Multiplexes**) used for transmission of DTT services in the UK. The Group's DTT Multiplexes carried 62 out of a total of 113 DTT channels in the UK as at 30 June 2018. DTT, through the subscription-free platform, Freeview, enables the public service broadcasters (**PSBs**) to meet the obligation under their licences to extend coverage to 98.5% of the UK population. The Group believes that DTT has a long-term future as the most economic model to provide free-to-air (**FTA**) television providing near-universal coverage in the UK, which it expects will be complemented, but not replaced by, certain "over-the-top" (**OTT**) services. The Group believes that there will remain a long-term need for a highly economic source of FTA linear TV available to the UK population and believes that the DTT platform, as complemented by OTT services, is best placed to deliver this.

  The Group also benefits from its regulated position as the leading UK national provider of radio broadcast transmission services, covering both analogue and digital services through Digital Audio Broadcast (**DAB**). The Group had radio network infrastructure comprising approximately 1,735 analogue transmitters and 990 DAB transmitters on 741 radio sites in the UK as at 30 June 2018. The Group is also the operator of the two national commercial digital radio multiplexes (including through JVs) and held 25 of the UK's 57 local DAB radio licences as at 30 June 2018. Further, the Group is the service provider for the BBC national digital radio Multiplex. The Group intends to support its customers and the industry by continuing to develop digital DAB radio as an attractive medium for listeners and planning for the expected eventual phase-out of analogue radio, rolling out DAB to fill the remaining coverage gaps, and positioning DAB as the default replacement network for analogue services.

- *Telecoms & M2M*—Through its Telecoms & M2M business unit, the Group holds the largest independent (i.e. not directly or indirectly owned by an MNO) portfolio of wireless infrastructure sites in the UK, which the Group licenses to national MNOs and other wireless network operators to allow them to provide services and coverage to their customers. The Group had approximately 8,000 active licensed wireless sites (including contractual options) as at 30 June 2018. A significant proportion of the Group's active licensed wireless sites carried MNO equipment, which the Group estimates represented approximately 21% of the total active licensed MNO macrocell site market as at 30 June 2018. It holds a strong and difficult-to-replicate position in rural and suburban regions where cost, economies of scale, planning permission restrictions, application regimes with local authorities and the secure nature of site leases (given the landlord's limited ability to terminate the lease) would make it difficult for competitors and MNO customers to replicate the Group's infrastructure and footprint. In addition, the Group provides installation services for the passive components (such as antennas and feeders) of network upgrades and roll-outs on its own wireless infrastructure sites. The Group is also positioning itself to be a leading provider of outdoor small cells infrastructure, having obtained access to street infrastructure in 14 London boroughs. In addition, the Group provides indoor and outdoor Distributed Antenna Systems (**DAS**) in the UK, with 46 in-building systems installed in UK locations as at 30 June 2018. The Group is also a leading provider of smart metering and M2M networks, with a long-term contract to provide smart metering communication services in northern England and Scotland for electricity and gas to approximately 7.0 million premises with SMETS2 (the second generation of Smart Metering Equipment Technical Specifications) devices by 2020. In addition, the Group provides a smart metering network for Thames Water that is expected to cover three million homes once fully deployed and has entered into a trial contract with Anglian Water for smart metering deployment.

- *Satellite & Media*—The Group's Satellite & Media business unit is a leading provider of satellite uplink infrastructure and satellite distribution services in the UK in terms of the number of channels uplinked for UK Direct-to-Home (**DTH**) satellite broadcast. The Satellite & Media business unit serves as an alternative for customers who do not wish to self-manage access, with an estimated outsourced market share of approximately 48% of fully managed channels as at 30 June 2018. The Group operates more than 80 uplink dishes in five teleports (ground stations that act as a hub to connect a satellite network to a terrestrial telecommunications network), accessing more than 30 satellites and delivering media content to five continents. The Group also procures third party ground-based teleport services where a line of sight to a satellite cannot be achieved from its UK assets. This infrastructure enables the Group to provide customers with a comprehensive range of services to deliver their data, broadcasts and media services internationally, focusing on the UK utility sector, oil & gas sector, and aviation & maritime sectors. In addition, the Group provides encryption, multiplexing, uplinking and satellite space to channel operators through its media distribution offering. The Group also provides media management services, including linear playout (preparing and transmitting content to distribution centres), video-on-demand, streaming, metadata management and other OTT services. The Group also provides over 100,000 miles of cable for leased fibre connectivity.

The Group has demonstrated revenue and EBITDA growth over the past three years with revenue of £884.0 million, £941.3 million and £962.4 million, and EBITDA of £428.4 million, £473.5 million and £517.5 million, for the years ended 30 June 2016, 2017 and 2018, respectively.

Competitive strengths

Arqiva believes that its success to date and its potential for future cash generation and growth are primarily attributable to the following strengths:

Unique and long-life asset base underpinning defensible market leading positions in all business areas

The Group has an unrivalled Terrestrial Broadcast asset base, which Arqiva believes is not economically feasible to replicate. The Group benefits from a regulated position as the sole UK national provider of transmission services for DTT broadcasting, the most popular television broadcast platform in the UK in terms of the number of homes served. It operates all television transmission towers used for DTT broadcasting in the UK, with over 1,100 transmission sites covering 98.5% of the UK population. Through its Digital Platforms division, the Group is also the UK market leader for the provision of access to the DTT platform for broadcast channels, owning two national commercial DVB-T Multiplexes and a further two HD capable DVB-T2 Multiplexes (out of a total of five main national commercial DTT Multiplexes). The Group is a leading national provider of radio broadcasting transmission services, operating approximately 1,735 analogue transmitters and 990 DAB transmitters on 741 radio sites, providing coverage of up to 99% of the UK population as at 30 June 2018.

Within its Telecoms & M2M business unit, the Group holds the UK's largest independent (i.e. not directly or indirectly owned by an MNO) portfolio of wireless infrastructure sites, with approximately 8,000 active licensed wireless sites (including contractual options) as at 30 June 2018. The Group's portfolio accounts for approximately 60% of independent sites in the UK, approximately four times bigger than its nearest competitor, and 21% of the total active licensed MNO macrocell site market. The Group's long standing history in the communications industry has enabled it to build a unique portfolio of prime position wireless sites. As at 30 June 2018, approximately 65% of the Group's active licensed sites had no near MNO competitor, meaning no competitor site within 250 metres in urban areas, 500 metres in suburban areas or 750 metres in rural areas. The Group's sites are critical to MNOs, enabling them to meet current and future network coverage targets as imposed by Ofcom. The Group believes it has a highly defensible position in rural areas, since economic feasibility and restrictive planning rules for new sites make it challenging, but not impossible if a long-term investment horizon and business risk is taken, for competitors to enter the market. In terms of urban infrastructure, which is evolving through new technology such as small cells, the Group has also built up a leading position, winning access to street infrastructure in 14 of the 16 London boroughs in which contracts have been tendered, with access to approximately 230,000 sites. The Group also holds a nationwide licence in perpetuity in the UK's largest contiguous block of 2x224 MHz of 28 GHz spectrum, as well as a licence in perpetuity for a further 2x122 MHz of 28 GHz spectrum across London, acquired from Luminet in July 2017. The Group believes this spectrum holding, and the Group's compatible telecoms infrastructure, will be an increasingly valuable asset. The Group has also positioned itself as a market leader in the UK for smart meter networks. It is one of only two communication service providers for smart energy meter connectivity in the UK and a leading provider for smart water meter connectivity. The Group believes its long-range radio solution provides a more resilient solution and better penetration for smart metering, compared to cellular.

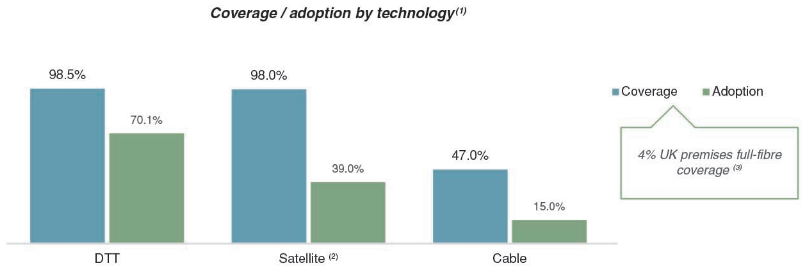
The Group's Satellite & Media business unit is a leading operator in the fragmented satellite and media market in the UK. The Group owns a significant asset base with 80 uplink dishes providing access to more than 30 satellites owned by third parties and five teleports delivering media content to five continents, supported by access to over 100,000 miles of leased fibre connectivity that enable the Group to deliver reach to key media and broadcasting hubs in UK and around the world.

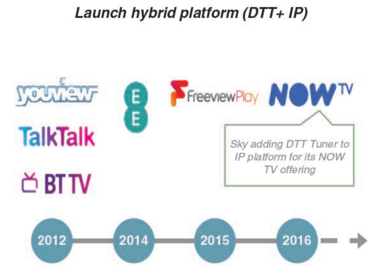
Structurally stable underlying dynamics in the Group's core markets

The UK TV market is large and stable. Within this market, the Group serves the FTA segment via the DTT platform. DTT, through Freeview, remains the most popular TV viewing platform in the UK, with the highest adoption rate of all platforms at 70% of all households with at least one TV set (*Source:* BARB; Ofcom). The UK DTT platform is supported by a number of important favourable structural drivers, including the cultural role it plays in delivering live TV to viewers and its high relevance to broadcasters and advertisers given the platform's wide reach and strong political support (FTA viewing is popular amongst the key voting demographics), as well as the difficulty of replicating coverage and access by other means. The Group has the most efficient platform in the UK capable of enabling the PSB to meet their 98.5% universal coverage obligations imposed by Ofcom, making its infrastructure "mission critical" to the PSBs. Shows on PSB stations continue to attract the highest viewing in the UK. In the week commencing 23 July 2018, all 50 of the UK's 50 most watched programmes were on FTA DTT channels (*Source:* Thinkbox). The Group believes there is also presently no credible replacement technology to DTT which would rival DTT's ability to provide universal coverage, its reach and installed base, and its ability to deliver content free at the point of access. The role of DTT is not expected to change in the medium term, as demonstrated by the UK Government's renewal of the Royal Charter until at least 2028 and its commitment to continue providing free broadcasting, and Ofcom has publicly stated its commitment to DTT until at least 2030.

In recent years, the UK has seen the emergence of alternative viewing platforms such as hybrid DTT/IPTV and OTT platforms. These platforms can be complementary with DTT, while offering competition to traditional pay platforms which are broadcast through Satellite or Cable. The proportion of homes with pay-digital satellite has fallen from 35% in 2011 to 31% in the first quarter of 2018, after peak uptake in 2010 (*Source:* BARB). Hybrid platforms leverage the reach and cost effectiveness of DTT to deliver the FTA services with interactive services typical of IP, such as catch-up and on-demand. The increase in "pay lite" services (e.g. Netflix, Amazon) gives consumers further optionality to combine DTT with a cheaper OTT offering. This trend also supports the Satellite & Media division, which has been providing IP streams and VoD processing services since 2015 and has over the past two years invested in cloud-based delivery services.

The left-hand chart below shows the percentage of households in the UK which are covered by and have adopted DTT, satellite and cable as at 31 March 2018. The right-hand chart below shows the historical timeline for the launch of hybrid DTT/IPTV platforms in the UK.





(1) Adoption as per BARB establishment survey, Annual Q1 Report 2018. Share of households with at least one TV set using a given platform. Household may use more than one technology platform to watch TV.

(2) 36% pay (Sky) coverage; 4% free (Freesat) coverage.

(3) *Source:* Ofcom.

The Group is also the leading independent provider of passive telecoms infrastructure, a position which the Group expects to strengthen as MNOs continue to extend their networks. The UK is currently ranked 36th globally in terms of 4G availability and 41st in terms of 4G speed. The Group plays a key role in the MNOs' coverage solution due to its unique site portfolio. In addition, exponential mobile data traffic growth is forecasted to continue, which will require a significant increase in network capacity. In order to increase coverage and capacity, in particular for 5G where small cells are likely to be a key technology, MNOs will have to invest in their networks benefiting infrastructure providers such as Arqiva.

Highly secure revenue underpinned by long term inflation-linked contracts

The Group has significant revenue visibility with an orderbook of £5.0 billion as at 30 June 2018, representing more than five times coverage of revenues for the year ended 30 June 2018. The orderbook is underpinned by the Group's established relationships with its high-quality customers. Long-term contracts provide the Group with a high degree of visibility over a significant portion of its expected annual revenue at the commencement of each financial year. Approximately 85.6% of the Group's actual revenues realised in the year ended 30 June 2018 were already contracted as at 30 June 2017.

The Group has a diverse, blue-chip customer base across all business units, including all the UK's PSBs (BBC, ITV, Channel 4, Channel 5), and major international broadcasters (e.g. Discovery, Turner, ESPN), major radio groups (BBC, Global Radio, Bauer Media), major smart metering customers (Data Communications Company (the **DCC**) and Thames Water) and all the UK's MNOs (EE, Three, O2, Vodafone and their JVs, Mobile Broadband Network Limited (**MBNL**) and Cornerstone Telecommunications Infrastructure Limited (**CTIL**)). These established long-term relationships demonstrate the importance of Arqiva's assets and infrastructure to its customers. Certainty over contract renewals is supported by limited viable alternatives, as well as the 'mission critical' nature of the services that Arqiva provides, leading to significant switching costs and operational risks for customers.

Within the Terrestrial Broadcast business unit, DTT transmission contracts are typically over 20 years in original duration. Moreover, the Group's DTT transmission contracts are inflation-linked, and otherwise set so as to deliver a fixed rate of return relative to the underlying asset base. The PSBs have been willing to sign long-term agreements with the Group for DTT broadcast, given the Group's position as the only provider capable of meeting PSB coverage obligations and the PSB licences, which obligate them to use the Group's DTT network. As a result of these features of the contractual terms and the fact that there are no scheduled regulatory reviews of customer contracts once contractually agreed, the Group benefits from a degree of long-term revenue visibility. Digital Platforms contracts are typically three to six years in duration. Radio contracts within the Terrestrial Broadcast business unit are typically eight to 12 years in original duration and are often inflation-linked. Within the Satellite & Media business unit, contracts are typically three to five years in duration and are partially inflation-linked. Within the Telecoms & M2M business unit, telecoms contracts are typically seven to ten years in original duration and inflation-linked, and smart metering contracts can be up to 15 years in original duration and inflation-linked. The commercial terms of the Group's Telecoms contracts are structured to encourage MNOs to add more equipment to sites. As MNOs increase the amount of equipment in place on Arqiva sites, the total rental fee per site increases, subject to MNO-specific contract terms, as does the opportunity cost of moving sites, making these contracts and subsequent revenues increasingly "sticky".

Established Relationships with Blue-Chip Customers

Business Unit	Customers	Avg. Contract Length[1]	Inflation Linkage
Terrestrial Broadcast	BBC, itv, 4 (Public Service Broadcasters); global, BAUER	TV: 20+ years Radio: 8 – 12 years	✓
Digital Platforms	4 (Public Service Broadcaster); SONY, iDEAL, Discovery	3 – 6 years	✓
Telecoms	MBNL, EE, 3; CTIL, vodafone, O2	7 – 10 years	✓
M2M	Data Communications Company, love every drop anglianwater, Thames Water	4 – 15 years	✓
Satellite	Turner, Discovery Channel, BT	3 – 5 years	Partial

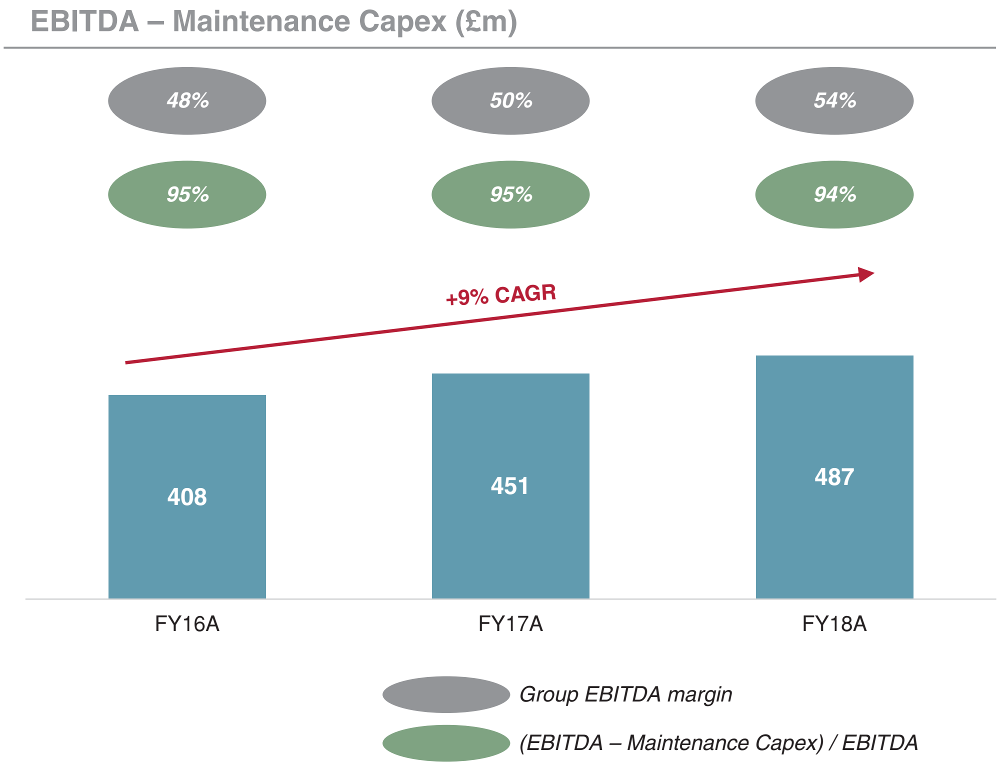
[ ] – Public Service Broadcasters

✓ *Tick indicates inflation linkage is a typical feature of contracts in this division*

Strong cash conversion combined with a resilient business provides sustainable cashflows

The Group is able to convert its stable contracted revenues into cash, achieving strong cash flow conversion throughout 2016 to 2018, despite reaching a peak in its investment cycle over the same period. In addition, EBITDA margins have improved over the same period as the Group has made progress on its efficiency programmes.

Capital expenditure is expected to decline after 2018 as the major capital expenditure requirements relating to the roll out of projects such as smart metering and the current phase of DAB roll-out projects are completed, significantly enhancing cash conversion. The majority of the capital expenditures for the Group's smart metering contracts with the DCC and Thames Water have been completed, as the networks have been mostly built. In addition, the commercial terms of these contracts mostly allow for capital expenditures to be paid upfront, and any change request payments are mostly pre-paid against delivery milestones. All major capital expenditure programmes are directly linked to contracts in place, keeping speculative capital expenditure to a minimum. The Group has achieved tight control over its maintenance capital expenditure, contributing to cash conversion on an EBITDA less maintenance capital expenditure basis of approximately 95% over recent years.



The Group's underlying business and long-term nature of its contracts as well as its cash earning track record is evidenced by the Group's investment grade rating at the senior level.

The Group is currently implementing a company-wide transformation programme to streamline processes, modernise IT systems and achieve third-party cost efficiencies. The Group believes this programme, aimed at achieving efficiencies and reducing costs by optimising the Group's cost base and driving margin improvements by reducing overhead, consolidating business units into a more efficient structure and other initiatives, will continue to result in improvements in the efficiency of Group operations and further headcount efficiencies as major projects complete.

Experienced management team and workforce partnered with a supportive shareholder base comprised of key experienced infrastructure players

The Group is managed by a highly experienced senior management team with a breadth of Telecoms experience including tenures at Nokia, ICL, GEC, BT, KCOM and Cable & Wireless. The Group's divisional heads have an average of 25 years' industry experience and a proven track record in their respective areas. The Group also benefits from a highly talented workforce with approximately 700 skilled engineers. Further, management have brought significant operating experience to the Group, focusing on driving margin improvement through implementing a comprehensive cost transformation programme. Their increased and continuing focus on efficiency initiatives has already seen impressive results, contributing to EBITDA growth.

The Group is owned by a consortium of seven shareholder groups. The Group's largest shareholders are Frequency Infrastructure Communications Assets Limited (of which CPP Investment Board is an 86% shareholder), Macquarie European Infrastructure Fund II, Conyers Trust Company (Cayman) Limited in its capacity as trustee of the IFM Global Infrastructure Fund, First State Super, Motor Trades Association of Australia Superannuation Fund (advised by Whitehelm Capital) and two Macquarie-affiliated minorities (Macquarie Global Infrastructure Funds 2 S.à r.l. and Macquarie Prism Proprietary Limited).

Business strategies

The key components of the Group's strategy are as follows:

Maximise value of strong core business and infrastructure

(a) Terrestrial Broadcast

The Group's DTT platform and radio networks are the UK's leading platforms for delivery of TV and radio in the UK. The Group works closely with customers and is a member/shareholder in industry organisations (such as Digital UK, Freeview, YouView and Digital Radio UK) which influence the strategy and product development of the networks.

The Group's strategy is to reinforce DTT's long-term position as the most popular TV platform in the UK by continuing to support the development of the hybrid DTT/IPTV platform (which can be accessed through DTT sets capable of connecting to the internet or through a set top box), which is expanding the range of catch-up services available as well as serving the needs of a pay-lite audience base. By continuing to work with industry organisations, the Group aims to support the uptake of platforms that utilise DTT as a core FTA delivery mechanism and improve the viewer experience through improved content discovery and seamless integration of new types of content. The Group also aims to expand HD and SD channel choice, thereby maximising Arqiva-owned DTT Multiplex utilisation, and work with the TV manufacturing market through Digital UK and Freeview to ensure that the hybrid DTT/IP services remain the default technology.

The Group's radio networks are utilised by more than 49 million adults in the UK every week. Where the Group is the licensed DAB multiplex operator, the Group intends to continue to assess options to expand the coverage of its networks as well as the range of channels available to give listeners the best possible DAB experience. The Group intends to support its customers and the industry by continuing to develop digital DAB radio as an attractive medium for listeners and planning for the expected eventual phase-out of analogue radio, rolling out DAB to fill the remaining coverage gaps, and positioning DAB as the default replacement network for analogue services. The Group expects that it would be able to reduce its costs following any eventual Digital Radio Switchover (**DRS**), given that DAB transmission equipment is more reliable than analogue and will require fewer maintenance visits, and DAB transmission uses less power than analogue.

(b) Telecoms & M2M

The Group intends to continue to pursue its current strategy, seeking to strengthen its position as the UK's leading independent telecom sites provider by increasing the Group's site portfolio. The Group's strategic sites transfer programme is on track, with a number of sites already assigned and a number of site transfers in process. See "*Business—Business Units—Telecoms & M2M Business Unit—Telecoms—Licensed sites portfolio*". The Group is actively pursuing the legal assignment of the remaining sites and expects to complete the majority of transfers prior to the deadlines. The Group's strategy is also to increase each site's tenancy by number of points of presence (**POP**) (i.e. any separate MNO relationship on a single site) to heighten tenant retention and achieve higher site share fees. Taking into account the sites and POP being transferred, the Group's MNO site count has increased by 12% to approximately 6,668 for year ended 30 June 2018 (compared to 5,929 in the year ended 30 June 2016), and the Group has increased its MNO POP by 10% to 16,311 as at 30 June 2018 (compared to 14,814 in the year ended 30 June 2016). In parallel, the Group will continue to focus on commercial relationships and remain the trusted partner for its blue-chip customers (such as Vodafone and the other MNOs, as well as BT and Airwave). The Group intends to build on its existing urban macro site portfolio and establish Arqiva as the predominant UK provider of urban wireless telecom infrastructure by also installing MNO equipment on Arqiva street infrastructure from exclusive concessions in prime locations. The Group also intends to explore the potential to provide additional value-add services on its existing sites.

In the M2M space, the Group plans to leverage its existing communications technology (from the DCC and Thames Water contracts) for the potential roll-out of new smart metering contracts (such as the trials with Anglian Water) and additional M2M applications.

(c) Satellite & Media

The Group plans to continue to improve operational efficiency and service excellence within the Satellite & Media business unit, and intends to take advantage of international growth opportunities served by its UK infrastructure and virtualised capabilities. The Group aims to help broadcasters and rightsholders navigate and exploit the trends underlying the video market, including "hybrid" consumer behaviour, increasing operational complexity and the need for operational and commercial flexibility. The Group plans to do this through the expansion and development of its media management services and distribution capabilities. The Group will also continue to focus on providing high levels of operational efficiency and service excellence, including through its InSite e-service capability which was launched in 2018 and provides real-time service interaction and data to customers via electronic interfaces.

Continue to leverage investment in wireless sites and explore small cells opportunities through active engagement with mobile network operators to increase revenue sources

The Group believes it is positioned to be a key beneficiary of the forecast increase in mobile data and from the associated roll-out of 4G upgrades (4.5G and 4.9G) and ultimately 5G. As 5G is rolled out and demand increases, higher frequency spectrum, such as 3.5 to 3.8 GHz, will need to be used resulting in a focus on street level deployment to bring the network closer to the end user. The Group expects its passive infrastructure to play a key role in providing solutions for coverage and capacity. For example, small cells will be needed to densify the network in urban areas where new macro sites cannot easily be built. The Group intends to continue to position itself at the forefront of the small cells roll-out, securing exclusive long-term concessions for the use of street level infrastructure for small cell installation and is currently undertaking initial MNO deployments. The Group has already contracted with two MNOs for initial low-volume small cells roll-out, which are currently in progress.

The Group believes it is well positioned to capitalise on additional growth opportunities, including with regards to its tower portfolio and potentially as a partner with alternative fixed network operators for fibre backhaul to support outdoor small cells and 5G FWA solutions in the longer-term.

Simplify and standardise business in order to optimise operational costs and efficiency

The Group intends to maintain its focus on delivering comprehensive cost transformation, building on its progress since 2014 and driving efficiencies and operational excellence across the organisation. The cost savings programme is largely underpinned by detailed execution programmes and headcount efficiencies are expected to be realised as the large delivery programmes reach completion and headcount delivery programmes are realised. Delivery of savings is overseen by the FutureFit project management office and the Group's senior management team.

In addition, the Group may from time to time undertake disposals of assets in line with its strategy to exit sub-scale businesses and focus on core offerings.

Maintain a stable long term capital structure

The Group has de-leveraged significantly since the 2013 bond issuance. Senior leverage (calculated using an EBITDA of £525 million, which is used for covenant purposes) has been reduced from 5.6x to 4.4x between 31 December 2012 and 30 June 2018, and total leverage has been reduced from 7.0x to 5.5x over the same period. This reduction in leverage reflects the decision by shareholders to prioritise re-investing in the company over making distributions. For example, the Group has successfully completed a number of major capital programmes over the past five years, including smart metering and DAB roll-out, which are now generating significant recurring cashflows. Shareholders have not taken any distributions over this period. With the level of capital expenditure investment expected to fall over the coming years, shareholders may consider regular distributions consistent with maintaining a stable long term capital structure and investment grade senior debt ratings.

Recent Developments

The Group expects to appoint Michael William Darcey as a Director and as a member of the Nominations Committee in September 2018. Mr Darcey has over 25 years of experience in the technology, media and telecommunications industry with numerous positions held ranging from CEO of News International to COO of British Sky Broadcasting Group. Mr Darcey has also provided strategic advisory services to a range of clients in the media industry. Mr Darcey has served or is currently serving on the boards of Dennis Publishing (UK) Ltd (Chairman), M24Seven (Chairman), Home Retail Group (Senior Independent Director) and Sky New Zealand. Mr Darcey holds an MSc Economics, Microeconomics & Capital Markets from the London School of Economics. Mr Darcey's appointment is subject to CPP Investment Board approval.

Shareholders

The Group is owned by a consortium of seven shareholder groups. The Group's shareholders are Frequency Infrastructure Communications Assets Limited (of which CPP Investment Board is an 86% shareholder) (48.0%), Macquarie European Infrastructure Fund II (25.0%) and two Macquarie-affiliated minorities (Macquarie Global Infrastructure Funds 2 S.à r.l. and Macquarie Prism Proprietary Limited, which together hold 1.5%), Conyers Trust Company (Cayman) Limited in its capacity as trustee of the IFM Global Infrastructure Fund (14.8%), First State Super (5.4%) and Motor Trades Association of Australia Superannuation Fund (advised by Whitehelm Capital) (5.2%). These percentages are as at the date of this Offering Memorandum.

TRANSACTION OVERVIEW

In conjunction with the offering of the Notes hereby, the Group is refinancing the Issuer's outstanding £600,000,000 of 9.50% Senior Notes due 2020 (the **Existing Issuer Debt**).

The Notes

The Notes will be issued by Arqiva Broadcast Finance plc (the **Issuer**), a sister company of Arqiva Financing No 2 Limited (**AF No 2** and the **Intermediate Guarantor**) pursuant to a trust deed (the **Note Trust Deed**) and guaranteed by the Intermediate Guarantor and the holding company of the Issuer and the Intermediate Guarantor named Arqiva Broadcast Parent Limited (the **Parent Guarantor**) and Arqiva Broadcast Intermediate Limited (**Intermediate HoldCo** and, together with the Intermediate Guarantor and the Parent Guarantor, the **Guarantors** and the Guarantors together with the Issuer, the **Obligors**).

The Notes will be structurally subordinated to the Senior Financing discussed in "*Overview of Senior Financing and Shareholder Financing*". As such, the only cash available to service the Notes and any further indebtedness of the Obligors (other than Subordinated Debt) (together the **Junior Debt**) will be permitted distributions by the Senior Financing Group to Intermediate HoldCo and distributions by Intermediate HoldCo to the other Obligors. See "*Risk Factors—The Issuer and the Guarantors are special purpose vehicles and have limited assets and limited ability to generate revenue and will depend on their subsidiaries and affiliates to provide them with funds to meet the Issuer's obligations under the Notes*".

The Intercompany Loans and Use of Proceeds

The proceeds of the Notes will be on-lent by the Issuer to AF No 2 under an intercompany loan agreement between them (the **Intercompany Loan Agreement** and the loans by the Issuer (in its capacity as Intercompany Lender) to AF No 2 (in its capacity as Intercompany Borrower thereunder), the **Intercompany Loans**). AF No 2 will use the proceeds of the Intercompany Loans to repay in full (together with the related make-whole premium of £14.3 million) and terminate the £600.0 million of existing intercompany loans which were provided by the Issuer to AF No 2 from the proceeds of the issuance by the Issuer of the Existing Issuer Debt (the **Existing Intercompany Loans**). The Issuer will use the proceeds from the repayment by AF No 2 of the Existing Intercompany Loans to (i) redeem the Existing Issuer Debt in full (together with the related make-whole premium of £14.3 million), (ii) to pay any related transaction fees and expenses of £8.0 million and (iii) to fund cash on the Group's balance sheet of £2.7 million to be used for general corporate purposes. See "*Use of Proceeds*".

The Obligors

The Obligors are non-operating holding companies with no material, direct business operations. The principal assets of the Guarantors are the equity interests they directly or indirectly hold in companies in the Senior Financing Group. As a result, the Guarantors are dependent on loans, interest, dividends and other payments from their Subsidiaries (mostly the main operating companies in the Group, such as Arqiva Limited and Arqiva Services Limited) to generate the funds necessary to meet their financial obligations, including, in the case of the Intermediate Guarantor, the repayment of any Intercompany Loans.

Transaction Security

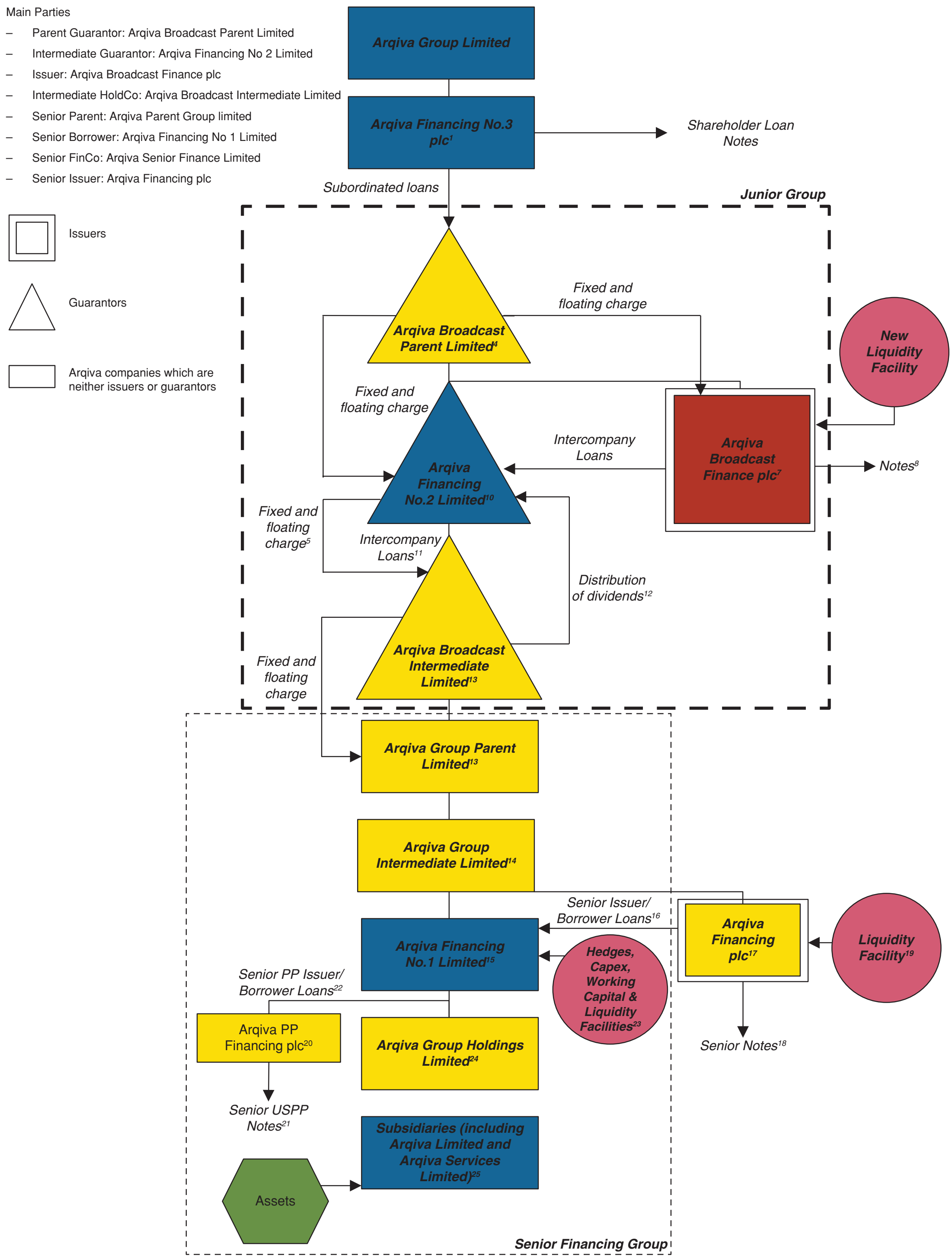
The Noteholders and any other Secured Creditors will share the benefit of a common security package (the **Transaction Security**) granted by the Obligors pursuant to the security agreement in favour of the Security Trustee (the **Security Agreement**). As part of the Transaction Security, each of the Issuer and the

Guarantors will grant first ranking fixed and floating charges over, among others, all moneys standing to the credit of their respective bank accounts and shares held by such Obligor (including, in the case of the Parent Guarantor, the shares held by it in each of AF No 2 and the Issuer, in the case of the Intermediate Guarantor, the shares held by it in Intermediate HoldCo and, in the case of Intermediate Holdco, the shares held by it in the Senior Parent), together with a floating charge over all (or substantially all) of their respective assets, in support of their obligations under the Guarantees (with respect to the Guarantors) and the Notes (with respect to the Issuer).

SUMMARY CORPORATE AND FINANCING STRUCTURE

The following chart shows a simplified summary of the Group's corporate and financing structure, adjusted to give effect to the issue of the Notes and to show the existing Senior Financing.

The chart does not include all of the Group's subsidiaries nor all of the debt obligations thereof. Unless otherwise indicated, the Subsidiaries included in the simplified structure below are directly or indirectly wholly owned by Arqiva Financing No 3 plc. For a summary of the debt obligations identified in this diagram, please refer to the sections entitled *"Transaction Overview", "Overview of Senior Financing and Shareholder Financing", "Overview of Senior Hedges", "Terms and Conditions", "Description of Certain Financing Arrangements"* and *"Capitalisation"*.



(1) Arqiva Financing No 3 plc was incorporated in England and Wales as a public company of unlimited duration and with limited liability. Arqiva Financing No 3 plc is ultimately owned by a consortium of seven shareholder groups, including Frequency Infrastructure Communications Assets Limited (of which CPP Investment Board is an 86% shareholder) (48.0%), Macquarie

European Infrastructure Fund II (25.0%) and two Macquarie-affiliated minorities (Macquarie Global Infrastructure Funds 2 S.à r.l. and Macquarie Prism Proprietary Limited, which together hold 1.5%), Conyers Trust Company (Cayman) Limited in its capacity as trustee of the IFM Global Infrastructure Fund (14.8%), First State Super (5.4%) and Motor Trades Association of Australia Superannuation Fund (advised by Whitehelm Capital) (5.2%). All percentages included in this paragraph are as of the date of this Offering Memorandum.

(2) The Current Shareholders have provided Arqiva Financing No 3 plc with funding in the form of Shareholder Loan Notes for an amount of approximately £2,148.1 million.

(3) The proceeds of the Shareholder Loan Notes made by the Current Shareholders were on lent by Arqiva Financing No 3 plc to Arqiva Broadcast Parent Limited under the Subordinated Loans. Repayments by Arqiva Broadcast Parent Limited of the Subordinated Loans are structurally subordinated to payments under the Senior Financing and under the Notes.

(4) Arqiva Broadcast Parent Limited is the parent company of both the Issuer and Arqiva Financing No 2 Limited and guarantees payment of principal and interest on the Notes.

(5) Pursuant to the Security Agreement, Arqiva Broadcast Parent Limited will grant first ranking fixed and floating charges over all (or substantially all) of its assets, including over the shares it holds in Arqiva Financing No 2 Limited and over the shares it holds in Arqiva Broadcast Finance plc.

(6) Pursuant to the Intercompany Loan Agreement, the Issuer will on-lend the proceeds of the Notes to Arqiva Financing No 2 Limited.

(7) Arqiva Broadcast Finance plc, the Issuer, was incorporated in England and Wales on 19 December 2012, under the Companies Act 2006 as a public company of unlimited duration and with limited liability. Its registered number is 08336342 and its registered office is at Crawley Court, Winchester, Hampshire SO21 2QA. Arqiva Broadcast Finance plc benefits from the Liquidity Facility granted by the Liquidity Facility Providers entered into cover any shortfall in cash required to cover interest on the Notes.

(8) Arqiva Broadcast Finance plc is issuing £625,000,000 % Senior Notes due 2023. The Notes will benefit from the Guarantees granted by each of Arqiva Broadcast Intermediate Limited, Arqiva Financing No 2 Limited and Arqiva Broadcast Parent Limited.

(9) Pursuant to the Security Agreement, each of Arqiva Financing No 2 Limited and Arqiva Broadcast Intermediate Limited will grant first ranking fixed and floating charges over all (or substantially all) of its assets, including over the shares it holds in Arqiva Broadcast Intermediate Limited and Arqiva Group Parent Limited, respectively.

(10) Arqiva Financing No 2 Limited and Arqiva Broadcast Intermediate Limited will guarantee payment of principal and interest on the Notes.

(11) Arqiva Financing No 2 Limited will use the proceeds of the Intercompany Loans received from the Issuer to Arqiva Broadcast Intermediate Limited to repay the existing intercompany loan from the Issuer to Arqiva Financing No 2 Limited which corresponds to the Existing Issuer Debt and the Issuer will use the related proceeds to redeem the Existing Issuer Debt in full.

(12) Cashflows from the Senior Financing Group will come by way of Senior Restricted Payments from the Senior Financing Group to Arqiva Broadcast Intermediate Limited and from Arqiva Broadcast Intermediate Limited to Arqiva Financing No 2 Limited.

(13) Arqiva Group Parent Limited is wholly owned by Arqiva Broadcast Intermediate Limited and owns 100% of the shares in Arqiva Group Intermediate Limited.

(14) Arqiva Group Intermediate Limited is wholly owned by Arqiva Group Parent Limited and owns 100% of the shares in Arqiva Financing No 1 Limited.

(15) Arqiva Financing No 1 Limited was incorporated in England and Wales on 5 March 2007, as a private limited company. Its registered number is 06137924 and its registered office is at Crawley Court, Winchester, Hampshire SO21 2QA. Arqiva Financing No 1 Limited is wholly owned by Arqiva Group Intermediate Limited. Arqiva Financing No 1 Limited is the borrower under the Senior Issuer/Borrower Loans and the Senior PP Issuer/Borrower Loans.

(16) The proceeds of the Senior Notes have been on-lent by Arqiva Financing plc to Arqiva Financing No 1 Limited by way of the Senior Issuer/Borrower Loans.

(17) Arqiva Financing plc was incorporated in England and Wales on 19 December 2012. Arqiva Financing plc was incorporated under the Companies Act 2006, as amended, as a public limited company. Its registered number is 8336354. Arqiva Financing plc's registered office is at Crawley Court, Winchester, Hampshire SO21 2QA.

(18) Arqiva Financing plc has issued the Senior Notes. The Senior Notes constitute secured obligations of Arqiva Financing plc and ranks pari passu without preference or priority in right of payment and point of security amongst themselves.

(19) Arqiva Financing plc benefits from the Senior Liquidity Facility granted by the Senior Liquidity Facility Providers entered into cover any shortfall in cash required to cover interest and scheduled principal on the Senior Notes.

(20) Arqiva PP Financing plc is incorporated in England and Wales under the Companies Act 2006, as amended, as a public limited company. Its registered number is 8556128. Arqiva PP Financing plc's registered office is at Crawley Court, Winchester, Hampshire SO21 2QA.

(21) Arqiva PP Financing plc has issued £917 million of Senior USPP Notes.

(22) The proceeds of Senior USPP Notes have been on-lent by Arqiva PP Financing plc to Arqiva Financing No 1 Limited by way of the Senior PP Issuer/Borrower Loans.

(23) Arqiva Financing No 1 Limited benefits from the Senior Liquidity Facility granted by the Senior Liquidity Facility Providers entered into to cover any shortfall in cash required to cover interest and scheduled principal on the facilities of Arqiva Financing No 1 Limited. In addition Arqiva Financing No 1 Limited hedges its exposure under the Senior Issuer/Borrower Loans and Senior PP Issuer/Borrower Loans by entering into hedging agreements.

(24) Arqiva Group Holdings Limited is a company with limited liability incorporated under the laws of England and Wales, and is a wholly owned subsidiary of Arqiva Financing No 1 Limited.

(25) All the direct and indirect subsidiaries of Arqiva Group Parent Limited (other than Arqiva Senior Finance Limited and Arqiva Financing plc) will form part of the Senior Financing Group, including Arqiva Limited and Arqiva Services Limited (and the other main operating companies in the Group).

THE OFFERING

The following is a brief summary of certain terms of the offering of the Notes hereby. It may not contain all the information that is important to the Noteholders. For additional information regarding the Notes and the Guarantees, see "Terms and Conditions" and "Summary of the Transaction Documents—Note Trust Deed". The meaning of the defined terms which are contained in this section but not defined herein can be found by referring to the Index of Defined Terms on page 331.

Issuer:	Arqiva Broadcast Finance plc, a public limited company incorporated under the laws of England and Wales and resident for tax purposes in the United Kingdom. The Issuer is a wholly owned subsidiary of the Parent Guarantor.
Parent Guarantor:	Arqiva Broadcast Parent Limited, a private limited company incorporated under the laws of England and Wales. The Parent Guarantor is a wholly owned subsidiary of Arqiva Financing No 3 plc (**AF No 3**).
Intermediate Guarantor:	Arqiva Financing No 2 Limited, a private limited company incorporated under the laws of England and Wales. The Intermediate Guarantor is a wholly owned subsidiary of the Parent Guarantor.
Intermediate HoldCo:	Arqiva Broadcast Intermediate Limited, a private limited company incorporated under the laws of England and Wales. Intermediate HoldCo is a wholly owned subsidiary of the Intermediate Guarantor.
Notes Offered:	£625,000,000 aggregate principal amount of % Senior Notes due 2023 (the **Notes**).
Issue Price:	% (plus accrued and unpaid interest, if any, from the Issue Date) (the **Issue Price**).
Issue Date:	2018 (the **Issue Date**).
Maturity Date:	2023 (the **Maturity Date**).
Interest Rates:	The Notes will bear interest at a rate of % per annum.
Interest Payment Dates:	Interest on the Notes will be payable semi-annually in arrear on 31 March and 30 September of each year, beginning on 31 March 2019. Interest on the Notes will accrue from the Issue Date.
Status of the Notes:	The Notes will constitute direct, secured, unconditional and unsubordinated obligations of the Issuer and will rank *pari passu* among themselves and *pari passu* with any Indebtedness (as defined in the Terms and Conditions) of the Issuer that is not subordinated in right of payment to the Notes.
Form of Notes:	The Notes will be issued in registered form and deposited with a common depositary for Euroclear and Clearstream, Luxembourg.
Denomination of the Notes:	The Notes will be issued in minimum denominations of £100,000 and integral multiples of £1,000.
Guarantees:	The Notes will be guaranteed on a senior basis by Arqiva Financing No 2 Limited, a private limited company incorporated under the laws of England and Wales (**AF No 2** and the **Intermediate Guarantor**), Arqiva Broadcast Parent Limited (the **Parent Guarantor**) and Arqiva Broadcast Intermediate Limited (**Intermediate HoldCo** and, together with the Intermediate Guarantor and the Parent Guarantor, the **Guarantors** and together with the Issuer, the **Obligors**).

	Each Guarantor will unconditionally and irrevocably guarantee that if the Issuer does not pay any sum payable by it under the Note Trust Deed or the Notes at the time and on the date specified for such payment (whether on the normal due date, on acceleration or otherwise) it will, jointly or severally with each other, pay or procure the payment of that sum to or to the order of the Note Trustee, according to the terms of the Note Trust Deed and the Notes. Each Guarantor will unconditionally and irrevocably agree, as an independent primary obligation, that it will pay the Note Trustee sums sufficient to indemnify the Note Trustee and each Noteholder against any loss suffered by it as a result of any sum expressed to be payable by the Issuer under the Note Trust Deed or the Notes not being paid on the due date or any other payment obligation of the Issuer under the Note Trust Deed or the Notes being or becoming void, voidable or unenforceable for any reason. Each Guarantor's guarantee and indemnity will be a continuing guarantee and indemnity and shall remain in full force and effect until all amounts due in respect of the Notes or the Note Trust Deed have been paid in full. Each of the Guarantors shall be subrogated to all rights of the Note Trustee and the Noteholders against the Issuer in respect of any amounts paid by it pursuant to the Guarantee.
Security:	The Notes and the Guarantees will be secured by: • first ranking fixed and floating charges over: (i) all moneys standing to the credit of each Obligor bank account and debts represented thereby; (ii) each Obligor's book debt; (iii) all shares of any person owned by each Obligor including dividends, interest and other monies payable in respect thereof and all other rights related thereto (including the Parent Guarantor's shares in each of the Intermediate Guarantor and the Issuer, the Intermediate Guarantor's shares in Intermediate HoldCo and Intermediate HoldCo's shares in the Senior Parent); and (iv) any loan made by any Obligor to any other person; • an assignment (and, to the extent not assignable, charge) of each Obligor's rights under intra-group loans owed to each of them; and • a first floating charge over all the assets of each Obligor. The security will be subject to release under certain circumstances. See "*Summary of the Transaction Documents—Intercreditor Agreement—Release of the Guarantees and Transaction Security*".
Ranking of the Notes:	The Notes will: • be general obligations of the Issuer, secured by the Transaction Security;

- rank pari passu in right of payment with any existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes;
- rank senior to any existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes; and
- be structurally subordinated to any existing and future indebtedness of subsidiaries of the Parent Guarantor that do not guarantee the Notes (including the Senior Financing).

Listing: Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market. The Notes are expected to be listed by the Issue Date or shortly thereafter. There can be no guarantee that the application to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes on the Euro MTF Market will be approved as of the date the Notes are issued or at any time thereafter, and settlement of the Notes is not conditional on obtaining this listing.

Use of Proceeds: The proceeds of the Notes will be on-lent by the Issuer to AF No 2 by way of Intercompany Loans under the Intercompany Loan Agreement. AF No 2 will use the proceeds of the Intercompany Loans to repay in full (together with the related make-whole premium of £14.3 million) and terminate the £600.0 million of Existing Intercompany Loans. The Issuer will use the proceeds from the repayment by AF No 2 of the Existing Intercompany Loans to (i) redeem the Existing Issuer Debt in full (together with the related make-whole premium of £14.3 million), (ii) to pay any related transaction fees and expenses of £8.0 million and (iii) to fund cash on the Group's balance sheet of £2.7 million to be used for general corporate purposes.

Change of Control: Upon the occurrence of certain events constituting a "change of control", the Issuer is required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase, plus accrued and unpaid interest to the date of purchase.

Optional Redemption: The Issuer may:

- at any time prior to redeem up to 40% of the aggregate principal amount of the Notes at a redemption price equal to % of the principal amount of the Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption, with the net cash proceeds of an equity offering, as further described in this Offering Memorandum under "*Terms and Conditions—Condition 6.2 (Optional Redemption)*";
- redeem the Notes in whole or in part at any time on or after , at the redemption prices described in this Offering Memorandum under "*Terms and Conditions—Condition 6.2 (Optional Redemption)*", plus accrued and unpaid interest and additional amounts, if any, to the date of redemption; and

- redeem the Notes in whole or in part at any time prior to , at a redemption price equal to 100% of the principal and the applicable "make-whole" premium (the **Applicable Premium**), plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.

Certain Covenants: . . . . The Conditions will restrict the ability of the Issuer and the Guarantors to, among other things:

- incur indebtedness;
- provide guarantees;
- make investments;
- incur liens;
- make certain restricted payments, including dividends or other distributions;
- make acquisitions;
- make disposals; or
- merge or consolidate with another company.

In addition, the Conditions will restrict the ability of the Senior Obligors to, among other things:

- make investments or acquire any business;
- make disposals; or
- make certain modifications to the restricted payments or permitted business covenants in the Common Terms Agreement.

Furthermore, the Conditions will restrict the ability of members of the Group (that are not the Issuer or the Guarantors) to make restricted payments.

These covenants are subject to a number of important limitations and exceptions, including intra-Group transactions. For a more detailed description of these covenants, please see "*Terms and Conditions*".

Redemption for Tax, Illegality and Other Reasons: . . . . If at any time the Issuer satisfies the Note Trustee that:

(a) by reason of a change in law (or the application or official interpretation thereof), which change becomes effective on or after the Issue Date, the Issuer would, on the next Interest Payment Date, become obliged to deduct or withhold from any payment of interest, premium or principal in respect of the Notes (other than in respect of default interest), any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the UK or any political subdivision thereof, or any other authority thereof or any change in the application or official interpretation of such laws or regulations;

(b) the Issuer or any Paying Agent would be required to deduct or withhold any amount from any payment in respect of any Notes pursuant to FATCA;

(c) the Intercompany Borrower would on the next Interest Payment Date be required to make any withholding or deduction for or on account of any Taxes from payments under the Intercompany Loan Agreement in respect of any Intercompany Loan corresponding to the Notes; or

(d) by reason of a change of law (or the application or official interpretation thereof), which change becomes effective on or after the Issue Date, it has or will become unlawful for the Issuer to perform any of its obligations under the Intercompany Loan Agreement in respect of any Intercompany Loan corresponding to the Notes or to fund or to maintain its participation in any Intercompany Loan corresponding to the Notes,

then the Issuer may, upon giving not more than 15 and no less than five Business Days' prior written notice to the Note Trustee and the Noteholders in accordance with the Conditions, redeem all (but not some only) of the relevant class of the Notes at any time, in an amount equal to the principal amount outstanding of the Notes plus any accrued and unpaid interest.

Withholding Tax on the Notes: ..... All payments in respect of the Notes will be made (whether by the Issuer, any Guarantor, any Paying Agent or the Note Trustee) without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature unless the Issuer, any Guarantor, any Paying Agent or the Registrar or, where applicable, the Note Trustee is required by applicable law to make any payment in respect of the Notes subject to any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature. In that event, the Issuer, such Guarantor, such Paying Agent or the Note Trustee, as the case may be, shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted, but without limitation to *Condition 6.3 (Redemption for Taxation or Other Reasons)*. The Issuer or, as the case may be, the Guarantors shall (subject to the terms of *Condition 8 (Taxation)*) be obliged to pay additional amounts to the Noteholders as a consequence of such withholding or deduction.

Purchase of the Notes: .... The Issuer or any Guarantor may at any time purchase Notes in the open market or otherwise and at any price.

All Notes that have been redeemed or purchased by the Issuer must, or all Notes purchased by any Guarantor may at its option, be surrendered by the Issuer to any Paying Agent and/or the Registrar for cancellation.

Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged and there will be a deemed repayment of the corresponding Intercompany Loan.

For the avoidance of doubt, any other Group Company (as defined in the Terms and Conditions), Holding Company or Subsidiary of any Holding Company that is not a Group Company may also purchase Notes (without such surrender and cancellation), but would also be unable to vote on such Notes.

Note Trustee: .... Deutsche Trustee Company Limited will act as trustee for the Noteholders (in such capacity, the **Note Trustee**).

Registrar:	Deutsche Bank Luxembourg S.A. will be appointed as registrar to the Issuer with respect to the Global Notes (in such capacity, the **Registrar**).
Principal Paying Agent:	Deutsche Bank AG, London Branch will be appointed as principal paying agent to the Issuer (together with any further paying agents appointed to the Issuer, the **Paying Agents**).
Security Trustee:	Deutsche Trustee Company Limited will act as security trustee for the Noteholders and the other Secured Creditors (in such capacity, the **Security Trustee**).
Agent Bank:	Deutsche Bank AG, London Branch will be appointed as agent bank to the Issuer (in such capacity, the **Agent Bank**).
Transfer Agent:	Deutsche Bank Luxembourg S.A. will be appointed as transfer agent to the Issuer with respect to the Global Notes (in such capacity, the **Transfer Agent**).
Selling restrictions:	There will be restrictions on the offer sale and transfer of the Notes in the United Kingdom, the United States and such other jurisdictions as further described in "*Transfer Restrictions*".
Governing law:	The Notes and the Note Trust Deed (and any non-contractual obligations arising out of or in connection therewith) will be governed by English law.
Jurisdiction:	The courts of England will have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes and the Note Trust Deed (including a dispute relating to any non-contractual obligations arising out of or in connection therewith).
Risk Factors:	Investing in the Notes involves risks. Prospective investors should carefully consider the information in the section headed "*Risk Factors*" and the other information included in this Offering Memorandum before deciding whether to invest in the Notes.

OVERVIEW OF SENIOR FINANCING AND SHAREHOLDER FINANCING

In addition to the Notes, the Group is also financed by debt at the level of the operating companies of the Group (as further detailed in "*—Overview of Senior Financing*" below) and the contribution by shareholders of loans (as further detailed in "*—Overview of Shareholder Financing*" below). The meaning of the defined terms which are contained in this section but not defined herein can be found by referring to the "*Index of Defined Terms*" on page 331 or, where the context requires, such terms shall have the same meanings as for the purposes of the Common Terms Agreement as set out in the section entitled "*Defined Terms for the purposes of the Common Terms Agreement*".

OVERVIEW OF SENIOR FINANCING

The **Senior Financing Group** comprising Arqiva Group Parent Limited (the **Senior Parent**) together with its subsidiaries (each such company a **Senior Financing Group Company**) comprise a ring-fenced group consisting of the Senior Parent, Arqiva Financing No 1 Limited (**AF No 1** and the **Senior Borrower**), a holding company of AF No 1 named Arqiva Group Intermediate Limited (the **Intermediate Senior Parent**), all of the AF No 1's direct and indirect subsidiaries, including Arqiva Group Holdings Limited, Arqiva UK Broadcast Holdings Limited, ABHL Digital Limited, Arqiva Telecoms Investment Limited, Arqiva Holdings Ltd, Arqiva Limited, Arqiva Services Limited, Arqiva No 2 Ltd, Arqiva No 3 Limited, Arqiva Aerial Sites Limited and Aerial UK Limited (the companies listed above together with the Senior Borrower, the Intermediate Senior Parent and the Senior Parent, the **Senior Obligors** and each a **Senior Obligor**) and Arqiva PP Financing plc (**Senior PP Issuer**).

The Senior Financing Group and Arqiva Financing plc (the **Senior Issuer**) (together the **Senior Group**) are ring-fenced from the other Group companies.

The Senior Obligors have entered into a secured senior financing programme which comprises the Senior Financing Group pursuant to which AF No 1 has entered into the Senior Issuer/Borrower Facilities, the other Senior Borrower Facilities and the Senior Borrower Hedging (the **Senior Financing**).

Senior Obligor Guarantees and Senior Obligor Security

The liabilities of the Senior Borrower under the Senior Borrower Bank Facilities and the Senior Issuer/Borrower Facilities (defined below) (together the **Senior Borrower Facilities** and each a **Senior Borrower Facility**) and the certain other transaction documents including any hedges entered into by the Senior Borrower are cross-guaranteed by the Senior Obligors (the **Senior Obligor Guarantees**). Each Senior Obligor granted in favour of a security trustee (the **Senior Obligor Security Trustee**) first ranking fixed and floating security over all (or substantially all) of its assets (including, in the case of the Senior Parent, the share capital of the Intermediate Senior Parent and, in the case of the Intermediate Senior Parent, the share capital of the Senior Borrower and the Senior Issuer) in support of its financial obligations under the Senior Obligor Guarantees (the **Senior Obligor Security**).

The Senior Obligor Guarantees and the Senior Obligor Security are held by the Senior Obligor Security Trustee on trust for certain secured creditors of the Senior Obligors (the **Senior Obligor Secured Creditors**) under the terms of a security trust and intercreditor deed (the **STID** and together with, among other documents, the common terms agreement (the **CTA**), certain security documents, the master definitions agreements (the **MDA**) and any other agreement, instrument or deed designated by the Senior Obligor Security Trustee and at least one Senior Obligor as a Common Document, the **Common Documents**) which also sets out the voting and intercreditor arrangements amongst the secured creditors.

Senior Borrower Bank Facilities

The Senior Term Facility, the Senior Capex Facility, the Senior Working Capital Facility, the Senior Liquidity Facility, the Senior USPP NPA, the Senior USPP Notes, the Senior Institutional Term Loan, the Senior EIB Loan and any other facilities authorised under the CTA (each a **Senior Borrower Bank Facility** and together, the **Senior Borrower Bank Facilities** and the loans made thereunder, each a **Senior Borrower Bank Loan**) were made available to the Senior Borrower. The Senior Borrower may enter into additional Senior Borrower Bank Facilities and certain other authorised facilities from time to time.

Senior Term Facility

The Senior Borrower entered into a term facility (the **Senior Term Facility** and the providers thereof, the **Senior Term Facility Providers**) in November 2016 for the making of term loans under a Senior Term Facility

Agreement, the proceeds of which were used by the Senior Borrower to refinance existing senior bank debt.

Senior Liquidity Facility

The Senior Liquidity Facility Providers agreed to provide a renewable 364 day debt service reserve liquidity facility (the **Senior Liquidity Facility** and the providers thereof, the **Senior Liquidity Facility Providers**) on a renewable basis for 25 years from November 2016 to the Senior Borrower and the Senior Issuer for the making of revolving loans under a liquidity facility agreement to ultimately cover any shortfall in cash required to cover interest and scheduled principal and other scheduled amounts (as applicable) payable by the Senior Borrower on the Senior Borrower Bank Facilities and by the Senior Issuer on the Senior Notes (as defined below) and amounts ranking pari passu or senior thereto in accordance with the applicable payment waterfalls of the Senior Borrower and the Senior Issuer.

Senior Capex Facility and Senior Working Capital Facility

The Senior Capex Facility Providers agreed to provide the Senior Borrower with a capital expenditure facility (the **Senior Capex Facility** and the providers thereof, the **Senior Capex Facility Providers**) for the making of term loans (**Senior Capex Loans**) under a facility agreement entered into in November 2016 (the **Senior Capex and Working Capital Facilities Agreement**). Senior Capex Loans will be applied to fund the Senior Financing Group's growth capital expenditure, as well as other acquisitions permitted in accordance with the CTA.

The Senior Working Capital Facility Providers agreed to provide the Senior Borrower with a working capital facility (the **Senior Working Capital Facility** and the providers thereof, the **Senior Working Capital Facility Providers**) for the making of revolving credit loans (**Senior Working Capital Loans**) under the Senior Capex and Working Capital Facilities Agreement. Senior Working Capital Loans will be applied towards the working capital requirements of the Senior Financing Group.

Senior Institutional Term Loan

The Senior Institutional Term Loan providers agreed to provide the Senior Borrower with a term loan facility for the making of a term loan (**Senior Institutional Term Loan**) under a facility agreement entered into in December 2013. The Senior Institutional Term Loan was applied towards the repayment of outstanding senior bank debt and payment of any fees, costs and expenses incurred in connection with the repayment of such senior bank debt.

Senior EIB Loan

The European Investment Bank agreed to provide the Senior Borrower with a term loan facility for the making of a term loan (the **Senior EIB Loan**) under a facility agreement entered into in June 2014. The Senior EIB Loan was applied towards the repayment of outstanding senior bank debt and payment of any fees, costs and expenses incurred in connection with the repayment such senior bank debt.

*Senior U.S. Private Placement (**Senior USPP**)*

In 2013, 2014 and 2016, the Senior PP Issuer issued secured private placement notes (together, **the Senior USPP Notes** and the holders thereof, the **Senior USPP Noteholders**) under U.S. private placements. The Senior USPP Notes were each issued to the Senior USPP Noteholders pursuant to a note purchase agreement for each issuance entered into by the Senior PP Issuer, the Senior Borrower, the other Senior Obligors and the relevant Senior USPP Noteholders (each a **Senior USPP NPA**). Under the terms of each Senior USPP NPA, in addition to the covenant to pay the Senior USPP Noteholders given by the Senior PP Issuer, the Senior Borrower (as a Senior Obligor) has covenanted to pay the Senior USPP Noteholders all principal, interest and other amounts due from the Senior PP Issuer to the Senior USPP Noteholders under the Senior USPP Notes on a pari passu basis to all other Senior Borrower Bank Facilities.

The proceeds from the issuance of the Senior USPP Notes were on-lent by the Senior PP Issuer to the Senior Borrower and the Senior Borrower applied the proceeds of such loan to refinance existing senior indebtedness or for general corporate purposes.

Senior Issuer/Borrower Facilities, the Senior Issuer, Senior Notes and Senior Issuer Security

The Senior Issuer is a special purpose vehicle incorporated as a public limited company under the laws of England and Wales. The shares of the Issuer are held by the Intermediate Senior Parent.

The Senior Issuer issued secured notes in 2013 and in 2014 and may issue further secured notes (together, the **Senior Notes**) from time to time. The proceeds of the Senior Notes were and will be on-lent by the Senior Issuer to the Senior Borrower under facilities (the **Senior Issuer/Borrower Facilities** and the agreement under which such facilities are provided, the **Senior Issuer/Borrower Facilities Agreement**) applied and to be applied towards refinancing existing senior and junior indebtedness or for general corporate purposes.

The Senior Issuer created security over all of its assets (including its rights under the Senior Issuer/Borrower Facilities Agreement, certain hedges entered into between the Senior Issuer and the Senior Borrower, the CTA and the STID) (the **Senior Issuer Security**) in favour of a security trustee appointed by and acting on behalf of the holders of the Senior Notes, the Senior Liquidity Facility Providers (in their capacity as lenders to the Senior Issuer) and other secured creditors of the Senior Issuer.

Senior FinCo

Arqiva Senior Finance Limited (having the same meaning as "FinCo" for the purposes of the Common Terms Agreement (**Senior FinCo**)) is a sister company of the Senior Borrower and, as is the case with the Senior Issuer, sits outside of the Senior Financing Group. Senior FinCo previously entered into term facilities and on lent the proceeds to the Senior Borrower. The term facilities entered into by Senior FinCo have since been repaid in full and terminated together with the intercompany loans between Senior FinCo and the Senior Borrower and all related hedging and security. The disclosure of the Senior Financing is this Offering Memorandum is presented on this basis. Senior FinCo does not undertake any other activities. In the event that Senior FinCo incurs any future financial indebtedness, Senior FinCo would on lend the proceeds to the Senior Borrower under an Authorised Facility. Any Authorised Facility would be subject to the terms of the Senior Financing and Common Documents.

Senior Hedging

The Senior Borrower has a swap portfolio comprising interest rate hedges (the **Senior Interest Rate Hedges**), cross-currency hedges (the **Senior Currency Hedges**), overlay hedges (the **Senior Overlay Hedges**) and inflation-linked hedges (the **Senior Inflation-Linked Hedges** and, together with the Senior Interest Rate Hedges, Senior Currency Hedges and Senior Overlay Hedges, the Senior Hedges, the agreements under which such Senior Existing Hedges are provided, the **Senior Hedging Agreements** and the counterparties thereunder, the **Senior Hedge Counterparties**).

The Senior Inflation Linked Hedges and Senior Overlay Hedges rank senior in point of payment and security to (among other things) the Senior Borrower Facilities. The Senior Interest Rate Hedges and Senior Currency Hedges rank pari passu in point of payment and security to (among other things) the Senior Borrower Facilities.

The Senior Issuer or the Senior Borrower (as applicable) may enter into new Senior Hedges from time to time as may be required to ensure compliance with the hedging policy of the Senior Issuer and the Senior Borrower.

No hedging is permitted for speculative purposes, but the Senior Borrower may enter into general foreign exchange trades or interest rate risk management trades in the ordinary course of business.

Overview of Senior Hedges

As at 30 June 2018, the Group had a hedging portfolio with a notional amount of approximately £3.1 billion. This portfolio comprises approximately:

- £1.3 billion notional amount of inflation linked swaps (**ILS**) to which the Senior Borrower is party;
- £0.6 billion notional amount of overlay swaps (**OS**) to which the Senior Borrower is party;
- £0.2 billion notional amount of cross-currency swaps (**CCS**) to which the Senior Borrower is party; and
- £1.0 billion notional amount of IRS to which the Senior Borrower is party.

The summary terms of the hedging portfolio, as at 30 June 2018, are as follows:

Swap	Senior Borrower ILS	Senior Borrower OS	Senior Borrower CCS	Senior Borrower IRS
Notional amount	Approximately £1.3 billion	Approximately £0.6 billion	Approximately £0.2 billion	Approximately £1.0 billion
Maturity	2027	2023 on approximately £0.2 billion 2025 on approximately £0.2 billion 2027 on approximately £0.2 billion	2025	2024 on approximately £0.4 billion 2029 on approximately £0.6 billion
Mandatory breaks	Approximately £0.2 billion of the ILS have a break date falling in 2023 Approximately £1.1 billion of the ILS have no break date	None	None	None
Ranking	Super senior to Senior Borrower Facilities	Super senior to Senior Borrower Facilities	Pari passu with Senior Borrower Facilities	Pari passu with Senior Borrower Facilities
Structural features	Regular scheduled payments of accretion, as follows: Accretion payable annually until maturity Assuming a flat annual inflation rate, accretion payments will grow larger over time due to the compounding effect of inflation	Amortising on approximately £0.2 billion to match the U.S. dollar tranche of the Senior USPP Notes Remaining overlays are bullet maturity	Amortising to match the U.S. dollar tranche of the Senior USPP Notes with principal exchanges on the scheduled amortising dates of the U.S. dollar tranche of the Senior USPP Notes	Amortising on approximately £0.6 billion to match the floating rate GBP tranches of the Senior USPP Notes and Senior Term Facilities
Estimated mark-to-market value as at 30 June 2018	Approximately −£0.8 billion	Approximately £36 million	Approximately £22 million	Approximately −£0.3 billion

Swap	Senior Borrower ILS	Senior Borrower OS	Senior Borrower CCS	Senior Borrower IRS
Coupons paid	3.0% real rate on the ILS with no mandatory break 2.8% real rate on the ILS with 10 year mandatory break The interest payments are calculated on a swap notional amount that increases semi-annually with reference to RPI The ILS have a base index level of 201.6 (i.e. the RPI figure for January 2007). This is the date falling three months before the date when the ILS were initially entered into by the Senior Borrower (in April 2007)	Floating pay leg of 6 month GBP LIBOR on approximately £0.4 billion Floating pay leg of 6 month GBP LIBOR plus 0.1 per cent. per annum on approximately £0.2 billion	Fixed pay leg of 4.5% on GBP notional	Fixed pay leg of 6.0% on approximately £0.2 billion Fixed pay leg of 6.5% on approximately £0.3 billion Fixed pay leg of 8.2% on approximately £0.3 billion Fixed pay leg of 6.7% on approximately £0.2 billion
Coupons received	Approximately £0.5 billion of the ILS with no mandatory break have a fixed receive leg of 2.6% Approximately £0.2 billion of the ILS with a 10 year mandatory break have a fixed receive leg of 2.6% Approximately £0.6 billion of the ILS with no mandatory break have a floating receive leg of 6 month GBP LIBOR	Fixed receive leg of 2.0% on approximately £0.4 billion Fixed receive leg of 2.9% on approximately £0.2 billion	Fixed receive leg of 4.4% on U.S. dollar notional to match coupons of the U.S. dollar tranche of the Senior USPP Notes	Floating receive leg of 6 month GBP LIBOR

(1) Historic RPI fixings can be found on Bloomberg page UKRPI < Index >.

Senior Borrower ILS and Senior Borrower OS

The existing ILS (which have a total notional amount of approximately £1.3 billion) are used to hedge the Group's high proportion of index-linked turnover. The mark-to-market value on the ILS is linked to future expectations of inflation. As the Group's long-term contracts are closely linked to the RPI, higher inflation tends to increase future turnover and offsets the impact of mark-to-market deterioration on the ILS over the life of the swap.

In addition, the Senior Borrower has entered into approximately £0.6 billion notional amount of floating/fixed interest rate swaps (i.e. OS) to overlay the ILS (with no mandatory break and having a floating receive leg of six month GBP LIBOR) and thereby amend the net cash flow characteristics.

Approximately £1.1 billion notional amount of ILS after directly or in conjunction with a portion of the OS (£0.4 billion notional amount) effectively hedges the Senior Issuer's and the Senior PP Issuer's fixed rate GBP coupon payments under the existing fixed rate Senior Notes and the existing fixed rate GBP tranche of the Senior USPP Notes, respectively. The remaining £0.2 billion notional amount of ILS in conjunction with the CCS and a portion of the OS (£0.2 billion notional amount) effectively hedges the Senior PP Issuer's cross-currency exchange rate and interest rate risk in respect of the existing U.S. dollar tranche of the Senior USPP Notes.

Approximately £1.1 billion of the ILS do not have mandatory breaks and so will mature on their scheduled maturity date falling in 2027. The remaining £0.2 billion of the ILS have a mandatory break date falling in 2023. At that mandatory break date, these ILS will automatically terminate and the Senior Borrower will be obliged to pay any termination costs. The termination costs for the Senior Borrower will be linked to the mark-to-market value of such portion of the ILS at such time. The Senior Borrower expects to fund the potential termination costs with cash and/or further Senior Debt. Alternatively, the Senior Borrower may be able to extend the mandatory break, subject to an incremental credit charge and the willingness of the relevant Senior Hedge Counterparties that are counterparties under the ILS in extending such break. The mandatory breaks were introduced to optimise the rate paid by the Senior Borrower under the ILS. None of the OS have any mandatory breaks and so will mature on their scheduled maturity date (subject to any scheduled amortisation, if applicable).

On the ILS, the coupon is paid in cash at each semi-annual payment date and is accounted for in the Senior Historic Cashflow ICR and the Senior Projected Cashflow ICR (together, the **Senior ICRs**). The accretion amount to the notional amount which is determined by indexation to inflation is counted as Senior Net Debt in the Senior Historic Net Debt to EBITDA Ratio and the Senior Projected Net Debt to EBITDA Ratio, but not in the Senior ICRs.

The Senior Borrower is required to pay down accretion amounts every year until maturity of the ILS. The Senior Borrower expects to fund this payment from available cash and/or the incurring of new Senior Debt.

The accretion payment on the ILS is calculated according to the following formula:

{([RPI (3 month lag) / 201.6 $-$ 1] $\times$ ILS notional) minus the sum of all previous accretion payments}.

The interest payments on the ILS are calculated according to the following formula:

{[RPI (3 month lag) / 201.6] $\times$ ILS notional $\times$ real rate $\times$ fraction of year}

Management estimates that, as at 30 June 2018, the mark-to-market value on the ILS was approximately £0.8 billion and the PV01 (as explained below) on the ILS was approximately £1.8 million. The PV01 represents the present value of adding one basis point to the fixed rate payable by the Senior Borrower and is a function of interest rates and time (which means that the PV01 will vary from time to time).

Senior Borrower CCS

The Senior Borrower has entered into U.S.$0.4 billion notional amount of CCS to fix the sterling cost of future interest and capital repayment obligations relating to the U.S. dollar tranche of the Senior USPP Notes at an exchange rate of USD1.52:GBP1.00.

Senior Borrower IRS

The Senior Borrower has entered into approximately £1.0 billion notional amount of IRS to hedge the floating rate payable by the Senior Borrower under the Senior Group's floating rate GBP debt, specifically the Senior Institutional Term Loan, the Senior EIB Loan, the Senior Term Facility and the floating rate

GBP tranches of the Senior USPP Notes. None of the Senior Borrower IRS contains any mandatory break provisions and instead the maturity date of each such Senior Borrower IRS corresponds to the scheduled maturity of the aforementioned Senior Debt that it hedges (subject to any scheduled amortisation, if applicable).

The Senior Borrower IRS represents restructured legacy instruments, meaning that the fixed rate payable by the Senior Borrower is higher than it would be had the Senior Borrower entered into new swaps on on-market terms when the derivative instruments were established.

Senior Common Documents

Each of the Senior Borrower Bank Facilities and the Senior Issuer/Borrower Facilities are subject to common representations and warranties, covenants, trigger events, events of default and intercreditor arrangements set out under a CTA, the STID and the MDA setting out the terms used therein including, in particular, the ratios set out in the table "*—Senior Financial Covenant Ratios and Senior Trigger Events*" below.

Senior Financial Covenant Ratios and Senior Trigger Events

The Common Terms Agreement contains the Senior Financial Covenant Ratios (tested semi-annually), the Rating Downgrade Event and the Senior Trigger Events (and the related definitions) applying to each Senior Financing Group Company.

Ratio	Consequence of breach
The Senior Historic Net Debt to EBITDA Ratio or the Senior Projected Net Debt to EBITDA Ratio exceeds 6.50:1 OR The Senior Historic Cashflow DSCR or the Senior Projected Cashflow DSCR is lower than 1.30:1. OR The Senior Historic Cashflow ICR or the Senior Projected Cashflow ICR is lower than 2.00:1	**Occurrence of a Senior Trigger Event:** (among other consequences) no Senior Financing Group Company may make a Senior Restricted Payment and, for so long as a Senior Trigger Event is continuing, the Senior Borrower will credit the Lock-Up Account with all Excess Cash Flow in respect of each Semi-Annual Test Period from the Semi-Annual Test Period in which the Senior Trigger Event occurred and, in certain circumstances, make prepayments of Senior Debt. In the event that no Senior Financing Group Company may make a Senior Restricted Payment, this will mean that no Excess Cash Flow could be paid by the Senior Financing Group to the Intermediate Guarantor, thereby ultimately affecting the ability of the Issuer to make payments on the Notes. A Senior Obligor may make a Disposal Cure to either remedy or improve such breach.

Senior Events of Default

Ratio	Consequence of breach
The Senior Historic Net Debt to EBITDA Ratio is higher than 7.50:1. The Senior Historic Cashflow DSCR is lower than 1.05:1. The Senior Historic Cashflow ICR is lower than 1.55:1.	**Occurrence of a Senior Obligor Event of Default and a Senior Trigger Event**: (among other consequences) (i) no Senior Financing Group Company may make a Senior Restricted Payment and, for so long as the Senior Obligor Event of Default is continuing, the Senior Borrower will credit the Lock-Up Account with all Excess Cash Flow in respect of each Semi-Annual Test Period from the Semi-Annual Test Period in which the Senior Obligor Event of Default occurred and make prepayments of Senior Debt; and (ii) a Senior Obligor Enforcement Notice may be served and the Senior Obligor Security enforced which may result in a sale of the Senior Financing Group. A Senior Obligor Event of Default may be remedied by way of Equity Cure. In the event that such breach is remedied by way of Equity Cure, the relevant Senior Financial Covenant Ratio will be recalculated on a *pro forma* basis.

Rating Downgrade Event

Event	Consequence of occurrence
So long as any Senior Notes are outstanding, the occurrence of either: (i) one or both of the ratings assigned to the Senior Notes (in the case where the Senior Notes are rated by two rating agencies); or (ii) two or more ratings assigned to the Senior Notes (in the case where the Senior Notes are rated by three or more rating agencies), fall below BBB−/Baa3 (or equivalent) by a rating agency.	Provided that no Senior Trigger Event has occurred and is continuing, a Senior Financing Group Company may only make Senior Restricted Payments to the extent used exclusively to allow the Senior Issuer to pay interest on the Notes and senior expenses.

Please also see "*Description of Certain Financing Arrangements*".

Overview of Shareholder Financing

In addition to the Senior Financing and funds provided pursuant to the issue of the Notes, certain shareholders in Arqiva Group Limited provided Arqiva Financing No 3 plc with funding in the form of unsecured shareholder loan notes (the **SLNs**), issued in two classes in an aggregate principal amount of £1,054 million. The proceeds of the SLNs are structurally subordinated to the Senior Financing and funds provided pursuant to the issue of the Notes. All SLNs are listed on the International Stock Exchange (Channel Islands) and are repayable between 2024 and 2025. There is no call option which allows the holders to require early redemption.

The SLNs carry a fixed rate of interest ranging between 13% and 14%, however all accrued interest has been deferred. £1,094 million worth of payment-in-kind (**PIK**) loan notes have been issued to some, but not all, of the shareholders in satisfaction of certain amounts of deferred interest. The PIK loan notes rank pari passu in right and priority of payment with the deferred interest under the existing class of notes to which they relate. A balance of £839 million remains as at 30 June 2018 in relation to deferred and accrued interest not satisfied by the issuance of PIK notes. Any further interest accrued on the SLNs from the period beginning 30 June 2018 also remains outstanding. Shareholder Loan Notes refers to the SLNs, the PIK notes and all associated deferred and accruing interest.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables present the Group's consolidated financial information. The following consolidated financial information should be read in conjunction with the Financial Statements, and notes thereto included elsewhere in this Offering Memorandum and the sections entitled "Presentation of Financial and Other Information", "Use of Proceeds", "Capitalisation" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

The summary financial information provided below was extracted from the Group's Financial Statements, prepared in accordance with IFRS and presented in pounds sterling. The information below is not necessarily indicative of the results of future operations.

The data presented below under "—Other Financial Data" includes pro forma consolidated financial data which has been adjusted to reflect certain effects of the sale of the Notes and the use of proceeds on the Group's senior and junior cash interest expense, gross senior and junior borrowings, cash at bank in hand, net senior and junior borrowings, net senior and junior borrowings to EBITDA, cashflow to senior and junior cash interest expense, senior cash interest expense, gross senior borrowings, senior cash at bank in hand, net senior borrowings, net senior borrowings to EBITDA and senior cashflow to senior cash interest expense as at and for the year ended 30 June 2018. The Group's consolidated pro forma financial data has been prepared for illustrative purposes only and does not purport to represent what the Group's actual senior and junior cash interest expense, gross senior and junior borrowings, cash at bank in hand, net senior and junior borrowings, net senior and junior borrowings to EBITDA, cashflow to senior and junior cash interest expense, senior cash interest expense, gross senior borrowings, senior cash at bank in hand, net senior borrowings, net senior borrowings to EBITDA and senior cashflow to senior cash interest expense and cashflow to senior and junior cash interest expense would have been if the sale of the Notes, the use of proceeds and the Senior Financing had been completed as of 30 June 2018, or what the Group's actual cashflow to senior and junior cash interest expense, senior cash interest expense, net senior borrowings to EBITDA and senior cashflow to senior cash interest expense and cashflow to senior and junior cash interest expense would have been if the sale of the Notes, the use of proceeds and the Senior Financing had occurred on 1 July 2017, nor does it purport to project the Group's senior and junior cash interest expense, gross senior and junior borrowings, cash at bank in hand, net senior and junior borrowings, net senior and junior borrowings to EBITDA, cashflow to senior and junior cash interest expense, senior cash interest expense, gross senior borrowings, senior cash at bank in hand, net senior borrowings, net senior borrowings to EBITDA and senior cashflow to senior cash interest expense at any future date. The unaudited pro forma adjustments and the unaudited pro forma financial data set forth in this Offering Memorandum are based on available information and certain assumptions and estimates that the Group believes are reasonable and may differ materially from the actual adjusted amounts.

The financial data below also includes certain non-IFRS measures used to evaluate the Group's economic and financial performance. These measures are not identified as accounting measures under IFRS and therefore should not be considered as alternative measures to evaluate the Group's performance. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures".

Consolidated Income Statement

	Year Ended 30 June		
	2016	2017	2018
	(£ millions)		
Revenue	884.0	941.3	962.4
Cost of sales	(343.5)	(353.5)	(323.0)
Gross profit	**540.5**	**587.8**	**639.4**
Depreciation	(128.4)	(141.6)	(163.7)
Amortisation	(10.3)	(12.6)	(16.7)
Impairment	—	—	(4.4)
Other operating expenses(1)	(125.9)	(143.9)	(131.3)
Total operating expenses	(264.6)	(298.1)	(316.1)
Other income	0.2	1.1	4.6
Share of results of associates and joint ventures	0.1	0.3	0.2
Operating profit	**276.2**	**291.1**	**328.1**
Finance income	1.3	3.7	2.0
Finance costs	(342.2)	(358.5)	(367.0)
Other gains and losses(2)	14.3	(133.1)	92.4
(Loss) / profit before tax	**(50.4)**	**(196.8)**	**55.5**
Tax	0.1	(0.1)	227.8
(Loss) / profit for the year	**(50.3)**	**(196.9)**	**283.3**

(1) Including exceptional operating expenses.

(2) Including exceptional other gains and losses.

Consolidated Statement of Financial Position

	As at 30 June		
	2016	2017	2018
	(£ millions)		
Non-current assets			
Goodwill	1,987.4	1,980.6	1,980.6
Other intangible assets	44.1	48.9	59.0
Property, plant and equipment	1,768.8	1,770.2	1,750.2
Deferred tax	—	—	206.1
Retirement benefits	7.4	7.1	20.6
Interest in associates and joint ventures	4.8	5.1	0.1
	3,812.5	**3,811.9**	**4,016.6**
Current assets			
Trade and other receivables	286.8	289.9	288.3
Cash and cash equivalents	39.3	35.6	38.8
	326.1	**325.5**	**327.1**
Total assets	**4,138.6**	**4,137.4**	**4,343.7**
Current liabilities			
Trade and other payables	(1,259.1)	(1,390.8)	(1,457.6)
Borrowings	(5.4)	(113.7)	(151.9)
Provisions	(8.0)	(18.8)	(2.8)
	(1,272.5)	**(1,523.3)**	**(1,612.3)**
Net current liabilities	**(946.4)**	**(1,197.8)**	**(1,285.2)**
Non-current liabilities			
Other payables (including deferred revenue)	(148.2)	(159.4)	(276.5)
Borrowings	(3,121.0)	(3,017.9)	(2,866.8)
Derivative financial instruments	(1,146.3)	(1,179.7)	(1,030.8)
Provisions	(52.6)	(57.0)	(64.8)
	(4,468.1)	**(4,414.0)**	**(4,238.9)**
Total liabilities	**(5,740.6)**	**(5,937.3)**	**(5,851.2)**
Net liabilities	**(1,602.0)**	**(1,799.9)**	**(1,507.5)**
Equity			
Share capital	0.1	0.1	0.1
Accumulated losses	(1,531.5)	(1,729.1)	(1,437.2)
Merger reserve	(188.5)	(188.5)	(188.5)
Capital contribution reserve	120.3	120.3	120.3
Translation reserve	(2.8)	(3.3)	(3.1)
Total equity attributable to owners of the Parent	(1,602.4)	(1,800.5)	(1,508.4)
Non-controlling interest	0.4	0.6	0.9
Total equity	**(1,602.0)**	**(1,799.9)**	**(1,507.5)**

Consolidated Cash Flow Statement

	Year Ended 30 June		
	2016	2017	2018
	(£ millions)		
Net cash inflow from operating activities	**365.9**	**489.7**	**572.1**
Investing activities			
Interest received	0.5	0.7	1.8
Purchase of tangible assets	(168.4)	(151.0)	(161.4)
Purchase of intangible assets	(0.6)	(10.3)	(3.7)
Interest element of finance lease rentals	(1.0)	(1.0)	(1.0)
Sale of tangible assets	5.7	—	0.3
Sale of subsidiary undertakings and proceeds on disposal of investments	16.4	23.2	5.2
Loans to joint ventures	—	—	0.6
	(147.4)	**(138.4)**	**(158.2)**
Financing activities			
Raising of external borrowings	5.0	554.5	—
Repayment of external borrowings	—	(573.5)	(124.3)
Repayment of finance lease capital	(0.4)	(0.4)	(0.4)
Movement in borrowings	4.6	(19.4)	(124.7)
Interest paid	(230.7)	(236.9)	(227.4)
Cash settlement of principal accretion on inflation-linked swaps	(26.0)	(53.4)	(58.6)
Debt issue costs and facility arrangement fees	—	(12.5)	—
Cash outflow on close out of swap arrangements	—	(36.0)	—
Proceeds on disposal of swap options	—	3.2	—
	(252.1)	**(355.0)**	**(410.7)**
(Increase) / decrease in cash and cash equivalents	**(33.6)**	**(3.7)**	**3.2**

Segmental Financial Data

	Year Ended 30 June		
	2016	2017	2018
	(£ millions)		
Terrestrial Broadcast			
Revenue	422.4	449.0	487.6
EBITDA(2)	308.0	329.4	360.8
Telecoms & M2M			
Revenue	317.0	345.4	341.3
EBITDA(2)	133.7	155.1	178.1
Satellite & Media			
Revenue	144.6	146.9	133.5
EBITDA	31.3	35.0	33.8
Other(1)			
Revenue	—	—	—
EBITDA(2)	(44.6)	(46.0)	(55.2)
Group consolidated			
Revenue	884.0	941.3	962.4
EBITDA(2)	428.4	473.5	517.5

(1) Other refers to the Group's corporate business unit, which is non-revenue generating.

(2) For a reconciliation of EBITDA to operating profit, see "—*Other Financial Data*" below

Other Financial Data

	Year Ended 30 June		
	2016	2017	2018
	(£ millions, unless indicated otherwise)		
EBITDA[(1)]	428.4	473.5	517.5
EBITDA Margin (%)[(2)]	48.5%	50.3%	53.8%
Net cash inflow from operating activities[(3)]	365.9	489.7	572.1
Maintenance capital expenditure[(4)]	20.4	22.5	30.3
Growth capital expenditure—contracted[(5)]	145.7	129.5	121.7
Growth capital expenditure—non-contracted[(6)]	5.5	13.2	4.7
***Pro forma* financial data**			
Pro forma senior and junior cash interest expense[(7)]			
Pro forma gross senior and junior borrowings[(8)]			2,955.8
Pro forma cash and cash equivalents[(9)]			13.0
Pro forma net senior and junior borrowings[(10)]			2,942.8
Ratio of *pro forma* net senior and junior borrowings to EBITDA[(1)(10)(11)]			5.6x
Ratio of *pro forma* senior borrowings to EBITDA[(11)]			4.4x
Ratio of cashflow to *pro forma* senior and junior cash interest expense[(6)(12)]			

(1) EBITDA is presented to aid understanding of the Group's results of operations and financial condition. The Group defines EBITDA as operating profit (taken from the Group's consolidated income statement data) before depreciation and amortisation, impairment charges, exceptional administrative expenses and one-off items where the earnings or charges are not considered to be indicative of the Group's on-going operations, e.g. profit or loss on the disposal of non-current assets, as well as certain other items.

EBITDA is a supplemental measure of financial performance that is not required by, nor presented in accordance with, IFRS. EBITDA is not a measure of performance under IFRS and investors should not consider EBITDA as an alternative to (a) operating profit or profit for the period (as determined in accordance with IFRS) as a measure of the Group's operating performance, (b) cash flows from operating investing and financing activities as a measure to meet the Group's cash needs or (c) any other measures of performance under IFRS or generally accepted accounting principles. Investors should exercise caution in comparing EBITDA as reported by the Group to EBITDA of other companies.

EBITDA has been included in this Offering Memorandum because it is a measure that the Group's management uses to assess the Group's operating performance. Please see "*Presentation of Financial and Other Information—Non-IFRS Financial Measures*" for information on the limitations of EBITDA as an analytical tool.

The following table provides a reconciliation of operating profit to EBITDA for the periods indicated:

	Year Ended 30 June		
	2016	2017	2018
	(£ millions)		
Operating profit	**276.2**	**291.1**	**328.1**
Depreciation	128.4	141.6	163.7
Amortisation	10.3	12.6	16.7
Impairment	—	—	4.4
Exceptional administrative expenses	13.6	29.5	9.5
Other[(a)]	(0.1)	(1.3)	(4.9)
EBITDA	**428.4**	**473.5**	**517.5**

(a) 'Other' includes share of results of associates and joint ventures, other income, profit and loss on disposal of non-current assets and operational bank charges

(2) EBITDA margin is defined as EBITDA divided by Group revenue.

(3) The Group defines net cash flow from operations as EBITDA before exceptional items, working capital and certain other items. The following table shows a reconciliation of net cash flow from operating activities to EBITDA for the periods indicated:

	Year Ended 30 June		
	2016	2017	2018
	(£ millions)		
EBITDA	**428.4**	**473.5**	**517.5**
Exceptional items	(13.6)	(29.5)	(9.5)
Working capital	(49.2)	45.7	64.0
Other	0.2	(0.1)	(0.1)
Net cash inflow from operating activities	**365.9**	**489.7**	**572.1**

(4) The Group defines maintenance capital expenditure as expenditure that is incurred to deliver cost-savings, productivity enhancements, to extend the useful life of existing non-current assets, or replace worn out and obsolete non-current assets with new ones in order to support existing contracts.

(5) The Group defines growth capital expenditure—contracted as capital expenditure that is incurred to deliver new or renewal revenues and which is supported by a signed customer contract.

(6) The Group defines growth capital expenditure—non-contracted as capital expenditure that is incurred to deliver revenues and which is supported by a business case but on which there is no signed customer contract at the time at which expenditure is incurred and reported.

(7) *Pro forma* senior and junior cash interest expense is calculated as follows: (i) consolidated cash interest expense for AF No 2 for year ended 30 June 2018 of £ million less (ii) cash interest costs associated with the existing junior and senior bank facilities (including derivative instruments) being refinanced for the year ended 30 June 2018 of £ million plus (iii) estimated cash interest costs associated with the Notes offered hereby, the junior and senior bank facilities and the Senior Notes (including derivative financial instruments) of £ million. Excludes non-cash interest expense and any interest expense related to intercompany indebtedness. For the avoidance of doubt, this excludes principal accretion on the ILS.

(8) *Pro forma* gross senior and junior borrowings is senior and junior indebtedness before debt issuance costs excluding deeply subordinated amounts due to parent undertaking as of 30 June 2018 (which was £2,892.0 million) adjusted to give *pro forma* effect to the refinancing, the offering of the first series of Senior Notes and the offering of the Notes hereby.

(9) *Pro forma* cash and cash equivalents is cash and cash equivalents as of 30 June 2018 adjusted to give *pro forma* effect to the refinancing and the offering of Notes hereby. Under the Conditions, the Group is required to maintain sufficient cash within the Issuer to cover six months interest on the Notes offered hereby. It is the Group's intention that any cash in excess of this is held in the Senior Financing Group.

(10) *Pro forma* net senior and junior borrowings is *pro forma* gross senior and junior borrowings less *pro forma* cash and cash equivalents as of 30 June 2018.

(11) Calculated using an EBITDA of £525 million, which is used for covenant purposes.

(12) Cashflow is calculated as EBITDA less maintenance capital expenditure, amounts of net corporation tax paid, amounts of Issuer Profit Amount payable.

Financial Covenant Ratios and Senior Trigger Events

	Historic pro forma	Historic			Projected			
	31 December 2012	30 June 2016	30 June 2017	30 June 2018	30 June 2019	Trigger Threshold	Consequence of Trigger	Event of Default Threshold
Senior Net Debt to EBITDA Ratio(1)	5.60x	5.75x	5.10x	4.42x	4.33x	6.50x		7.50x
Senior Cashflow DSCR(1)	2.22x	2.31x	2.53x	2.58x	1.95x	1.30x	Distribution lock-up	1.05x
Senior Cashflow ICR(1)	2.22x	2.31x	2.53x	2.78x	2.84x	2.00x		1.55x
Junior leverage(1)	6.98x	7.08x	6.29x	5.51x	N/A	N/A		N/A

(1) Calculated using an EBITDA of £525 million, which is used for covenant purposes.

Projected EBITDA

The table below presents the Group's Projected EBITDA for the year ended 30 June 2019 and the year ended 31 December 2018. The Group is required to report Projected EBITDA further to the reporting covenants under the Senior Financing. See *"Presentation of Financial and Other Information—Non-IFRS Measures"*.

Projected EBITDA is based on management estimates, is not part of the Group's consolidated financial information or financial accounting records and has not been audited or otherwise reviewed by independent auditors, consultants or experts. The Group's use or computation of this metric may not be comparable to the use or computation of a similarly titled measures reported by other companies in the broadcast, media or communications industry. Projected EBITDA should not be considered in isolation or as an alternative measure of performance. This metric is forward-looking information that is subject to significant risks and uncertainties that could cause the actual results and financial position of the Group to differ materially. Investors are cautioned to not place undue reliance on such forecast data. See *"Forward Looking Statements*."

The prospective financial information included in this Offering Memorandum has been prepared by, and is the responsibility of, the Group's management. The Group and its management believe that unaudited Projected EBITDA has been prepared on a reasonable basis, reflecting the best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Group's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future results.

PricewaterhouseCoopers LLP has neither audited, reviewed, examined, compiled nor applied agreed-upon procedures with respect to the prospective financial information contained herein and, accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance on such information or its achievability. PricewaterhouseCoopers LLP assumes no responsibility for and denies any association with the prospective financial information and any other information derived therefrom included elsewhere in this Offering Memorandum.

The PricewaterhouseCoopers LLP reports included elsewhere in this Offering Memorandum refer exclusively to the Parent Guarantor's historical financial information. PricewaterhouseCoopers LLP reports do not cover any other information in this Offering Memorandum and should not be read to do so.

	Year ended 30 June 2019	**Year ended 31 December 2018**
	(£ millions)	
Projected EBITDA	515.0	515.0

RISK FACTORS

An investment in the Notes involves a high degree of risk. Prospective investors should carefully consider the following risk factors and the other information contained in this risk factors and the other information contained in this Offering Memorandum before making an investment decision. The following sets out certain aspects of the Transaction Documents and the activities of the Group, the Issuer and the Guarantors of which prospective Noteholders should be aware. The occurrence of any of the events described below could have a material adverse impact on the business, financial condition or results of operations of the Issuer and the Guarantors and could lead to, among other things, Events of Default and/or non-payment of amounts under the Notes.

This section of this Offering Memorandum describes the material risks that are known to the Issuer, the Guarantors and the Group as at the date of this Offering Memorandum. This section of the Offering Memorandum is not intended to be exhaustive and prospective Noteholders should read the detailed information set out elsewhere in this document prior to making any investment decision.

Each of the Issuer and Guarantors believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer or the Guarantors to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer and the Guarantors based on information currently available to them or which they may not currently be able to anticipate. In addition, while the various structural elements (such as the Liquidity Facility) described in this document are intended to lessen some of the risks discussed below by providing additional credit protection to Noteholders, there can be no assurance that these measures will ensure that the investors in the Notes receive payment of interest or repayment of principal from the Issuer or the Guarantors in respect of such Notes on a timely basis or at all.

BUSINESS AND INDUSTRY RISKS

Demand for the Group's broadcast, communications and Machine-to-Machine (M2M) infrastructure could decline

The Group is the UK's pre-eminent national provider of Digital Terrestrial Television (**DTT**) and radio broadcast infrastructure as well as a leading independent provider of communications infrastructure to mobile network operators (**MNOs**) in the UK, which it typically provides under long-term, high value contracts. Therefore, factors adversely affecting the demand for such infrastructure in general could have a material adverse impact on the Group's customers and therefore on the Group's business, financial condition and results of operations, particularly over the medium and long term as such contracts come up for renewal. Such factors could include:

- a decrease in consumer demand for broadcast and telecommunication services due to adverse general economic conditions or other factors, including changing consumption habits by end consumers, including their adoption of alternative content distribution technologies such as Internet Protocol (**IP**);
- a deterioration in the financial condition of broadcasters generally due to declining advertising revenues (including as a result of a shift to internet advertising), declining viewership, media convergence, "over-the-top" (**OTT**) (i.e. IP delivered) market disruption or other factors;
- a reduction in public funding for the BBC, or a variation in Public Service Broadcaster (**PSB**) charters or programmes affecting such PSBs in terms of funding, purpose and coverage requirements;
- a slowdown in the uptake of Digital Audio Broadcast (**DAB**) services by consumers or in the roll-out of DAB by the UK government or radio industry, which could impact the attractiveness of DAB to radio broadcasters and listeners, or a reduction in the overall radio market in favour of IP delivered music and radio content;
- a decrease in the ability or willingness of telecommunication service providers to maintain or increase operating or capital expenditures, including as a result of intense competition among MNOs or a consolidation of MNOs, lack of prioritisation of investment in the UK by multinational MNOs or a change in coverage requirements;
- a decrease in the growth rate of telecommunication services in the UK generally or of a particular area of the telecommunications sector, including a delayed and decreased demand for small cells,

other urban densification-driven demand and willingness to invest in the expansion of rural capacity and coverage;

- adverse developments with respect to regulatory licensing of spectrum and changes in broadcast and telecommunications regulations, including delays or changes in spectrum auctions;
- mergers or consolidations among broadcasters, content providers or MNOs;
- changing strategies of telecommunication service providers with respect to the ownership, consolidation or sharing of passive infrastructure, or increased use of network sharing or resale arrangements by telecommunication service providers among themselves;
- adverse developments with regard to planning permission for locations where the Group's infrastructure is located or where the Group would prefer to locate future infrastructure, as well as applicable environmental, health, tax and other government regulations;
- delays or changes in the development of new technologies, and/or technological changes which allow MNOs to use fewer or smaller antennas or to deploy fewer small cells;
- the failure by the Group to anticipate the development of new technologies or to decommission old technologies; and
- competition from a new entrant to the towers market, whether through the acquisition of existing towers and/or the development of new towers.

In the long-term, a deterioration in demand for the DTT platform may occur, either due to increased viewership of television programmes delivered via alternative platforms such as IP or cable; or reduced demand from advertising-funded, transactional or news channels. In addition, there may in the future be a loss of spectrum allocated for the DTT platform and radio due to strategic decisions by Ofcom and the European Commission in favour of alternative uses of spectrum (e.g. by MNOs) and IP delivery of television services, including by the PSBs. This could have an impact on the number of available DTT multiplex licences and adversely effect the Group's ability to sell streams through its Digital Platforms division.

In its Terrestrial Broadcast division, DTT faces competition for digital broadcast media from competing platforms, such as satellite, cable, Internet Protocol television (**IPTV**) delivered over broadband or OTT, which may emerge as technically superior or otherwise appealing alternatives. For example, satellite television broadcast, which has been expanding its range of services, now offers Ultra-High Definition (**UHD**) and currently offers more High Definition (**HD**) channels than DTT, which could increase the viewer appeal of satellite broadcasts in relation to DTT. OTT providers have also been expanding their range of HD and UHD content. In the event consumers shift away from their reliance on DTT for television and turn in greater numbers to these, or other, alternative platforms, such a shift could negatively affect the long-term profitability or sustainability of DTT. Should DTT's share of the television delivery platform market decline as a result of greater uptake of alternative television delivery platforms, it could have a material adverse impact on the Group's business, financial condition and results of operations. With respect to radio, in the medium to long-term DAB could be challenged or replaced as the primary means of broadcasting digital radio content by internet radio or another medium. This could also result in fewer resources being devoted to DAB in terms of new sites or expansion of coverage which would negatively impact the Group's business.

In its Digital Platforms division, which sells DTT broadcast capacity to broadcasters, the Group faces direct market competition from S4C Digital Networks (**SDN**), the owner of the only national commercial DTT Multiplex in the UK not owned by the Group. Additionally, should alternative platforms or forms of delivery of television services, such as satellite, cable, IPTV or OTT expand and challenge DTT's market position, it could reduce the general demand for DTT Multiplex capacity and negatively impact the prices the Group is able to achieve. The Group could also face competitive pricing changes if new technology or increased spectrum availability were to significantly affect supply of, or demand for, Multiplex capacity.

In the Telecoms & M2M business unit, the Group currently operates a significant share of the independent (i.e. non-MNO owned) wireless sites in the UK. However, MNOs may in the future elect to use a higher proportion of their own sites, rather than use those available from independent site providers such as the Group. With respect to network densification and capacity enhancement, demand for equipment additions to the Group's wireless sites and small cell locations may be affected by the challenging economics of the UK mobile market or the emergence and adoption of alternative technological solutions. Macro based capacity upgrades may also result in lower utilisation levels of the Group's street level small cell locations. Recent revisions to the Electronics Communications Code (**ECC**) require landlord rental to be based on the commercial value of land and may make new site deployment easier to achieve for not only Arqiva, but also MNOs/JVs and other independent tower operators. Although the Group is currently protected from these provisions in the ECC on its own sites/infrastructure, use of the provisions by MNOs could increase Group site churn and reduce demand for additional sites or antennas/equipment if MNOs or other independent tower operators can develop new build sites more easily.

Any change in government policy or regulation, disruption to the existing M2M technology, delays or difficulties faced by customers in the adoption of smart meters, adverse impact to the end-to-end service (in terms of quality or features) due to its high complexity, poor performance of the overall service, negative media coverage, the affordability of such technology or reputational damage resulting from a security breach with regard to the communications hubs or smart meters linked to the Group's smart metering networks could have a material adverse effect on demand for the Group's M2M business.

In its Satellite & Media business unit, Direct-to-Home (**DTH**) satellite faces competition from other platforms, such as DTT, cable, IPTV delivered over broadband or OTT, which may emerge as technically superior or otherwise appealing alternatives. In the event consumers or the platform operators shift away from the reliance on DTH/satellites as a means of distribution for television and turn in greater numbers to these, or other, alternative platforms, such a shift could negatively affect the long-term profitability or sustainability of DTH. If DTH's share of the television delivery platform market declines as a result of greater uptake of alternative television delivery platforms or the platform operators decision to change distribution technologies, it could have a material adverse impact on the Group's business, financial condition and results of operations.

Any decline in demand for the Group's broadcast, telecommunications and M2M infrastructure attributable to one or several of the factors listed above could have a material adverse impact on the Group's business, financial condition and results of operations.

The Group is subject to UK government and other regulations that govern the way it conducts its businesses, and the effects of, or changes in, regulations and government policy could have a material adverse impact on the Group's business, financial condition and results of operations

The Group is subject to a wide range of regulations that govern the way it conducts its businesses, and the effects of, or changes in, regulations and government policy could have a material adverse impact on the Group's business, financial condition and results of operations.

Terrestrial Broadcast—Undertakings: The Group's provision of broadcast transmission services is regulated by Ofcom and is subject to a set of undertakings (**Undertakings**) accepted by the Competition Commission (now its successor, the Competition and Markets Authority (**CMA**)) and overseen by the Office of the Adjudicator—Broadcast Transmission Services (**OTA-BTS**), appointed by and reporting to Ofcom. Contract prices for the provision of Network Access (**NA**) services are set within the framework of a reference offer (a **NA Reference Offer**). Under a NA Reference Offer, the Group is allowed to make a fixed rate of return equivalent to a Weighted Average Cost of Capital (**WACC**) of 7.71% (real pre-tax) on a pre-2015 regulated asset base used for NA services and a 7.5% WACC (real pre-tax) on post-2015 new capital assets. Should the regulated pricing framework change, or if the WACC is adjusted by the OTA-BTS in the future (whether due to a change in the broadcast transmission market, an alteration to the Group's capital structure or a deviation in the pricing methodology in connection with the WACC, which in each case could cause the OTA-BTS to review the WACC), it could reduce the returns the Group would receive on its broadcast infrastructure assets, and therefore result in a decrease in future revenues. In addition, the Group's broadcast transmission services contracts are Retail Price Index (**RPI**) linked, which may not accurately reflect the drivers of the Group's cost base over time, including as a result of any future changes to the components used to calculate the RPI. If the Group's cost base growth outgrows RPI growth, its revenues and operating profits on its terrestrial broadcast assets may be adversely impacted.

The regulated framework also allows any of the Group's broadcast customers to be repaid up to 10% of payments made to the Group in any one year or receive equivalent service credits (which can be used to offset payment for services provided by the Group) in the event the Group persistently fails to meet the contracted service level agreement (**SLA**) targets and fails to subsequently remedy the failure within the one month cure period, or in more limited instances, to terminate their contract or to activate break clauses that terminate the relationship at a future date prior to the completion of their contracts. Although to date, the Group has not had any agreements terminated for failure to meet SLA targets and service credits have been minimal, there is no assurance that in the future this will not occur.

As the Group is the sole UK provider of national terrestrial broadcast infrastructure necessary for DTT and the leading national provider of terrestrial broadcast infrastructure necessary for radio transmission in the UK, and since the Group's Digital Platforms division is a customer of the Group's Terrestrial Broadcast division, the Undertakings also require the Group to impose strict information barriers between the Terrestrial Broadcast division and the Digital Platforms division, and subject the Group to regular audit. A breach of these Undertakings, competition law or the Group's regulatory obligations could give rise to a range of potential penalties including fines of up to 10% of the Group's annual revenue and, in exceptional circumstances, structural remedies including the enforced sale of components of the Group.

Digital Platforms—Multiplex licences: The Group's DTT and radio broadcast operations are highly dependent on the Group's multiplex licences (**Multiplexes**), granted under the Broadcasting Act 1996, and related commercial spectrum licences under the Wireless Telegraphy Act 2006, each as issued by Ofcom. The Group's DTT Multiplexes are particularly material to the Group's business, and are granted for specified time periods. The Group's two current DTT DVB-T Multiplex licences expire in 2026, but the Group's two DTT DVB-T2 Multiplex licences can be revoked on 24-months' notice in order to allocate the spectrum to other uses. Ofcom has recently served notice on the DVB-T2 licences meaning that the licence will end in June 2020. However, Ofcom may permit services to continue after that date, through a new licence arrangement, if there is no demand from MNOs for the use of the spectrum. Any failure to renew the two main DVB-T Multiplex licences or failure to obtain replacement capacity upon expiry of the DVB-T2 Multiplex licences may adversely affect the Group's business. In addition, the Group may be exposed to capacity losses as a result of Ofcom re-designating any DTT Multiplex licence held by the Group for a purpose other than DTT or changing technical specification requirements resulting in capacity loss. Should the Group be unable to maintain licences providing sufficient broadcasting spectrum capacity, there may be a corresponding reduction in the Group's Terrestrial Broadcast business, which could have a material adverse effect on the Group's business, financial condition and results of operations.

Digital Platforms—Spectrum fees: In 2013, Ofcom announced a potential framework for introducing spectrum rental fees under an Administered Incentive Pricing (**AIP**) scheme to encourage efficient spectrum use. Although Ofcom has, to date, decided to refrain from applying opportunity cost-based AIP pricing to broadcast spectrum and has stated that it does not envisage applying AIP-based fees until 2020, it is possible that AIP pricing will be implemented in the future. In the interim period from late 2014 to 2020, Ofcom has charged and is expected to continue to charge administrative cost-based fees to Multiplex operators, including the Group, based on Ofcom's direct costs associated with managing spectrum and the administration of broadcast licences. Although these fees have been and are expected to remain modest until 2020, the Group believes that there is a likelihood that it may have to pay significantly higher fees beyond 2020. These fees could prove significant, and could be increased once they are announced and implemented. Although the Group expects to pass through a proportion of any AIP fee to its customers, and includes AIP clauses in its current contracts, the Group may not be able to fully pass these costs on to all of its customers or include similar clauses in future contracts without adversely affecting demand for the Group's Multiplex services. The imposition of AIP fees could therefore impact the Digital Platforms division's profitability or reduce the competitiveness of the DTT platform relative to competing platforms (such as DTH satellite, cable, IPTV or OTT), which could have a material adverse impact on the Group's business, financial condition and results of operations.

Telecoms—Site Sharing: The licensing, construction, operation, sale, resale and interconnection arrangements for the Group's mobile wireless sites in the UK, and the wireless industry the Group services through those operations, are regulated to varying degrees. For example, the Group is required to obtain planning permissions to erect new masts and is subject to planning regulations with regard to its site development. In addition, the Group's sites may be subject to taxes or other regulatory charges imposed by local authorities. Any of the authorities with jurisdiction over the Group could adopt or change rules or regulations or take other actions that could make it more difficult or costly for the Group to conduct its site sharing business or impact the revenues it earns, and have a material adverse impact on the Group's business, financial condition and results of operations.

Telecoms—Spectrum: The Group owns a nationwide licence in perpetuity for spectrum in the 28 GHz band, which has been trialled for connectivity using 5G Fixed Wireless Access (**FWA**). In addition, the Group acquired an additional 28 GHz spectrum licence from Luminet in 2017. Use of the 28 GHz band for 5G FWA is dependent on ratification by the Third Generation Partnership Project and amendment of the

Group's licence by Ofcom, each of which may not occur in the medium term or at all, which could adversely impact the Group's business, financial condition and results of operations over the longer term. The Group is also currently developing strategic propositions to leverage its 28 GHz spectrum assets, including the possible deployment of a street level trial in partnership with ISPs and MNOs, which may not be successful.

Telecoms—Street Infrastructure: The Group's street infrastructure concessions are regulated by local authorities. As such, any change to the relevant city or borough's policy or regulations may impact the ability of the Group to renew the concessions on favourable terms or at all, which could have a material adverse impact on the Group's business, financial condition and results of operations. The Group has exclusivity periods for 13 of the 14 boroughs for which it has concessions, of which 11 will expire before the end of the contracted concession period (which extend through 2018 to 2022). The delay in small cell take up from MNOs has increased the risk that the Group may fail to retain exclusivity in these areas or that the Group may need to pay more to retain exclusivity. In addition, the application of the ECC to concession agreements is currently unclear and a successful formal challenge by MNOs for direct access to the street infrastructure could reduce the Group's ability to monetise these concessions successfully.

M2M—Smart Metering: The Group has been building a smart metering communication network in the north of England and Scotland as part of a 15-year contract signed in September 2013 with the DCC, which is licensed by the UK government. The DCC is also supervised by the Office of Gas and Electricity Markets (**Ofgem**), the energy regulator. Any change to the UK political environment may cause the Secretary of State to vary the licence conditions, and/or materially change the overall programme and these changes in turn may be passed down to the Group and result in additional costs or an adverse effect on the Group's ability to provide its services.

Satellite & Media: The licences required to transmit satellite signals on the relevant frequency and for relevant satellites and teleport licences are regulated by Ofcom in the UK and by relevant regulatory authorities in other jurisdictions where the Group operates. Although the Group believes it is currently in compliance with all of its material regulatory obligations in respect of its Satellite & Media business, the Group may fail to remain in compliance with such obligations in the future. Changes in laws, regulations or government policy affecting the Group's Satellite & Media activities such as decisions by regulators as to the granting, amendment, renewal, revocation or termination of licences or broadcast agreements, could be adopted that make compliance more difficult or expensive. For example, the UK's decision to exit the European Union (**Brexit**), of which the European Council was formally notified on 29 March 2017, may make it more difficult for the Group's clients to distribute channels from UK teleports into Europe, specifically with regard to compliance with the Audiovisual Media Services Directive (2010/13/EU). As at the date of this Offering Memorandum, it is unclear what regulatory framework will apply to the Group's satellite DTH customers who hold a UK licence and uplink from the Group's UK teleports, but seek to transmit content lawfully into EU member states.

If regulatory changes impact any of the Group's businesses and thereby impair the Group's ability to provide its products, or current regulations obstruct the Group's current business or future projects undertaken by the Group, such regulatory change could have a material adverse impact on the Group's business, financial condition and results of operations.

The Group or its customers may be unable to secure spectrum in the future, which would prevent or impair the Group's plans or limit the need for the Group's services and products

The Group's ability to provide services to its broadcast customers, in particular, is highly dependent on the Group's access to sufficient spectrum and, in the longer term, the replacement and renewal of its existing spectrum licences for the long-term competitive strength of DTT as a broadcast platform relative to other platforms for delivery of television services. However, the amount of available spectrum suitable for the Group's operations is limited and the process for obtaining it is complex. The Group therefore cannot guarantee that it, or its multiplex operator customers, will have sufficient access to spectrum in the long-term to maintain and develop its services.

If the UK government and Ofcom, who manage spectrum in the UK, reduce the spectrum available for DTT as a broadcast platform, the Group's Digital Platforms business could have less DTT spectrum available to it and thus could offer fewer channels to its commercial broadcaster customers. For example, the Group's DTT platform currently uses spectrum in the 470-790 MHz bands. Ofcom and Industry stakeholders are implementing plans to clear the 700 MHz band (694 MHz to 790 MHz) so that it can be auctioned for use by MNOs. Although historically the Group has been able to optimise spectrum capacity on its Multiplexes through improvements in compression technology, there can be no assurances that any additional capacity as a result of technology upgrades will be sufficient to compensate for any loss of any spectrum currently in use for DTT or that will be used after the completion of 700 MHz clearance, or that the Group would be able to obtain replacement spectrum on acceptable commercial terms. Such a spectrum reduction could limit the number of streams the Group can provide, undermining the Group's ability to meet the demand from broadcasters for Standard Definition (**SD**) and HD services, or other emerging spectrum-intensive broadcast technologies such as UHD TV, on DTT in the UK.

Failure to meet future customer and viewer demand for SD channels, additional HD channels or other spectrum-intensive products could diminish the long-term competitiveness of DTT relative to competing platforms such as satellite, cable, IPTV and OTT, and adversely impact the Group's business, financial condition and results of operation. Both Ofcom and European institutions have indicated long-term support for spectrum protection for DTT until at least 2030. Long-term availability of spectrum for broadcasting beyond 2030 is expected to be decided primarily at an international level, as a result of substantive decisions that are currently expected to be made at the 2023 or other future World Radiocommunication Conferences as to how much spectrum will be allocated exclusively to the sector for the longer term.

The Group also may need to obtain additional spectrum capacity to either support existing contracts, such as its smart metering contract with the DCC or its Satellite & Media contracts, or to support future developments in the industry. There can be no assurance that the Group will be able to obtain the appropriate spectrum at an economic rate for either the company or its customers or at all. Even if the Group is able to obtain additional spectrum, there can be no assurances that the UK government and Ofcom will not re-designate other low frequency satellite spectrum in the future as a result of uses associated with low frequency technology. For example, the 412 MHz band will be subject to an AIP review with Ofcom in 2021, which could result in additional cost to continue to own and utilise the spectrum. Failure by the Group to secure spectrum at an economic rate or at all in the future could have a material adverse impact on the Group's business, financial condition and results of operations.

The Group is dependent on its technical and information infrastructure and a significant security breach or other critical disruption in the Group's technical or information infrastructure could result in material harm to the Group's performance, harm the Group's reputation, and have a material adverse impact on the Group's business, financial condition and results of operations

The Group relies on sophisticated technical and information technology infrastructure to operate its business and deliver critical services to its customers (including operation of its infrastructure, management of key networks, accounting, billing and other matters), as well as to accurately and efficiently provide information to management and prepare financial reports. The Group's systems are also an important means of internal communication and communication with customers and suppliers. These systems and services are vulnerable to interruptions or other failures resulting from, among other things, software, equipment or telecommunications failures, processing errors, computer viruses and malware, fraud, hackers or other security issues or supplier defaults, natural disasters and terrorist attacks. For example, a breach of information security could impair the ability of the Group to adequately provide its services, cause financial loss, reduce performance by one or more of the Group's businesses or damage the Group's reputation. Additionally, a security breach or intrusion upon the Group's information technology infrastructure could compromise the security of information stored in or transmitted through the Group's systems (including customer data and broadcast transmissions), or compromise the integrity of the Group's technical systems more broadly. The Group provides a significant proportion of the UK's critical national communications infrastructure. If the Group's smart metering networks are subject to cyber-attacks, it could cause a material loss of, or damage to, data or systems, which may have a material adverse impact on the Group's business, financial condition and results of operations.

While the Group seeks to protect its computer systems and network infrastructure from physical intrusion as well as security breaches and other disruptions that could affect the Group's telecommunication and information infrastructure and the Group maintains a "cyber" insurance policy, its security, backup and disaster recovery measures may not be adequate or implemented in a manner which fully prevents such errors, processing inefficiencies, or security breaches, and as a result the Group may face an inability to use the systems or process transactions, suffer financial loss, or experience loss of customers or other business disruptions. To provide its various services, the Group may allow clients and customers to access certain elements of the Group's data and telecommunications infrastructure. As a result of permitting such access, the Group's technical or information infrastructure could be attacked or compromised. While the Group takes extensive measures to maintain the security of these externally-facing networks, it is impossible to completely eliminate the risk created by the need for customer access to the Group's information infrastructure. There can be no assurance that the Group's security measures will be adequate or successful, and the costs of maintaining adequate security measures may increase substantially in the future. Any such breach, or actions taken to repair or prevent a breach, could result in significant cost to the Group or harm the ability of the Group to successfully compete in one or more of its businesses, which could in turn have a material adverse impact on the Group's business, financial condition and results of operations. See "—*The Group must comply with data protection regulations*".

The Group is exposed to certain risks in respect of the development, expansion and maintenance of its broadcast and wireless telecommunications infrastructure, including the need for on-going capital expenditure, which could have a material adverse impact on its business, financial condition and results of operations

The Group's ability to maintain a high level of service depends on its ability to develop, expand and maintain its infrastructure, requiring substantial amounts of capital and other long-term expenditures, including those relating to the renewal, optimisation or improvement of existing networks, and upon its ability to obtain sufficient financing to facilitate these projects.

Capital expenditure amounts have varied significantly from year to year on the basis of the Group's expenditures for renewals, new projects and planned expansion expenditures. For example, the Group's 700 MHz clearance programme, smart metering programme and the roll-out of DAB equipment across the Group's network have required significant capital expenditure in the three most recent financial years. The Group's 700 MHz clearance programme and smart metering programme are expected to continue to require significant capital expenditures at least until the end of 2020. The Group may be subject to additional significant capital expenditure requirements going forward, should it decide to invest additional capital expenditure on new projects as technology develops, if the completion of its existing capital expenditure projects is delayed or if regulatory requirements, changes to contractual arrangements with customers or competitive processes require investment in additional technology or infrastructure. Further, the Group may be unable to generate revenues from new assets or products resulting from such capital expenditure, or their revenues may be insufficient to cover the associated construction and development costs.

In the past, the Group has financed these expenditures through a variety of means, including internally generated cash flows, external borrowings (including under its credit facilities or from some of its customers, e.g. Ofcom) and shareholder contributions. In the future, the Group expects to utilise a combination of internally generated cash flows and external banking and capital markets transactions to meet its planned capital expenditure requirements and such financing may be more costly or otherwise more difficult to obtain. The Group's ability to obtain such financing to fund its capital expenditures could in the longer term be limited by, among other causes, its leverage, its then-current or prospective financial condition or results of operations or its inability for any reason to raise bank debt or to issue securities in the capital markets on commercially reasonable terms. There can be no assurance that financing from external sources will be available on commercially reasonable terms at the relevant time or in the amounts necessary to meet the Group's then existing capital expenditure requirements. If the Group were unable to obtain financing for its future capital expenditures on commercially reasonable terms, this could limit the Group's ability to maintain its current operations in the longer term or expand in the future, which could have a material adverse impact on the Group's business, financial condition and results of operations.

In addition, the expansion, development, renewal and maintenance of the Group's infrastructure requires significant maintenance capital expenditures, and are thus subject to risks and uncertainties which could delay the introduction of services in some areas and increase the cost of infrastructure construction. Ageing technology, and the need to maintain its functionality, may prove challenging, as the Group's ability to maintain a certain quality of service in connection with agreed-upon SLAs is critical to its ability to retain its customers and contracts. If any of these risks transpire and the Group is unable to successfully maintain its infrastructure, it could have a material adverse impact on the Group's business, financial condition and results of operations.

The Group is subject to a number of construction, financing, operating, regulatory and other risks, some of which are beyond its control, including, but not limited to:

- shortages of materials, equipment and specialist labour required to maintain and develop its infrastructure;

- failure by sub-contractors to complete projects on time, on budget, or meet appropriate quality or service delivery standards due to various factors, including any of the conditions described herein;
- labour disputes and disputes with sub-contractors, or litigation by sub-contractors resulting from any of the risks herein described;
- inadequate infrastructure, including as a result of failure by third parties to fulfil their obligations relating to the provision of utilities and transportation links that are necessary or desirable for the successful operation of a project;
- failure to obtain local authority planning or landlord consent for site development, or subsequent disputes with landlords;
- failure to renew land or rooftop leases or managed sites contracts;
- failure to renew street infrastructure concessions;
- changes in governmental priorities, spending programmes or procurement processes;
- failure to complete projects according to specifications;
- adverse weather conditions and natural disasters;
- accidents;
- unauthorised, rogue or other illicit use of spectrum or telecommunication capacity;
- failure to attract customers to products for which capital expenditure must be committed prior to client contracting; and
- an inability to obtain and maintain project development permission or requisite regulatory licences, permits or approvals.

The occurrence of one or more of the above-listed events may have a material adverse impact on the Group's ability to complete its current or future infrastructure or growth projects on schedule or within budget, if at all, and may prevent the Group from achieving its project milestones or targets under its SLAs.

In addition, the above risks may be more likely to occur if the Group is unable to identify and prevent risks to its existing infrastructure before they occur. Specifically, if the data that the Group collects to identify necessary infrastructure maintenance or expansion work, as well as assess the operational status of existing equipment and machinery, is incomplete or inconsistent, the Group's risk assessment as to the likelihood of an equipment, machinery or infrastructure failure may be inaccurate. Equipment failure could lead to service outages, affecting both customers and employees. For example, in January 2016, one of the Group's masts at its Start Point site was taken down due to a structural issue with the mast's stay wires, resulting in service disruption relating to that mast. Such incidents can be costly, and may also adversely impact customer satisfaction and the Group's reputation.

As at 30 June 2018, the Group had approximately 8,000 active licensed sites which comprise a mixture of freehold, leasehold and managed sites. As at 30 June 2018, this site count included approximately 700 sites with respect to which the Group has contractual options, pursuant to which it can seek to have sites transferred to it. Such contractual options were obtained as part of a number of contracts with one of the Group's MNO customers. These contractual options permit the Group to complete the assignment of a number of sites by 2018 and 2024. If the Group is unable to complete the assignment of such sites by the relevant dates or at all, including as a result of failed negotiations with third-party landlords, this could result in a lower number of sites available to the Group and the failure of the Group to realise its anticipated growth potential, which could, in the longer term, have a material adverse impact on the Group's business, financial condition and results of operations.

The Group's product offerings may fail to be competitive or accepted by customers

The Group faces the risk that its customers may not adopt the technologies it invests in, and customers may fail to take up the products and services offered by the Group. For example, as communications technology continues to develop in the longer term, competitors may be able to offer wireless telecommunication infrastructure and services that are, or that are perceived to be, substantially similar or better than those the Group offers, or offer technologies that provide similar functionality with competitive prices and with comparable or superior quality. The Group cannot be certain that existing, proposed or as yet undeveloped technologies will not become dominant in the future and render the technologies and infrastructure the Group uses today, or chooses to invest in for the future, less commercially valuable.

The Group has been involved in large-scale projects to roll out technology, such as for DAB and smart metering. If the technology underpinning the Group's large-scale projects is not accepted by customers or is not commercially successful, the Group may be unable to realise the expected returns on its investments, and may face reputational damage. For example, the Group has been implementing the DAB roll-out programme for commercial DAB radio. However, a slowdown in the uptake of DAB services by consumers, or a reduction in the overall radio market in favour of IP delivered music and radio content, could impact the attractiveness of DAB to radio broadcasters. The Group has also been an early mover in industries which are in the early stages of commercial development. If the technology is not successfully developed or these industries do not mature, this may have a material adverse impact on the growth potential of the Group's future business, financial condition and results of operations. For example, the 28GHz FWA trial or the Hammersmith & Fulham fibre trial may not result in the wider adoption of 5G FWA. As another example, the Group has relied on the Flexnet technology provided by Sensus UK Systems Limited (**Sensus**) to develop a smart water meter connectivity product, which has been sold to Thames Water and is being trialled by Anglian Water. If a solution other than Flexnet is more effective or if competitors develop superior or cheaper products, the Group may be unable to win additional smart water metering opportunities.

Further, if the Group is unable to effectively anticipate or react to technological developments, it could lose customers, fail to attract new customers or incur substantial costs and investments in order to maintain its competitive position, any of which could have a material adverse impact on the Group's business, financial condition and results of operations. In addition, the Group may fail to receive the necessary licences or spectrum to provide services based on these new technologies or the Group may be negatively impacted by unfavourable regulation regarding the usage of the solutions it proposes to offer, which could in turn have a material adverse impact on the Group's business, financial condition and results of operations.

New technological developments may make the Group's existing services less desirable to its customers or consumers, or require significant capital expenditures in order to upgrade and keep current. For example, future development of IPTV, OTT or non-linear TV viewing, or internet radio could reduce demand for DTT, DTH and/or DAB, which could in turn reduce demand for the Group's DTT, DTH or DAB infrastructure. Additionally, regulatory and competitive factors could require the Group to invest in new technology generations of radio and DTT equipment to maintain the relevance of its platform beyond the duration of existing contracts, which could impose significant costs on the Group.

If the Group is not successful in anticipating and responding to technological and competitive change and resulting customer requirements in a timely and cost-effective manner, it could have a material adverse impact on the Group's business, financial condition and results of operations.

The Group may fail to carry out the successful delivery of its significant contracts or may have under-estimated the costs required to do so

The Group believes a significant amount of its future revenue will derive from its contracts to carry out major projects, such as its various smart metering projects, the 700 MHz clearance programme and potential future DAB roll-out, all of which are long-term, high value projects and are subject to a variety of risks, the results of which could cause a delay in project completion or increase costs. The Group may also be exposed to regulatory sanctions if it experiences significant operational failures in any one of its projects or business units, including a repeated or prolonged loss of transmission.

The Group has contracted with the major broadcasters and Ofcom for the delivery of the 700 MHz clearance programme on a cost-plus basis. The Group is responsible for the spectrum planning, network design, programme management, infrastructure changes, service continuity, structural work, asset replacement and retuning of broadcast transmitters to enable DTT broadcasters to move into a lower frequency band and clear this spectrum for mobile broadband use. Under its cost plus contract, the Group is responsible for certain risks, some of which may be outside of the Group's control, including suppliers failing to deliver on time and at cost or union or workforce issues. In addition, the change in frequencies may impact household aerials and their ability to receive DTT signals post-clearance which may result in viewer complaints which may adversely impact the rate of roll-out of the programme and result in delays to the overall programme. Should any of the foregoing occur, the Group could experience negative publicity and lower levels of profitability as a result of cost or time overruns that the Group cannot charge on to

Ofcom. In addition, the Group's relationship with Ofcom, the Government or its key customers could be damaged. Under the Group's smart metering contract with the DCC, the Group may be unable to meet certain critical service obligations within budget as the service increases in size, timely resolve defects or other incidents in the production system or achieve network coverage commitments. If the Group is unable to meet these critical service obligations or respond to change requests, the Group may be exposed to contractual claims and damages, which could have a material adverse impact on the Group's business, financial condition and results of operations.

In addition, revenue from major project contracts will depend on the Group's ability to successfully deliver the required services, which will depend on a variety of factors, including, among others, the Group's ability to recruit and maintain qualified engineering staff, the ability of the Group's management to provide sufficient oversight and the performance of the Group's suppliers and contractors. In addition, the ability of the Group to profitably execute its long-term contracts depends on its ability to accurately estimate and successfully manage costs. For example, many of the Group's long-term contracts have cost indexes which are linked to the RPI or consumer price index (**CPI**) (in particular, those agreed with Ofcom pursuant to the Reference Offer and for which contract prices were negotiated) and, as a result, the Group is exposed to the risk that operating costs increase faster than the relevant cost index. If this occurs, the Group may face difficulty or be contractually prevented from passing all of these increases on to its customers, thereby diminishing the Group's profitability. If the Group fails to perform under any of its major contracts, or if costs increase more than expected, it could have a material adverse impact on the Group's business, financial condition and results of operations.

In addition to risks associated with successful contract delivery, there is also a risk that, for certain of the Group's contracts, the services required to be delivered under such contracts will change as technological specifications evolve. The changes in the services delivered under such contracts may be significant, and the Group may be unable to deliver the additional services without incurring additional costs, which may be significant and may not be capable of being fully passed on to customers. For example, in respect of the smart metering communication network the Group has built as part of its contract with the DCC, the Group has signed change request orders which set out the further charges to be paid to the Group in relation to specification and timing modifications to the programme. However, the cost and services to be provided under this contract may be subject to additional change requests for which the Group may not be sufficiently compensated, which could lead to cost overruns and unforeseen complexities. These could include uncertainties in the operational model for support and the responsibilities of suppliers, the possibility of unforeseen licence and software costs, the potential for changing licence conditions, changes in scope or policy leading to increased cost of delivery, and unforeseen service management requirements, among others. Although the Group has in the past and will continue to rely upon contractual provisions, in the DCC contract as well as other contractual arrangements, to protect itself from additional costs that result from changes to the scope of contracted services, the scope of such services may change in such a way that the Group is unable to deliver in a timely and cost effective manner.

The revenues contracted for in the Group's orderbook may not be fully realised

The Group's orderbook of £5.0 billion as at 30 June 2018 represents the Group's estimate of the potential future revenues to be derived from awarded contracts. The calculation of the Group's orderbook is based on a number of assumptions and estimates, including assumptions related to the performance of certain of the Group's existing contracts as at a particular date, contract duration and the pass through of certain expenses, and certain inflation adjustments. While the Group's orderbook is presented as at 30 June 2018, by definition an orderbook does not provide a precise indication of the time period over which the Group is entitled to receive such revenue and there is no assurance that such revenues will be actually received by the Group in the time frame anticipated, or at all. The Group may fail to realise its entire orderbook in the future due to cancellations. Material cancellations against the orderbook value for the years ended 30 June 2017 and 2018 consist of one termination in the Digital Platforms division but replaced by a reduced service, resulting in a net impact of approximately £11.5 million and two terminations in the Telecoms & M2M business unit amounting to £3.9 million. These material cancellation figures do not take into consideration the impact of disposal of non-core business areas during this period. Although these cancellations were not material for the Group as a whole, there can be no assurance that the group will not experience significantly larger cancellations in the future. The realisation of the potential future revenues in its orderbook, and the Group's ability to expand or renew its orderbook in the future, will also be affected by the Group's performance under its existing contracts and its ability to meet its customers' operational needs and expectations. If the Group fails to successfully provide its services, its ability to realise its orderbook could be adversely affected in the longer term, particularly with respect to its key customers, which could materially affect its business, financial condition, results of operations and cash flows.

In addition, contracts for services are occasionally modified by mutual consent given that the Group receives change of scope requests in the ordinary course of business from its customers given the long-term nature of most of its contracts and the evolution of technological specifications, and the Group may be unable to pass through any additional costs from such changes in scope to its customers. Changes in the scope or schedule of the services the Group provides to its clients could adversely affect the Group's orderbook. Even where a project proceeds as scheduled, it is possible that the Group's customers may fail to pay amounts owed to the Group. Delays, renegotiations, payment defaults or project cancellations could therefore significantly reduce the amount of orderbook currently estimated, and consequently, could prevent the full amount of the Group's orderbook from being realised as revenues, which would in turn materially affect the Group's business, financial condition, results of operations and cash flows in the longer term.

The Group currently depends, and expects to continue to depend, upon a small number of customers for a significant percentage of its revenue under long-term contracts

The Group's two largest business units, Terrestrial Broadcast and Telecoms & M2M, derive a significant proportion of their revenue from a limited number of large customer contracts, many of which are long-term and have a high monetary value. The Group's top three customers (BBC, CTIL and MBNL) collectively represented approximately 34%, 38% and 39% of the Group's revenue for the years ended 30 June 2016, 2017 and 2018, respectively. Contracts with the Group's top three customers have historically extended for long-term periods, and are currently due to expire in 2019, 2024 and 2030 for MBNL, CTIL and the BBC (with regard to its DTT transmission contract), respectively. If any of these customers terminate or otherwise fail to renew their contracts with the Group, either due to conditions that are within the Group's control (such as poor performance), or conditions that are outside of the Group's control (such as technological developments rendering its infrastructure asset base obsolete), this could have a material adverse impact on the Group's business, financial condition and results of operations. Conditions which are within the Group's control include unremedied poor performance by the Group, for example a persistent failure to deliver DTT transmission service requirements under its contract with the BBC. Conditions outside of the Group's control include its infrastructure asset base becoming obsolete due to technological developments in the longer term, for example if the BBC is no longer required to use the DTT platform under the terms of its licence as a result of alternative platforms becoming more widely adopted or coverage obligations being reduced, or MNOs no longer requiring use of the Group's tower infrastructure due to a change of technology or a change in their network share strategies or any similar change, or other circumstances, including revisions to the BBC's Royal Charter or due to insolvency of the Group's counterparties. MBNL and CTIL have no rights to terminate without cause but any of these factors may affect their willingness to renew or the terms on which they would seek to renew. Broadcast customers may terminate their contracts with the Group, for any of the reasons provided above, upon providing notice to the Group, which notice periods may be, in some cases, immediately, and in other cases up to 18 months, depending on the specific termination conditions of a given contract, and such termination may give rise to early termination fees depending on the nature of the termination. In addition, due to the nature of the Group's infrastructure assets, the Group may be unable to secure alternative customers on comparable terms to replace those customers, or at all, if its key customers terminate or fail to renew their contracts.

Within the Digital Platforms division of the Terrestrial Broadcast business unit, the Group depends upon a small number of high-value contracts with UK commercial broadcasters. Revenue from the top five Digital Platforms customers represented 46% of the total revenue in the Digital Platforms division for the year ended 30 June 2018. Contract lengths within the Digital Platforms division tend to be shorter duration (typically three to six years) and hence require more frequent renegotiation, bringing associated pricing risk. The Group has a number of contracts coming up for renewal in the coming few years in the ordinary course of business, and the Group may not be able to renew such contracts on similar terms, or at all. The Group is one of only two commercial DTT Multiplex operators in the UK and has historically experienced low churn rates of approximately 2.5, 1.5 and 1.5 streams for the main Multiplexes (COM 5 and COM 6) in the years ended 30 June 2016, 2017 and 2018, respectively. However, there can be no assurance that the Group will be able to renew any contracts to provide its products or services to these customers on commercially attractive terms, or at all, if the attractiveness of the DTT platform were to deteriorate in the longer term. In addition, there can be no assurance that the Group will be able to sell any additional future capacity that becomes available on the Group's Multiplexes or secure a commercially acceptable rate.

Within the Telecoms & M2M business unit, the Group's revenues come largely from MNO customers and M2M customers. Revenue from the four UK MNOs comprised approximately 70% of the Telecoms & M2M business unit revenue whereas revenue from the DCC and Thames Water together represented 18% of total revenue of the Telecoms & M2M business unit, in each case for the year ended 30 June 2018. Because of concentration in the MNO market, the Telecoms division is heavily dependent on a small number of high-value contracts that typically run seven to ten years from when they were first signed, whereas the M2M contracts with the DCC and Smart Water can be up to 15 years from when they were first signed. The Group's significant Telecoms & M2M contracts include a contract with MBNL, the joint venture (**JV**) between Three UK and EE (running until December 2019 which includes a sub-set of sites the Group will manage until December 2024), an additional contract with EE (running until December 2018) and a contract with CTIL, the JV between Vodafone and O2 (running until July 2024). Together these contracts represented a large majority of the Group's site share revenue in the year ended 30 June 2018. The extension of the Group's contract with EE, which is also due for renewal after 31 December 2018, is under discussion. The Group's contract with MBNL contract has been extended for a further 12 months (to 31 December 2019) to allow time for renegotiation. As part of the MBNL contract renegotiation, MBNL is running a competitive tendering process for 1,375 sites currently being provided by the Group. There can be no guarantee that the Group will be able to renew the EE or MBNL contracts on favourable terms, or at all, and a failure to renew such contracts could adversely impact the Group. Many of the Group's MNO customers have faced and may continue to face increased cost pressure as a result of competition and economic conditions. Even if the volume of service demand from these customers does not decrease, such pressures may impact the Group's ability to provide services at existing prices, which may result in lower profit margins. As a result of competitive pressures, MNOs may seek to cut costs or pursue operational efficiencies through Radio Access Network (**RAN**) sharing, including through mast sharing, antenna sharing and network roaming, which may adversely affect demand for and the prices the Group is able to generate for leasing of space on its sites.

If any of the Group's key customers experience a general decline in demand due to economic or other forces or if any such customer is not satisfied with the services provided by the Group (resulting in a breach of SLAs or other factors), such a key customer may reduce the number of service orders it has with the Group, terminate its relationship with the Group (subject to certain early termination fees) or opt not to renew its contractual relationship with the Group upon expiration. As a result of these or other factors, if customers choose to cease using the Group's services or reduce their usage, or if significant customers negotiate lower price terms, it could have a material adverse impact on the Group's business, financial condition and results of operations.

The Group is exposed to changes in the creditworthiness and financial strength of its key customers

Due to the significance of a small number of customers for the Group's revenues and the long-term nature of its customer contracts, the Group depends on its customers' continued financial strength. Many of the Group's current and potential customers rely on capital raising activities to fund their operations and capital expenditures, and any significant downturn in the UK economy or disruption in the financial and credit markets could periodically make it more difficult and more expensive for them to raise capital. If, as a result of such an occurrence, the Group's customers or potential customers reduce their level of business activity, it could have a material adverse impact on demand for the Group's services. Furthermore, as a result of a prolonged economic downturn or otherwise, one or more of the Group's significant customers could experience financial difficulties or enter administration, which could result in uncollectable accounts receivable and have a material adverse impact on the Group's results of operations. In the past, the Group has had customers that have entered administration, although to date these administrations have not had a material adverse impact on the Group's business or revenues. The Group's customers could also, if faced with significant funding or credit problems, fail to maintain pace with the rate of technological change or consumer preferences, or could lose licences critical to their businesses, in each case limiting their need for or ability to purchase the Group's services and materially harming the Group's business and revenue. In addition, these factors could result in the loss of all or a portion of the Group's anticipated revenues from certain significant customers, which could have a material adverse impact on the Group's business, financial condition and results of operations.

If the Group is unable to provide uninterrupted or quality services, its reputation may be negatively affected, which could expose the Group to penalties and loss of important contracts

The Group depends on the efficient, uninterrupted and high-quality operation of its infrastructure and network systems. The Group's service offerings are often complex, depend on the successful integration of sophisticated in-house and third-party technology and services and must meet stringent quality requirements. In particular, the Group could incur contractual penalties if the Group's service is not in line with agreed SLAs. For example, under the Undertakings, if terrestrial broadcast service levels are deemed to be so poor, on a continuous basis, as to constitute a persistent failure, the Group would be required to make repayment to the affected customer of up to 10% of payments received in any one year under the affected contract or to provide equivalent service credits (which can be used to offset payment for services provided by the Group), or in more limited instances, terminate their contracts or activate break clauses that terminate the relationship prior to the completion of contracts. In addition to relying on the operation of its network systems, the Group also provides installation and construction services for passive equipment to key customers. If any of the Group's services, including installation services, has reliability or quality problems, its reputation could be damaged significantly and customers might be reluctant to employ its services, which could result in a decline in revenues or the loss of existing customers. Furthermore, should any of these requirements, the Undertakings, or SLAs be modified or updated in the future, there is no guarantee the Group would be able to satisfy them.

The Group has built a smart metering communication network as part of its 15-year contract signed in September 2013 with the DCC, a body licensed by statute and backed by the utility companies. The Group's smart metering communication network entered operational service throughout the UK following the completion of integration testing in November 2016. This system is a complex network and communications system. While it has undergone substantial testing by the Group and by the DCC, there remains a risk that not all defects have been found and therefore a number of defects may exist and remain in the production system. Any residual defects may require additional software development and lead to service outages or other operational issues. In addition, the roll-out of the service to consumers' homes may be subject to delays, unforeseen technical or potential challenges, or cost overruns. The Group has also contracted with Thames Water for the provision of smart metering fixed network infrastructure and associated water meters that enable the collection, management and transfer of metering data from households, which could also be subject to delays, cost overruns or adverse publicity. The successful execution of these contracts requires an efficient operation by the Group.

Should significant service disruptions occur in respect of these or other key projects, the Group could be subject to liability claims or litigation for damages related to such disruptions, including as a result of delays in connection with smart metering contract roll-outs, and loss of contracts or failure to extend or renew such contracts. If such litigation were to arise, regardless of its outcome, it could result in substantial expenses to the Group, significantly divert the efforts of the Group's technical and management personnel and disrupt or otherwise severely impact its relationships with current and potential customers. In addition, if any of the Group's services has reliability or quality problems, its reputation could be damaged significantly and customers might be reluctant to buy its services, which could result in a decline in revenues, a loss of existing customers or the failure to attract new customers. As a result, a service disruption or any reliability or quality issues and their consequences could have a material adverse impact on the Group's business, financial condition and results of operations.

The Group may not be able to effectively manage demand for its leased satellite transmission capacity

The Group relies upon third party satellite providers for the satellite capacity it sells to customers through its Satellite & Media business unit. While the Group aims to secure flexible satellite capacity contracts, it may be adversely affected if the amount of satellite capacity purchased by it does not align with capacity demand from the Group's customers. For example, if the Group has incorrectly assessed the demand for satellite capacity, it may be unable to sell such excess capacity on commercially acceptable terms or at all. Conversely, if the Group fails to ensure sufficient satellite capacity to meet the customer requirements, it may be subject to breach of contract claims, loss of customer relationships and reputational damage. In addition, if compression technology improves and becomes more prevalent, the Group's customers may not require as much capacity as anticipated, leading to a capacity surplus, and the Group may be unable to find additional customers to purchase the remaining capacity. If there is a significant consumer move towards IPTV or OTT, or the satellite TV platform operators change their distribution strategy from satellite to IP, demand for the Group's satellite capacity could be adversely affected. If the Group purchases either excess or insufficient satellite capacity, the resulting disparity could have a material adverse impact on the Group's business, financial condition and results of operations. The Group needs to periodically renew its existing leases with satellite providers and enter into additional leases for capacity in order to provide continuity of service to its existing customers, enter into contracts with new customers and expand its transmission service offerings. There can be no assurance, however, that the Group will be able to maintain its capacity on acceptable terms as needed to provide services to its customers, which would in turn materially affect the Group's business, financial condition, results of operations and cash flows.

The Group's estimates, assumptions and judgments underlying its forward-looking performance measures, including its Projected EBITDA, may prove inaccurate, and as a result the Group may be unable to successfully meet its expectations or achieve desired financial results

Various estimates are presented in this Offering Memorandum relating to the Group's forward-looking performance measures. The information in respect of the Group's forward-looking performance measures, including its Projected EBITDA, represent the Group's estimates only and should not be relied upon to predict or forecast actual medium and longer term results or future events. Such estimates and beliefs reflect a number of assumptions relating to future revenues, EBITDA, capital expenditures and working capital, any of which may not be borne out due to both known and unforeseen risks, uncertainties and other important factors beyond the control of the Group that could affect actual performance. Such forecasts, assumptions, estimates and valuations carry an inherent degree of uncertainty and may not take into account all relevant considerations. If the assumptions upon which the estimated data is based prove to be inaccurate, this may indicate lower than expected growth rates or a less favourable position of the Group in the market, which in turn may have a material adverse impact on the Group's actual results of operations and its business and financial condition in the medium and longer term.

The Group relies on third parties for key equipment, technology, site access and services, and the failure of third parties to properly provide services, products or access could adversely affect the quality of the services the Group offers

The Group depends upon third-party suppliers to provide key equipment, technology, services and access to sites or other real estate leased by the Group for the provision of services, certain of which is only available from a limited number of third parties. The Group does not have operational or financial control over its third party suppliers. If these third parties fail to provide equipment, technology, services or access to sites or other real estate leased by the Group for the provision of services on a timely basis, the Group may be unable to provide services to its customers until an alternative source can be found, which may not be available on favourable terms. This could result, for example, in programme slippage with direct service providers or cause the Group to fail to successfully deliver under its contracts, causing failures to meet SLAs, undertakings, reputational damage, damaging customer relationships, and an increased risk of contractual damages or non-renewal of key contracts or licences.

For example, the Group relies on two critical suppliers for the provision of smart metering technology, services and intellectual property. Sensus provides the radio system (Flexnet), the transceiver communications equipment at each site, the network control software and for Thames Water meters radio endpoints. EDMI provides the communications hub devices for each home for electricity & gas metering. If either or both companies cease trading, the Group may be unable to find suitable replacement suppliers on favourable terms or at all, and the Group may be unable to execute its smart metering contracts. The Group's smart energy metering contract is also dependent on the performance of the DCC and its other suppliers (the most important being Telefonica and CGI). If the DCC, Telefonica and/or CGI materially fail to meet their service obligations, the smart metering service may be disrupted or the entire programme (including the portion delivered by the Group) may be cancelled or suspended while improvements are implemented or replacements procured.

In addition, as certain of the markets in which the Group competes gain new entrants, it is possible that new or existing competitors of the Group may compete for similar services from suppliers that the Group uses, and may offer more favourable terms to particular suppliers than the Group. Additionally, it is possible that current vendors of services could become competitors, therefore competing as consumers of services they provide. Either of these occurrences could result in upward pricing pressure on these supply arrangements, as a result of which the Group may be unable to renew its contracts at all or at the same rate as in the past. If any of these contracts are terminated or the Group is unable to renew them on favourable terms or negotiate agreements for replacement services with other providers at comparable rates, this could have a material adverse impact on the Group's business, financial condition and results of operations.

Additionally, a significant percentage of the Group's wireless site portfolio in the Telecoms division for its site share business is on leased land or other real estate such as rooftops, and any failure to gain access to these sites could impair the Group's operations. Even where the Group has long-term leases with renewal rights, despite the form of security of tenure that can be provided by the Landlord & Tenant Act 1954 or Code Powers, there can be no assurance that landlords may not seek to dispute the terms of a lease or seek to terminate a lease before its term expires. Should such sites, including rooftop sites, cease to be available, the Group may have difficulty securing cost efficient alternative transmission sites, or may not be able to secure such alternative sites at all, which could have a material adverse impact on the Group's business, financial condition and results of operations.

The Group's ability to operate its business effectively could be impaired if it fails to attract and retain high quality personnel

The Group's ability to operate its business and implement its strategies depends, in part, on the continued contributions of its executive officers and other key employees. The loss of any of the Group's key senior executives could have an adverse effect on its business unless and until a suitable replacement is found. There is a relatively small pool of executives in the market with the requisite experience and skills to serve in the Group's senior management positions, and the Group may be unable to identify or employ qualified executives on acceptable terms.

In addition, the Group believes that its future success will depend on its continued ability to attract and retain highly skilled personnel with experience in its key business areas. These key employees have knowledge and skills that are critical to the Group's business, such as knowledge of key customer contracts, experience and engineering skills and know-how with the technologies that the Group uses, as well as familiarity with the Group's financial and contractual arrangements, and the Group is reliant on the retention or successful succession of such employees. Should the Group not be able to retain such employees or ensure a successful transfer of know-how to new employees, customer relationships or programme delivery may be damaged due to the loss of people with critical knowledge or skills. Competition for personnel with the requisite skill level and background is intense and the Group may not be able to successfully recruit, train or retain qualified personnel with these or other key skills. Should it fail to do so, or were the Group to lose certain of its key personnel, its business and growth prospects may be harmed and it could have a material adverse impact on the Group's business, financial condition and results of operations.

The Group may be adversely impacted by work stoppages and other labour matters

As of 30 June 2018, approximately 36% of the Group's employees were covered by collective bargaining agreements, including through the Broadcasting, Entertainment, Communications and Theatre Union (**BECTU**), the UK's media and entertainment trade union. Unionisation through BECTU requires consultation with BECTU for certain key labour-related business and administrative decisions, including restructuring. While the Group strives to maintain good relationships with its employees and their unions and has not had any work stoppages in many years, there can be no assurance that such relationships will continue to be cooperative or that it will not be affected by strikes or other types of conflict with labour unions and employees. The Group may not be able to renew its collective bargaining agreements on satisfactory terms or at all. This could result in strikes or work stoppages, which could impair the Group's ability to deliver the services it provides and result in a substantial loss of revenue. The terms of existing or renewed collective bargaining agreements could also significantly increase the Group's costs or negatively affect the Group's ability to increase operational efficiency.

In addition, many of the Group's customers and suppliers also have unionised workforces. Work stoppages or slowdowns experienced by the Group's customers could result in lower demand for its services and products. In the event that either the Group or one or more of its customers or suppliers experience a work stoppage, such work stoppage could have a material adverse impact on the Group's business, financial condition and results of operations.

The Group's infrastructure assets may be affected by natural disasters and other unforeseen events or damage

The Group's sites, satellite uplink stations and other facilities are subject to risks associated with natural disasters and other catastrophic events, such as ice and wind storms, tornadoes, floods, fires, hurricanes, earthquakes, power loss, telecommunications failures, network software flaws and acts of vandalism, arson, terrorism, or war, theft and fuel shortages as well as other unforeseen events or damage. Any damage or destruction to the Group's sites or other facilities, including major office or administrative facilities, as a result of these or other events would impact its ability to provide services to its customers. In the Terrestrial Broadcast business unit, the Group's DTT and radio masts, towers and other equipment may be affected by natural disasters and other catastrophic events. If the Group's Terrestrial Broadcast infrastructure is damaged, any disruption or reliability or quality issues could have a material adverse impact on the Group's business, financial condition and results of operations. In the Telecoms & M2M business unit, the Group's sites may be damaged as a result of natural disasters or other unforeseen events, which could lead to service disruption or an inability to deliver on the Group's contracts. For example, if the Group's towers fall or collapse, or if the Group's smart metering data centres are significantly damaged, the Group may be unable to provide services to its customers and may suffer reputational damage. In the Satellite & Media business unit, the satellites on which the Group relies may be damaged by unforeseen events or otherwise fail, which could lead to a disruption in services and the subsequent loss of reputation, customers or profits. Because the majority of the Group's satellite contracts are on a non-restorable basis, the Group does not have any rights to consequential damages if a satellite is damaged by an unforeseen event. Further, the Group's playout centre does not have a back-up site.

While the Group believes it maintains adequate insurance coverage for natural disasters and other catastrophic events and the Group has in place disaster recovery plans, it may not have adequate insurance to cover all of the associated costs of repair or reconstruction for a major future event. Further, the Group carries business interruption insurance that may cover the increased cost of operational service but would not cover lost revenues. If the Group is unable to provide services to its customers as a result of damage to its sites, it could lead to customer loss. Additionally, if the loss of service is not deemed due to an unforeseeable force majeure event, the Group could be held responsible for failing to satisfy service obligations under its transmission contracts, which could result in service credit penalties or suspension of normal fees and annual charges. As a result of such an impact on the Group's ability to provide services or customers' continued use of such services, a natural disaster or other unforeseen events could result in a material adverse impact on the Group's business, financial condition and results of operations.

The Group is subject to UK and global economic conditions

Negative developments in the macro-economic environment in which the Group operates could adversely impact the Group's business, financial condition and results of operations. The Group's performance depends to a certain extent on a number of macro-economic factors outside its control which impact consumer and commercial spending, including political, financial and economic conditions, particularly in the UK. Factors which impact consumers' disposable income include, among other things, UK gross domestic product growth, unemployment rates, consumer and business confidence, the availability and cost of credit, interest rates, taxation, regulatory changes, oil and utility prices and security concerns. Each of these factors could have an adverse effect on the Group's business, financial condition and results of operations.

In particular, Brexit has caused political and economic uncertainty regarding the future of the UK in domestic and international markets, a depreciation of the pound compared to other currencies, particularly the US dollar and the Euro, and has adversely impacted current trading in the UK, which could have a material effect on the Group's business, results of operations and financial condition. There is uncertainty as to how long it will take to negotiate the UK's withdrawal from the EU, which EU laws and regulations may continue to apply in the UK, and what changes there may be to the application of these laws and regulations. These developments, and the uncertainty surrounding them, have had and may continue to have a material adverse impact on economic conditions in the UK and the stability of UK financial markets. A general slow-down in the UK economy due to Brexit, or for other reasons, may negatively impact the Group's business, financial condition and results of operations.

The potential effects of a possible second referendum on Scottish independence could also have a materially adverse effect on the Group's business, financial condition and results of operations. As the Group is the exclusive provider of electricity and gas smart meters in the north of England and Scotland, any change in the political structure of the UK or Scotland could have a substantial regulatory effect. Currently, the Water Services Regulation Authority (**Ofwat**) and Ofgem are the national regulators of water smart metering and gas and electricity smart metering, respectively. If Scotland becomes independent from the UK, the Group would potentially be regulated by new Scottish national entities, if it were to continue its operations in Scotland. Further, the Group could face additional tax burdens or restrictions based on competition laws or regulations. There is still uncertainty as to whether a second independence referendum will be held, with the Scottish government last announcing in June 2017 that it would postpone legislation pertaining to the proposed second referendum until at least autumn 2018.

Any significant slowdown in the UK economy could lead to deterioration in consumer confidence and commercial spending, which could reduce the level of demand for the Group's services. In particular, there can be no assurance as to levels of future UK economic growth, which is an important factor affecting the demand for certain of the Group's services. For example, the growth of the telecommunications industry and demand for digital broadcast media and advertised products and services are tied to UK consumer discretionary spending. Mobile devices, telecom services, television, other products and services, and products and services advertised over these media may be viewed by consumers as conveniences rather than necessities. During times of economic uncertainty, consumers are more likely to curtail such purchases and expenses. Further, a downturn in the UK economy could reduce commercial spending, which could significantly impact the Group's DTT and DTH customers, where a significant percentage of revenue comes from TV advertising spend, and thereby impact the DTT and DTH customers' demand for the Group's broadcast capacity. As a result, the Group's business may be sensitive to changes in general economic conditions that impact discretionary consumer spending.

In addition, due to the current economic environment in the UK, there is a risk that third parties may face financial difficulties or become insolvent. The Group's significant customers or other counterparties could face limitations on access to credit, or be able to access credit only on unfavourable terms, which could curtail their expansion or growth plans and have a material adverse impact on the Group's business, financial condition and results of operations.

The Group is subject to stringent regulation relating to environmental protection and health, and if the Group is found to have not been in compliance with any portion of such applicable rules, the Group could be exposed to fines, increased costs, or sanctions, or could be liable for damages to third parties

The Group is subject to comprehensive regulation in the UK and at the EU level aimed at the protection of the environment and health. In certain cases, the construction of passive infrastructures may affect the landscape and the surrounding natural habitat, thereby causing changes to the relevant flora and fauna. In addition, the Group may face liability related to the presence of lead paint on structures, which may affect its older sites and larger structures. Inhalation of lead paint particles may produce health problems, such as lead poisoning, in workers or people in the vicinity of these structures. There is a risk that the actual or perceived health risk associated with structures containing lead paint could lead to litigation or hinder operation of existing infrastructure. In addition, the Group may face risks associated with the aboveground bulk storage of fuel for back-up diesel generators, which are present at many of its sites. Leaks or spills may cause soil or groundwater contamination, and sites may have areas of ground contamination due to historical use. Additionally, there is risk of asbestos exposure, as asbestos could be present in buildings constructed before 1990. There are approximately 6,000 sites where the Group has the "Duty Holder" liability under the Control of Asbestos Regulations. The Group discharges its duties under these Regulations by identifying the asbestos, maintaining information on the location and type of asbestos, monitoring the condition of the asbestos sites, and removing the asbestos where practical when building maintenance or refurbishment is undertaken. The potential total cost of remediation of contaminated sites is expected to be less than £1 million in aggregate. The Group may also face risks associated with working at height and with perceived or actual harm caused by electro-magnetic radiation.

While the Group intends to comply with applicable environmental legislation and regulatory requirements and believes that it is materially in compliance with these as at the date of this Prospectus, it is possible that such compliance may prove to be costly, or that the Group may fail to fully comply with applicable regulations. In addition to potential liability for environmental clean-up, the Group may become subject to monetary fines and penalties for violation of applicable environmental laws, regulations or administrative orders. This may also result in closure or temporary suspension at certain sites or adverse restrictions on the Group's operations. The Group may also, in the future, become involved in proceedings with various environmental authorities that may require it to pay fines, comply with more rigorous standards or other requirements or incur capital and operating expenses for environmental compliance. In addition, third parties may sue the Group for damages and costs resulting from environmental contamination emanating from its properties, or for damages arising while on the Group's properties.

In addition, the legislation currently in force in the UK and in particular the technical instructions that directly and/or indirectly apply to the Group's activities, are based, inter alia, on currently available scientific knowledge regarding the effects of exposure to electrical, magnetic and electromagnetic fields

(**EMF**). Public perception of possible health risks associated with telecommunications technology could slow the growth of wireless companies, which could in turn slow the Group's growth. In particular, negative public perception of, and regulations regarding, these perceived health risks could slow the market acceptance of telecommunication services and increase opposition to the development and expansion of sites. If the current regulatory framework is amended, it is possible that all the technical requirements applicable to the Group's activities will require an infrastructure upgrade in order to continue to operate in compliance with the applicable laws and regulations, thereby causing substantial and unexpected costs.

In addition, the potential connection between electromagnetic radiation and certain negative health effects has been the subject of substantial study by the scientific community in recent years, and numerous health-related lawsuits have been filed against wireless carriers and wireless device manufacturers in several countries. If a scientific study or court decision resulted in a finding that electromagnetic radiation poses health risks to consumers, it could negatively impact the market for wireless services, as well as the Group's customers, and it could have a material adverse impact on the Group's business, financial condition and results of operations. The Group's insurance with respect to the potential harm from electromagnetic radiation may not be sufficient to cover all or a substantial portion of its liability.

If the Group was to have not been in compliance with any portion of such applicable rules, the Group could be exposed to fines, be forced to face costs, and/or be liable for damages to third parties, all of which could be substantial. In addition, the Group could be found liable for damages related to alleged negative health effects arising out of exposure to EMF, which may occur regardless of compliance with the emission levels permitted by the then-applicable laws. Moreover, the Group could be subject to sanctions such as restrictions on its activities, the temporary shutdown of certain infrastructure sites or facilities, the obligation to move sites to other locations or various other restrictions on the Group's operations as a result of such non-compliance.

In certain areas, local associations or groups may oppose the construction or operation of the Group's infrastructure as a result of alleged negative effects on the relevant area and the landscape. Any such challenge filed with the competent authorities may prevent or delay the Group's development projects.

The occurrence of any of the events described above could have a material adverse impact on the Group's business, financial condition, results of operations or prospects.

The Group must comply with data protection regulations

The Group is subject to regulation regarding the use of personal data. The Group processes personal, customer, employee and other data as part of its business and therefore must comply with strict data protection and privacy laws. The Group seeks to ensure that procedures are in place to ensure compliance with the relevant data protection regulations by its employees and any third party service providers, and also implements security measures to help prevent cyber-theft. Notwithstanding such efforts, the Group is exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, stolen or processed in breach of data protection laws.

If the Group or any of the third party service providers on which it relies fail to store or transmit customer information in a secure manner, or if any loss or wrongful processing of personal customer data were otherwise to occur, the Group could be subject to investigative and enforcement action by relevant regulatory authorities, could be subject to claims or complaints from the person to whom the data relates, or could face liability under data protection laws. Any of these events could also result in reputational damage, which could have a material adverse impact on the Group's business, financial condition and results of operations.

In 2012 the European Commission published a proposal for a new General Data Protection Regulation (**GDPR**), which would replace the UK Data Protection Act 1998 (and the equivalent laws in other EU and EEA Member States) with an EU regulation having direct effect in the UK and all other EU and EEA Member States. The European Commission, European Parliament and the Council of Ministers agreed the GDPR on 15 December 2015, and the GDPR has applied from 25 May 2018. The GDPR has recently been transposed into UK law, by way of the new Data Protection Act 2018. The GDPR has increased compliance requirements and includes significant financial penalties of up to 4% of the annual worldwide turnover of company groups. Firms have two years from the adoption of the GDPR to implement all the necessary changes to their systems and operations in order to meet the new compliance requirements. The GDPR has increased the regulatory burden on the Group in processing personal, customer, employee and other data in the conduct of its business and while the Group has established procedures to ensure compliance with these regulations, breach of the GDPR may expose the Group to penalties. The Group has established a GDPR steering committee to oversee and monitor implementation of the new data protection rules and steps have been taken to promote awareness and understanding of this regime within the Group. Nevertheless, the Group cannot guarantee that it will be fully compliant with its obligations under the GDPR, and therefore the Group may be subject to regulatory action or financial penalties, which could also result in adverse publicity or reputational damage.

The Group must comply with anti-money laundering, anti-bribery and sanctions regulations

The Group is subject to various legal and regulatory requirements and risks in the countries in which it has facilities or operations, involving compliance with antitrust, anti-money laundering, anti-bribery and anti-corruption laws and regulations, including the US Foreign Corrupt Practices Act and the UK Bribery Act 2010 and sanctions imposed by international organisations or individual nations. Where applicable, these laws restrict or prohibit transactions with certain countries and with certain companies and individuals identified on lists maintained by the US government, the EU, various EU Member States and other governments.

Additionally, a set of sanctions was imposed on Qatar by the Kingdom of Saudi Arabia, the United Arab Emirates and Egypt followed by several other Arab states in June 2017. In particular, these countries have demanded that Qatar shut down the Al Jazeera network, one of the Group's customers in its Satellite business. These sanctions could negatively impact Al Jazeera, or result in its shutdown, which could in turn negatively impact the Group's business, financial condition and results of operations.

Although the Group believes that its current policies and procedures are sufficient to comply with applicable anti-money laundering, anti-bribery and sanctions rules and regulations, it cannot guarantee that such policies completely prevent situations of money laundering or bribery, including actions by the Group's employees, for which the Group might be held responsible. Any of such events may have severe consequences, including sanctions, fines and reputational consequences, which could have a material adverse impact on the Group's business, financial condition and results of operations.

The Group may be unable to deliver on its cost savings programme or achieve the expected efficiencies

The Group continues to implement a cost savings programme aimed at achieving efficiencies and reducing costs by optimising the Group's cost base and driving margin improvements. Although significant cost savings and margin improvements have been achieved since 2014 by reducing overhead and consolidating business units into a more efficient structure, among other initiatives, and management expects to continue to reduce costs improve margins in the future, any such initiatives may fail to deliver the intended savings or margin improvements going forward. In addition, in the year ended 30 June 2017, the Group launched a company-wide transformation programme called "FutureFit", aiming to streamline processes, modernise IT systems and achieve cost efficiencies. The efficiencies and other financial benefits expected from this programme rely on certain assumptions which could prove incorrect. There can be no guarantee that the Group will achieve its cost savings or margin improvement targets, and the Group's failure to do so could in turn materially affect its business, financial condition, results of operations and cash flows.

If telecommunication service providers consolidate or merge with each other to any significant degree, the Group's growth, revenue and ability to generate positive cash flows could be adversely affected

Consolidation of the UK wireless telecommunication industry could result in fewer wireless telecommunication networks, less infrastructure as operators seek to share the infrastructure they use and reduced capital expenditures due to the overlap in network coverage and in expansion plans. In case of any sharing or consolidation, certain parts of the Group's actual or potential customers' merged networks may be deemed to be duplicative by its customers and these customers may attempt to eliminate these duplications. The Group's future results of operations could be negatively impacted if a significant number of sites the Group provides are deemed duplicative and are eliminated from its ongoing contractual revenues and its growth prospects may be limited if such consolidations occur and eliminate what the Group currently believes to be potential markets for its services. Similar consequences might occur if telecommunication service providers seek to engage in extensive sharing, roaming or resale arrangements and thus provide their own sites to other operators as an alternative to licensing infrastructure from third-party operators such as the Group. Should MNO consolidation occur, it could result in overlapping site coverage, and the subsequent decommissioning of sites which have become redundant, including sites currently licensed from the Group. There can be no assurance that there will be no consolidation of UK wireless telecommunication operators in the future, which could decrease the Group's revenue or profit margin from key customers, could affect the timing of contract renewal discussions and could have a material adverse impact on the Group's business, financial condition and results of operations.

Various factors outside of the Group's control, such as inclement weather or an outbreak of contagious disease, may negatively impact employee productivity or restrict the Group's ability to access its sites for critical maintenance or other purposes

Various incidents beyond the Group's control, such as infectious diseases and subsequent government-imposed travel restrictions or inclement weather, may negatively impact employee productivity or restrict the ability of the Group's employees to reach critical sites or offices. For example, outbreaks of contagious diseases could adversely affect the UK economy and could lead to measures, including government-enforced quarantines or travel limitations that could restrict the Group's access to its infrastructure sites, which could impact the Group's ability to adequately maintain its operations. In addition, inclement weather, such as heavy snowfall, may obstruct access to sites. Such occurrences could also prevent access to the Group's offices or other critical facilities. If the Group cannot access its sites or other facilities, performance of maintenance or other essential business tasks could be impaired, which could have a material adverse impact on the Group's business, financial condition and results of operations.

The Group is exposed to risks in connection with funding of its pension commitments

The Group has defined benefit obligations in the UK pursuant to the Group's previous defined benefits plan, which is now closed to future accrual from 31 January 2016. Although the Group switched to a defined contribution arrangement (whereby the Group provides benefits to current employees through a defined contribution, shifting the investment risk on the employees with limited financial risks on the Group), the Group still has obligations under the previous plan. The Group's net pension obligations (consisting of pension obligations less pension plan assets and net of deferred tax), according to the latest triennial actuarial valuation for 30 June 2018, amounted to a net deficit of £18.3 million.

The Group's externally invested pension plan assets are invested via externally managed funds and insurance companies. Trustees of the trust fund, in consultation with the Group, generally prescribe the investment strategies applied by these funds, and thus the Group does not determine their individual investment allocations. The assets may be invested in different asset classes including equity, fixed-income securities, real estate and other investment vehicles. The values attributable to the externally invested pension plan assets are subject to fluctuations in the capital markets that are beyond the Group's influence. Unfavourable developments in the capital markets could result in a substantial coverage shortfall for these pension obligations, resulting in a significant increase in the Group's net pension obligations. In addition, deterioration in the Group's financial condition could lead to an increased funding commitment to the trustee, which could further exacerbate any financial difficulties the Group could face at such time. Any such increases in its net pension obligations could adversely affect the Group's financial condition due to an increased additional outflow of funds to finance the pension obligations. Also, the Group is exposed to risks associated with longevity and interest rate and inflation rate changes in connection with its pension commitments as an interest rate decrease or increase in longevity could have an adverse effect on its liabilities under these pension schemes. Furthermore, a strengthening of the regulatory funding regime could increase requirements for cash funding, demanding more financial resources to meet governmentally mandated pension requirements. The realisation of any of these risks could require the Group to make significant additional payments to meet its pension commitments, which could have a material adverse impact on the Group's business, financial condition and results of operations.

The Group's potential liability for distributing content broadcast by its customers over its network is uncertain. As a carrier of broadcast content, the Group could become liable for such content based on obscenity, defamation, negligence, copyright infringement, trademark infringement or other grounds

The Group's standard position reflected in contractual documentation provides that its customers are fully responsible for the content of their programming, for ensuring that the content conforms to all applicable governmental regulations and for obtaining any local regulatory approvals relating to their broadcasts. This documentation further provides that the Group is not liable if the satellite fleet operator requires it to suspend or terminate service for any reason relating to content. The Group's customers are generally required to indemnify it for any financial costs of governmental or third-party proceedings resulting from their content. Although the Group attempts to reduce its liability through contractual indemnification from its customers and disclaimers, there is no guarantee that the Group would be successful in protecting itself against this type of liability. Even if the Group were ultimately successful in such litigation, litigation would divert management time and resources, could be costly and is likely to generate negative publicity for the Group's business. The Group may also be forced to implement expensive measures to alter the way its services are provided to avoid any further liability, which in turn could have a material adverse impact on the Group's business, financial condition and results of operations.

Regulatory prohibition or limitation of the disposal of certain of the Group's central assets may reduce the value received or available for debtholders in a enforcement situation

The Group's ability to transfer or dispose of certain key assets is prevented or limited by regulation. Certain of the Group's terrestrial broadcast assets are subject to the Undertakings, which, among other requirements, prohibit the Group from transferring these assets or control over them outside of the Group without the prior written consent of the Office of Fair Trading. In addition, Ofcom's consent is required to transfer the Group's DTT and DAB Multiplex licences and Ofcom has the discretion to revoke these licences should there be a change of control of the licensor and Ofcom would not have granted the licence in the new circumstances. Because of these restrictions on its ability to transfer these assets, the Group may not be able to sell or otherwise dispose of them. Subsequently, the Group's ability to obtain full value, or any value at all, for these assets could be limited should the Group enter administration or otherwise be forced to liquidate its assets.

FINANCING RISKS

The Group's hedging programme may not adequately mitigate its exposure to fluctuations in interest rates or inflation

While the Senior Issuer and the Senior Borrower operate a hedging programme in accordance with the hedging policy of the Senior Issuer and the Senior Borrower, the Senior Issuer and the Senior Borrower are not required to fully or perfectly hedge their present or future interest rate or inflation exposure and may not in practice do so. The Senior Borrower and the Senior Issuer are subject to the creditworthiness of, and in certain circumstances early termination of the hedging arrangements with, either the Borrower Hedge Counterparties or the Issuer Hedge Counterparties (as defined in the Common Terms Agreement), respectively. Neither the Senior Issuer or the Senior Borrower nor any Issuer Hedge Counterparty or Borrower Hedge Counterparty shall have any obligation to take any action (or to cease to take any action) if any such Issuer Hedge Counterparty or Borrower Hedge Counterparty (as applicable) subsequently ceases to satisfy the Minimum Rating Agency Requirements (as defined in the Common Terms Agreement) which applied on the date of entry into the relevant Senior Issuer Hedge or Senior Borrower Hedge (as applicable).

The Group's significant debt obligations could limit its flexibility in operating its business and expose it to additional risks

The Group is highly leveraged and has significant debt service obligations. As of 30 June 2018, the Group's aggregate net senior and junior borrowings were £2,892.0 million and, after giving *pro forma* effect to the offering of the Notes hereby and the use of proceeds, the Group's net senior and junior borrowings would have been £2,942.8 million. In addition, the Group may incur further indebtedness under the Senior Transaction Documents.

The Group's ability to make scheduled payments on time and to refinance its debt and to fund future operations and capital expenditures will depend on the Group's future operating performance and ability to generate sufficient cash. This depends, to some extent, on general economic, financial, competitive, market, legislative, regulatory and other factors, many of which are beyond the Group's control, as well as the other factors discussed in this "*Risk Factors*" section and elsewhere in this Offering Memorandum. The Group cannot assure investors that its business will generate sufficient cash flows from operations, that currently anticipated cost savings, revenue and earnings growth and operating improvements will be realised or that future debt and equity financing will be available to the Group in an amount sufficient to enable it to pay the principal, premium, if any, and interest on the Group's indebtedness, including the Notes and the Senior Notes, and the Group's other indebtedness and hedging or to fund its other liquidity needs. The Group's continued access to debt financing as a source of funding for its operations and for refinancing maturing debt is subject to many factors, many of which are outside the Group's control. For example, interest rate fluctuations, an economic downturn, social unrest or changes in the UK regulatory environment or broadcasting and telecommunications industry structure (such as technological change or reduction in spectrum available) which weaken the strength of the Group's competitive position or prospects could increase the Group's cost of borrowing or restrict the Group's ability to obtain debt financing. In addition, disruptions in global capital and credit markets, such as the ones that began in the second half of 2008 as a result of uncertainty or failures of significant financial institutions or the ones that followed the Brexit referendum, could adversely affect the Group's access to financing. The Group cannot guarantee that it will be able to arrange financing on acceptable terms, if at all. The inability of the Group to obtain financing from banks and other financial institutions or from capital markets would have a material adverse effect on its business, financial condition and results of operations.

The Group's high degree of leverage may have important consequences for investors in the Notes. For example, it could:

- require the Group to dedicate a substantial portion of its cash flow from operations to required payments on indebtedness under the Senior Transaction Documents and the Transaction Documents, thereby reducing the availability of cash flow for working capital, capital expenditures and other general corporate activities;
- subject to the covenants under the Common Terms Agreement, restrict the Group's ability to make certain strategic acquisitions, exploit new business opportunities or dispose of certain assets;
- subject to the covenants under the Common Terms Agreement, restrict its ability to obtain additional financing, or draw on existing facilities, for working capital, capital expenditures and other general corporate activities;
- subject to the covenants under the Common Terms Agreement relating to the Group's debt, limit its flexibility in planning for, or reacting in planning for, or reacting to, changes in its business and the industry in which it operates;
- require the Group, subject to the covenants under the Common Terms Agreement, to sell or otherwise transfer assets used in its business in order to fund its debt service obligations;
- increase the Group's cost of borrowing;
- make the Group more vulnerable than its competitors to the impact of economic downturns and adverse developments in its business; and
- place the Group at a competitive disadvantage against any less leveraged competitors, including forcing the Group to forego certain business opportunities.

Moreover, if the Group's future cash flows from operations and other capital resources are insufficient to pay its obligations as they mature, to fund its liquidity needs or enable the Group to meet its financial covenants, the Group may be forced to:

- reduce or delay its business activities and capital expenditures;
- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of its debt, including the Notes, on or before maturity.

The Group cannot guarantee that it would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. Any failure to make payments of interest and principal on the Group's outstanding indebtedness or meet financial covenants under the Liquidity Facility Agreement on a timely basis would likely result in a reduction of the credit rating of the Notes, which could also harm the Group's ability to incur additional indebtedness or refinance existing debt. In addition, any refinancing of the Group's debt could be at higher interest rates and may require the Group to comply with more onerous covenants, which could further restrict the Group's business operations. There can be no assurances that any assets which the Group could be required to dispose of can be sold or that, if sold, the timing of such sale and the amount of proceeds realised from such sale will be acceptable.

The occurrence of any of these events could have a material adverse effect on the Group's business, financial condition and results of operations.

The Obligors may incur additional indebtedness, including incorporating or acquiring subsidiaries and incurring debt at such subsidiaries, which could increase their risk exposure from debt and could decrease the Noteholders' share in any proceeds.

Subject to restrictions in the Conditions and the Liquidity Facility Agreement, the Obligors may incur additional indebtedness, which could increase the risks associated with the Group's already substantial indebtedness. The Obligors have the ability to borrow up to £20 million of committed financing under the Liquidity Facility, and any such borrowings will be senior secured indebtedness, and will receive proceeds from an enforcement action on the Collateral prior to the Notes.

The Obligors may incur substantial additional indebtedness in the future, including under the fixed charge coverage ratio under the Notes. The Obligors may also secure such indebtedness so long as the Group's net senior secured leverage ratio is no more than 6.5 to 1.0. The Obligors may incorporate or acquire subsidiaries in the future and such subsidiaries may also be able to incur indebtedness, further increasing the risks associated with the Group's substantial leverage. Any indebtedness that is incurred at such subsidiary level would be structurally senior to the Notes, as such subsidiaries do not guarantee the Notes. Additionally, the Obligors could raise additional debt that could be secured or could mature prior to the Notes. Although the Conditions and Liquidity Facility Agreement will contain restrictions governing the incurrence of additional indebtedness, the restrictions are subject to a number of qualifications and exceptions and, under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. In addition, the Conditions and the Liquidity Facility Agreement will not prevent the Obligors from incurring obligations that do not constitute indebtedness under those agreements.

The Group will need to refinance some of its debt as it matures and may need additional financing to cover capital expenditure and certain other expenses. The Group can provide no assurance that such financing will be readily available or on attractive or historically comparable terms or that the cost of such financing will not have a material adverse effect on the Group's business, financial condition and results of operations

The Group will need to raise further debt from time to time in order, among other things, to:

(a) finance future capital expenditure; and

(b) enable it to refinance existing senior debt, junior debt and other debt.

See "*—Business and Industry Risks—The Group is exposed to certain risks in respect of the development, expansion and maintenance of its broadcast and wireless telecommunications infrastructure, including the need for on-going capital expenditure, which could have a material adverse impact on its business, financial condition and results of operations*".

There can be no assurance that the Group will be able to raise future finance on terms that are economically viable or at all.

The Group's hedging contracts expose the Group to contingent liabilities that are volatile and may crystallise into cash obligations in the future

The Group holds interest rate swaps (with an aggregate notional amount of £1.5 billion as at 30 June 2018), inflation-linked swaps (with an aggregate notional amount of £1.3 billion as at 30 June 2018) and cross-currency swaps (with an aggregate GBP equivalent notional amount of £0.2 billion as at 30 June 2018) to hedge its interest rate, inflation rate and/or foreign exchange exposure. The Group maintains a hedging policy to manage interest rate and foreign exchange risk and to ensure the certainty of future interest (and, in the case of non-sterling denominated debt, principal) cash flows in order to service and repay its debt. This involves entering into derivative contracts that may require the Group to fund cash payments in connection with the early termination of any such contracts. Such early termination payments are principally likely to arise if the Senior Borrower or the Senior Issuer (as applicable) fails to make timely payments of amounts due under the relevant swap(s), upon the insolvency of a member of the Group or acceleration of the WBS obligations, or the debt to which such swap relates is prepaid, repaid or redeemed early, or the hedge counterparty defaults in respect of its obligations under the relevant swap, or, in respect of £0.2 billion notional amount of the inflation-linked swaps, on the mandatory break date falling in 2023, and so are contingent in nature. The extent of these liabilities depends on financial market conditions and expectations of future rate movements at the time of early termination that are beyond the Group's control (i.e. the fair value of the relevant swap(s) at the time of determination). The Group has disclosed in its financial results for the period ending 30 June 2018, a fair value of £1.0 billion for the

Group's IRS, ILS and cross currency swaps (as shown in Note 25 of the Group's consolidated financial statements for the year ended 30 June 2018 included in this Offering Memorandum). This comprised £297.7 million for the IRS and £755.1 million for the ILS. As at 30 June 2018, the present value of adding one basis point (**PV01**) to the rate payable was estimated by the Group to be £1.8 million for ILS and £0.6 million for IRS. The PV01 represents the present value of adding one basis point to the fixed rate payable by the Senior Borrower, and is a function of interest rates and time (which means that the PV01 will vary from time to time). The Group's ability to fund these contingent liabilities will depend on the liquidity of the Group's assets and access to capital at the time, and the need to fund these contingent liabilities could adversely impact the Group's financial condition. For further details see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Off Balance Sheet Arrangements*".

Although the Issuer may have funds available to it under the Liquidity Facility, it may not be sufficient or it may be unavailable to cover shortfalls in the Obligors' ability to make payments under the Notes

Pursuant to the terms of the Liquidity Facility Agreement, the Issuer will make and apply the drawings under the Liquidity Facility Agreement in order to service interest payable in respect of the Notes and repay loans which are required to be repaid under the Liquidity Facility, as more fully described in the section "*Summary of the Transaction Documents—Liquidity Facility Agreement*". However, there is no assurance that any such shortfalls will be met in whole or in part by amounts available under the Liquidity Facility Agreement. In addition, the Issuer is exposed to the risk of a Liquidity Facility Provider becoming insolvent. In such circumstances, insufficient funds may be available to the Issuer to pay in full interest due on the Notes.

Modifications, waivers and consents in respect of the enforcement of the Transaction Security may be made without the knowledge or consent of individual Noteholders

The Intercreditor Agreement provides that the Security Trustee shall seek the approval of the Noteholders and the other relevant Secured Creditors on certain matters, as a condition to concurring in making modifications to or granting consents or waivers under the Intercreditor Agreement and the Transaction Security or to the enforcement of the Transaction Security. It is possible that the interests of the other Secured Creditors will not be aligned with the interests of the Noteholders and therefore there can be no assurance that any such modification, consent or waiver or enforcement action taken will be favourable to all Noteholders. In the case of modifications, consents or waivers, such changes may be detrimental to the interests of some or all Noteholders, despite the ratings of such Notes being affirmed. Therefore, Noteholders alone may not be able to control the outcome of any particular approval or enforcement process and it is possible that the Security Trustee may be given an instruction which is not in the interests of Noteholders.

The Note Trust Deed and the Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Note Trust Deed and the Conditions also provide that, subject to the provisions of the Intercreditor Agreement, the Note Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that an Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in *Condition 9 (Events of Default)*.

LEGAL RISKS

A change in English law may adversely affect Noteholders

The conditions of the Notes are based on English law in effect as at the date of this Offering Memorandum. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Memorandum. It is possible that changes in law or regulations, or their interpretation or application, after the date of this Offering Memorandum may result in the transaction as originally structured no longer having the effect anticipated.

The validity of subordination provisions under English law is uncertain

There is uncertainty as to the validity and/or enforceability of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor. In particular, recent cases have focused on provisions involving the subordination of a hedging counterparty's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such counterparty (so-called "flip clauses").

The English Supreme Court has held that a flip clause as described above is valid under English law. Contrary to this, however, the U.S. Bankruptcy Court has held that such a subordination provision is unenforceable under U.S. bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a U.S. bankruptcy of the counterparty. The implications of this conflict remain unclear as of the date of this Offering Memorandum.

If a creditor of the Issuer or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales (including, but not limited to, the U.S.), and it is owed a payment by the Issuer, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English law governed Transaction Documents. In particular, based on the decision of the U.S. Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under U.S. bankruptcy laws. Such laws may be relevant in certain circumstances with respect to a range of entities which may act as hedging counterparty, including U.S. established entities and certain non-U.S. established entities with assets or operations in the U.S. (although the scope of any such proceedings may be limited if the relevant non-U.S. entity is a bank with a licensed branch in a U.S. state).

In general, if a subordination provision included in the Transaction Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Noteholders, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

Lastly, given the general relevance of the issues under discussion in the judgments referred to above and that the Transaction Documents will include terms providing for such subordination, there is a risk that the final outcome of the dispute in such judgments (including any recognition action by the English courts) may result in negative rating pressure in respect of the Notes. If any rating assigned to the Notes is lowered, the market value of the Notes may decline.

TAX RISKS

The Group may incur tax liabilities arising from potential changes in applicable tax law and practice

The statements in relation to taxation set out in this Offering Memorandum are based on current law and the practice of the relevant authorities in force or applied at the date of this Offering Memorandum. Any changes in such law or practice might have an adverse effect on the financial position of the Issuer or the Guarantors.

Withholding tax in respect of the Intercompany Loan Agreement could have a material adverse effect on the Issuer's ability to make timely payments under the Notes

All payments made under the Intercompany Loan Agreement can be made without deduction or withholding for or on account of any UK tax. In the event that, for example as a result of a change in tax law, any withholding or deduction for or on account of tax is required to be made from any payment due to the Issuer under the Intercompany Loan Agreement, the amount of that payment will be increased so that, after such withholding or deduction has been made, the Issuer will receive a cash amount equal to the amount that it would have received had no such withholding or deduction been required to be made. If the Intercompany Borrower is obliged to increase any sum payable under any Intercompany Loan corresponding to the Notes by it to the Issuer as a result of the Intercompany Borrower being required to make a withholding or deduction from that payment, the Intercompany Borrower will have the option (but not the obligation) to prepay all such outstanding Intercompany Loans made under the Intercompany Loan Agreement in full. If the Intercompany Borrower chooses to prepay such Intercompany Loans under the Intercompany Loan Agreement, the Issuer will then be required to redeem the Notes. Such redemption would be for the outstanding principal amount, together with accrued but unpaid interest. If the Intercompany Borrower does not have sufficient funds to enable it to either repay the Intercompany Loan Agreement or to make increased payments to the Issuer, the Issuer's ability to make timely payments of interest and principal under the Notes could be adversely affected.

INSOLVENCY AND ENFORCEMENT CONSIDERATIONS

Floating charges given by the Issuer or the Guarantors may be deemed invalid for lack of consideration which would hinder the appointment of an administrative receiver

Section 245 of the Insolvency Act 1986 provides that, in certain circumstances, a floating charge granted by a company may be invalid in whole or in part. If a floating charge is held to be wholly invalid then it will not be possible to appoint an administrative receiver of such company and, therefore, it will not be possible to prevent the appointment of an administrator of such company. The risk is, if a liquidator or administrator is appointed to the Issuer or any Guarantor within a period of two years (the **relevant time**) commencing upon the date on which the Issuer or that Guarantor, as the case may be, grants a floating charge, the floating charge granted by the Issuer or that Guarantor, as the case may be, will be invalid pursuant to Section 245 of the Insolvency Act 1986 except to the extent of the consideration received by the relevant charger at the time of or after the creation of the floating charge. The Issuer will have received consideration (namely, the Issuer will issue Notes and will receive the subscription monies therefor) and AF No 2 will have received such consideration by drawing under the corresponding Intercompany Loan. As such, during the relevant time the floating charge granted by the Issuer will be valid to the extent of the amount of Notes issued by the Issuer and the floating charge granted by AF No 2 will be valid to the extent of the amount drawn by AF No 2 under the corresponding Intercompany Loan. After the relevant time it will not be possible for the floating charges granted by each of the Issuer or the Guarantors to be invalidated under Section 245 of the Insolvency Act 1986.

The ability of the Secured Creditors to appoint an administrative receiver may be hindered by the application of the Enterprise Act 2002 in respect of floating charges

The provisions of the Enterprise Act 2002 (the **Enterprise Act**) restrict the right of the holder of a floating charge to appoint an administrative receiver (unless the security was created prior to 15 September 2003 or an exception applies) and instead give primacy to collective insolvency procedures (in particular, administration).

The Insolvency Act 1986 contains provisions that continue to allow for the appointment of an administrative receiver in relation to certain transactions in the capital markets. The relevant exception provides that the appointment of an administrative receiver is not prohibited if it is made in pursuance of an agreement which is or forms part of a capital market arrangement (as defined in the Insolvency Act 1986) under which a party incurs or, when such agreement was entered into was expected to incur, a debt of at least £50,000,000 and if the arrangement involves the issue of a capital market investment (also defined in the Insolvency Act 1986, but generally a rated, listed or traded debt instrument). Whilst there is no case law, as yet, on how these provisions will be interpreted, it should be applicable to floating charges created by the Issuer and the Guarantors. However, as this issue is partly a question of fact, were it not possible to appoint an administrative receiver in respect of one or more of the Issuer and the Guarantors, they would be subject to administration if they were to become insolvent.

The UK Secretary of State may, by secondary legislation, modify the exceptions to the prohibition on appointing an administrative receiver and/or provide that the exception shall cease to have effect. No assurance can be given that any such modification or provision in respect of the capital market exception, or its ceasing to be applicable to the transactions described in this Offering Memorandum, will not be detrimental to the interests of the Noteholders.

Restrictive covenants in the Transaction Documents may adversely affect the operations of the Group

The Transaction Documents to be entered into limit the Issuer and Guarantors' ability, among other things, to:

- incur indebtedness;
- provide guarantees;
- make investments;
- incur liens;

- make certain restricted payments, including dividends or other distributions;
- make acquisitions;
- make disposals; or
- merge or consolidate with another company.

In addition, the Conditions will restrict the ability of the Senior Obligors to, among other things:

- make investments or acquire any business;
- make disposals; or
- make certain modifications to the restricted payments or permitted business covenants in the Common Terms Agreement.

Furthermore, the Conditions will restrict the ability of members of the Group (that are not the Issuer or the Guarantors) to make restricted payments.

All of these limitations will be subject to significant exceptions and qualifications, including intra-Group transactions. See "*Terms and Conditions*" and "*Summary of the Transaction Documents—Liquidity Facility Agreement*". The covenants to which the Group is subject could limit its ability to finance future capital needs and to pursue business opportunities and activities that may be in its interest.

In addition, a breach of any of these restrictive covenants or the inability to comply with the financial covenants under the Liquidity Facility could result in an Event of Default.

The holders of the Notes may not control certain decisions regarding the Collateral.

The Note Trustee is party to the Intercreditor Agreement with, among others, the Security Trustee and representatives of the other senior debt secured by the Collateral, including the Liquidity Facility. Among other things, the Intercreditor Agreement governs the enforcement of the Security Documents, the sharing of any recoveries from such enforcement among such creditors and the release of the Collateral by the Security Trustee. The Conditions will provide that each holder of Notes, by accepting a Note, will be deemed to have agreed to be bound by the terms of the Intercreditor Agreement and the Security Documents.

Pursuant to the voting provisions set forth in the Intercreditor Agreement, the lenders under the Liquidity Facility Agreement, counterparties to super senior hedging agreements and any other future debt or hedging obligations which are classed in the Intercreditor Agreement as super senior liabilities (the **Super Senior Creditors**) will have effective control with respect to the Collateral. The Intercreditor Agreement provides that a common security agent will serve as Security Trustee for the secured parties under the Liquidity Facility and the Notes with respect to the shared Collateral. In the event that the shared Collateral has become enforceable, the Security Agent shall enforce or refrain from enforcing such Collateral on the instructions of (a) the majority (more than 66.7% by value) of the Super Senior Creditors and (b) the majority (more than 50% by value) of the holders of the Notes and other *pari passu* creditors (if any).

Further, disputes may occur between the holders of the Notes and the Super Senior Creditors as to the appropriate manner of pursuing enforcement remedies and strategies with respect to the shared Collateral. If the Super Senior Creditors or the holders of the Notes wish to instruct the Security Trustee to enforce the Collateral they must firstly consult with each other and with the Security Trustee in good faith for a period of 10 Business Days, subject to certain exceptions. If at the end of the consultation period the Security Trustee still receives conflicting instructions from the majority Super Senior Creditors and from the holders of a majority of the aggregate principal amount of the Notes and *pari passu* indebtedness, then, to the extent instructions from the holders of the Notes and the *pari passu* creditors are given in accordance with the Intercreditor Agreement, the Security Trustee will comply with such instructions, provided that, if the liabilities owed to the Super Senior Creditors have not been fully and finally discharged in cash within six months of the end of the consultation period or if no enforcement has occurred within three months of the end of the consultation period, the instructions of the majority Super Senior Creditors will prevail.

The Super Senior Creditors may have interests that are different from the interests of holders of the Notes and they may elect to pursue their remedies in respect of the shared Collateral at a time and in a manner which would otherwise be disadvantageous for the holders of the Notes to do so.

In addition, if the Security Trustee sells Collateral comprising shares as a result of an enforcement action in accordance with the Intercreditor Agreement, related claims under the Notes and the Guarantees and related liens over any other assets securing the Notes and the Guarantees may be released. See "*Summary of the Transaction Documents—Intercreditor Agreement*".

The holders of the Notes may be limited in their ability to take enforcement action in respect of the Collateral.

The security interests in the Collateral that will secure the obligations of the Issuer under the Notes and the obligations of the Guarantors under the Guarantees will not be granted directly to the holders of the Notes, but will be granted only in favour of the Security Trustee. The Intercreditor Agreement and the Conditions will provide that, to the extent permitted by applicable law, only the Security Trustee has the right to enforce the Security Documents relating to the Collateral on behalf of the Note Trustee and the holders of the Notes. As a consequence of such contractual provisions, holders of the Notes will not have direct security interests in the Collateral and be barred from taking enforcement action in respect of the Collateral securing the Notes, except through the Note Trustee who will (subject to the provisions of such Indenture) provide instructions to the Security Trustee.

In addition, the ability of the Security Trustee to enforce the security interests is subject to mandatory provisions of the laws of each jurisdiction in which security interests over the Collateral are taken. For example, the laws of certain jurisdictions may not allow for the appropriation of certain pledged assets, but require a sale through a public auction and certain waiting periods may apply. There is some uncertainty under the laws of certain jurisdictions as to whether obligations to beneficial owners of the Notes that are not identified as registered holders in a security document will be validly secured.

The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations under the Notes.

The Collateral will secure on a first-ranking basis the Obligors' obligations under the Notes, the Liquidity Facility and certain hedging agreements. The Collateral may also secure additional debt to the extent permitted by the terms of the Conditions, the Liquidity Facility Agreement and the Intercreditor Agreement. The rights of holders of the Notes to the Collateral may be diluted by any increase in the first-ranking debt secured by the Collateral.

No appraisals of any Collateral have been prepared in connection with the offering of the Notes. The value of the Collateral and the amount to be received upon an enforcement of such Collateral will depend upon many factors, including, among others, the ability to sell the Collateral in an orderly sale, whether or not the business is sold as a going concern and the general economic conditions of and the availability of buyers. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. All or a portion of the Collateral may be illiquid and may have no readily ascertainable market value. Likewise, the Obligors cannot assure Noteholders that there will be a market for the sale of the Collateral, or, if such a market exists, that there will not be a substantial delay in its liquidation. In addition, the pledges, shares and ownership interests of an entity may be of no value if that entity is subject to an insolvency or bankruptcy proceeding.

The Issuer and the Guarantors will have control over certain of the Collateral, and the operation of the business or the sale of particular assets could reduce the pool of assets securing the Notes.

The Security Documents allow the Issuer and the Guarantors to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from, certain of the Collateral. So long as no default or event of default under the Conditions would result therefrom, the Issuer and the Guarantors, may, among other things, subject to the terms of the Security Documents and the Intercreditor Agreement (as applicable), without any release or consent by the applicable Note Trustee or the Security Trustee, conduct ordinary course activities with respect to the Collateral such as selling, modifying, factoring, abandoning or otherwise disposing of the Collateral and making ordinary course cash payments, including repayments of indebtedness. Any of these activities could reduce the value of the Collateral, which could reduce the amounts payable to you from the proceeds of any sale of the Collateral in the case of an enforcement of the liens on the Collateral.

It may be difficult to realize the value of the Collateral.

The Collateral securing the Notes will be subject to exceptions, defects, encumbrances, liens, loss of legal perfection and other imperfections permitted under the Conditions and the Intercreditor Agreement and accepted by other creditors that have the benefit of first-ranking liens in the Collateral from time to time, whether on or after the date the Notes are first issued. The existence of any such exceptions, defects, encumbrances, liens, loss of legal perfection and other imperfections could adversely affect the value of the Collateral, as well as the ability of the Security Trustee to realize or foreclose on such Collateral. Furthermore, the first-ranking liens can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or recharacterization under English law.

The security interests of the Security Trustee will be subject to practical problems generally associated with the realization of security interests in collateral. For example, the Security Trustee may need to obtain the consent of a third party (including, without limitation, relevant governmental agencies, e.g., relevant competition authorities) to enforce a security interest. We cannot assure you that the Security Trustee will be able to obtain any such consents. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Trustee may not have the ability to foreclose upon those assets, and the value of the Collateral may significantly decrease.

The rights of holders of the Notes may be adversely affected by the failure to perfect security interests in the Collateral.

Under English law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security. The liens in the Collateral may not be perfected with respect to the claims of the Notes if the Obligors or the Security Trustee fail or are unable to take the actions required to perfect any of these liens. In addition, English law provides that a security interest over certain property and rights acquired after the grant of a general security interest, such as real property, equipment subject to a certificate and certain proceeds, can only be perfected at or promptly following the time such property and rights are acquired and identified.

The Note Trustee and the Security Trustee will not monitor, and we may not comply with our obligations to inform the Note Trustee or Security Trustee of, any future acquisition of property and rights by us, and the necessary action may not be taken to properly perfect the security interest in such after acquired property or rights. Such failure may result in the invalidity of the relevant security interest in the Collateral or adversely affect the priority of such security interest in favour of the Notes against third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral.

The granting of the security interests in connection with the issuance of the Notes or the incurrence of permitted debt in the future may create or restart hardening periods.

The granting of security interests to secure the Notes and the Guarantees may create hardening periods for such security interests in certain jurisdictions. The granting of shared security interests to secure future indebtedness permitted to be secured on the Collateral may restart or reopen such hardening periods in particular, as the Conditions will permit the release and retaking of security granted in favour of the Notes in certain circumstances including in connection with the incurrence of future indebtedness. The applicable hardening period for these new security interests can run from the moment each new security interest has been granted, perfected or recreated. At each time, if the security interest granted, perfected or recreated were to be enforced before the end of the respective hardening period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it. To the extent that the grant of any security interest is voided, holders of the Notes would lose the benefit of the security interest. The same rights and risks also will apply with respect to future security interests granted in connection with the accession of further subsidiaries as additional Guarantors and the granting of security interests over their relevant assets and equity interests for the benefit of holders of the Notes.

There are circumstances other than repayment or discharge of the Notes under which the applicable Collateral or Guarantees will be released automatically without your consent or the consent of the Trustee.

Under various circumstances, the Collateral will be released, including:

- upon the later to occur of the discharge of all liabilities owing to the Pari Passu Creditors and the discharge of all liabilities owing to the Super Senior Creditors;
- upon a non-distressed disposal under the Intercreditor Agreement; and
- in connection with any sale or other disposition of Collateral in connection with a Permitted Transaction.

See "*Summary of the Transaction Documents—Intercreditor Agreement—Release of the Guarantees and Transaction Security*".

The Security Trustee will not monitor the Obligors' compliance with warranties and covenants or the occurrence of Events of Default; Events of Default may occur without the knowledge of the Security Trustee or the Note Trustee (as applicable) if the Security Trustee or the Note Trustee (as applicable) does not receive notice of such event

The Intercreditor Agreement provides that the Security Trustee will be entitled to assume, unless it has received notice to the contrary) that no Event of Default has occurred. The Security Trustee will not itself monitor whether any such event has occurred. In addition, the Conditions of the Notes provide that the Note Trustee is not responsible for monitoring compliance by the Issuer and the Guarantors with any of their obligations under the Notes, the Note Trust Deed and the other Transaction Documents except by means of receipt of a certificate from the Issuer which will state, among other things, that no Event of Default is outstanding. The Note Trustee will not itself monitor whether any such event has occurred.

Creditors under the Liquidity Facility and certain debt that the Obligors may incur in the future will be entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to the Notes.

The Notes will, as far as is possible under law, be secured by the same Collateral that secures, on a first-ranking basis, the Obligors' obligations under the Liquidity Facility and certain hedging obligations. The Conditions will also permit the same Collateral to be pledged on a *pari passu* basis with the Notes, to secure additional indebtedness in accordance with the terms thereof and the Intercreditor Agreement. The Intercreditor Agreement limits the amount of hedging that can be "super-priority" hedging.

In the event of enforcement of the Collateral securing the Notes, pursuant to the Intercreditor Agreement, the liabilities under the Liquidity Facility Agreement, as well as certain hedging obligations permitted to be incurred in accordance with the Conditions and classed in the Intercreditor Agreement as super senior liabilities and any other future debt or hedging obligations which are classed in the Intercreditor Agreement as super senior liabilities, will have priority over the Notes in respect of any amounts received from the sale of the Collateral pursuant to an enforcement action taken with respect to such Collateral. Additionally, certain liabilities or obligations may have priority over or rank *pari passu* with the Notes in respect of any amounts received from the sale of the Collateral due to the rules of the applicable laws (including, without limitation, costs of enforcement actions, tax liabilities, liabilities to employees of a bankrupt entity and fees payable to agents, attorneys and receivers). In the event of a foreclosure of the Collateral, the Noteholders may not be able to recover on such Collateral to the extent that the then outstanding claims under the Liquidity Facility Agreement and any super senior hedging obligations and any other "super-priority" indebtedness are greater than the proceeds realized. In addition, any proceeds from an enforcement sale of the Collateral by any creditor will, after all obligations under the Liquidity Facility Agreement, super senior hedging and other "super-priority" indebtedness have been discharged from such recoveries, be applied *pro rata* in repayment of any other obligations secured by such Collateral. Such additional indebtedness secured by the Collateral may be significant. As a result, holders of Notes may receive less, ratably, than holders of other secured indebtedness.

Guarantees and security may constitute a transaction at an undervalue or preference

A liquidator or administrator of a Guarantor could apply to the court to unwind the issuance of its guarantee if such liquidator or administrator believed that issuance of such constituted a transaction at an undervalue. The Guarantors each believe that its Guarantee will not be a transaction at an undervalue and that its Guarantee will be provided in good faith for the purposes of carrying on its business and its Subsidiaries' and that there are reasonable grounds for believing that the transactions will benefit each such Guarantor. However, there can be no assurance that the provision of the Guarantees will not be challenged by a liquidator or administrator or that a court would support this analysis.

If the liquidator or administrator can show that any of the Guarantors has given a "preference" to any person within six months of the onset of liquidation or administration (or two years if the preference is to a "connected person") and, at the time of the preference, that Guarantor was technically insolvent or became so as a result of the preferential transaction, a court has the power, among other things, to void the preferential transaction. For these purposes, a company gives preference to a person if that person is one of the company's creditors (or a surety or guarantor for any of the company's debts or liabilities) and the company takes an action which has the effect of putting that person into a position which, in the event of the company going into insolvent liquidation, will be better than the position that person would have been in if that thing had not been done. The court may not make an order avoiding a preferential transaction unless it is satisfied that the company was influenced by a desire to put that person in a better position. This provision of English insolvency law may affect transactions entered into or payments made by any of Guarantors during the relevant period prior to the liquidation or administration of such Guarantor.

In addition, if it can be shown that a transaction entered into by an English company was made for less than fair value and was made to shield assets from creditors, then the transaction may be set aside as a transaction defrauding creditors. Any person who is a "victim" of the transaction, and not just liquidators or administrators, may assert such a claim. There is no statutory time limit within which a claim must be made and the company need not be insolvent at the time of the transaction. The Guarantors do not believe that they have entered into any transactions which may be regarded as being for less than fair value or to shield assets from their creditors.

Fixed security interests may be recharacterised as floating security interests due to the degree of control exercised over certain underlying assets, including over bank accounts, and as a result the full proceeds of enforcement may not be available to repay the Notes

There is a possibility that a court could find that the fixed security interest expressed to be created by the Security Agreement could take effect as a floating charge as the description given thereto as a fixed charge is not determinative.

Whether the fixed security interests will be upheld as fixed security interests rather than floating security interests will depend, among other things, on whether the Security Trustee has the requisite degree of control over the relevant assets and exercises that control in practice.

Each Obligor has, pursuant to the terms of the Security Agreement, granted security over all of its interests in the Security Accounts, which security is expressed to be a first fixed charge. Although the various bank accounts are stated to be subject to various degrees of control, there is a risk that, if the Security Trustee does not exercise the requisite degree of control over the relevant accounts in practice, a court could determine that the security interests granted in respect of those accounts take effect as floating security interests only and that the security interests granted over the assets from which the monies paid into the accounts are derived also take effect as floating security interests only, notwithstanding that the security interests are expressed to be fixed. In such circumstances, monies paid into accounts or derived from those assets could be diverted to pay preferential creditors and certain other liabilities were a receiver, liquidator or administrator to be appointed in respect of the relevant company in whose name the account is held.

If the fixed security interests are recharacterised as floating security interests, the claims of (i) the unsecured creditors of the relevant Obligor and (ii) certain statutorily defined preferential creditors of the Obligors, may have priority over the rights of the Security Trustee to the proceeds of enforcement of such security in accordance with s176A of the Insolvency Act 1986. To the extent that the assets of any Obligor are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the provisions of section 176A of the Insolvency Act 1986, certain floating charge realisations which would otherwise be available to satisfy the claims of secured creditors under the Security Agreement may be first used to satisfy any claims of unsecured creditors, up to an amount equal to £600,000 in respect of each such Obligor. As a result, the full amount of the proceeds of enforcement of the security may not be available to repay Notes.

On 6 April 2008, a provision in the Insolvency Act 1986 came into force which effectively reversed by statute the House of Lords' decision in the case of *Buchler & Another v Talbot & Ors* [2004] UKHL 9. Accordingly, it is now the case that the costs and expenses of a liquidation (including corporation tax on capital gains) will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to provisions set out in the Insolvency (England and Wales) Rules 2016 (as amended). As a result of the changes described above, upon the enforcement of the floating charge security granted by an Obligor, floating charge realisations which would otherwise be available to satisfy the claims of secured creditors under the Security Agreement will be reduced by at least a significant proportion of any liquidation expenses.

ISSUER AND NOTE CONSIDERATIONS

The Issuer and the Guarantors are special purpose vehicles and have limited assets and limited ability to generate revenue and will depend on their subsidiaries and affiliates to provide them with funds to meet the Issuer's obligations under the Notes

The Issuer is a special purpose financing entity. Other than the proceeds of the issuance of Notes, the Issuer's principal source of funds will be funds made available to it pursuant to the Intercompany Loan Agreement.

Therefore, the Issuer is subject to all the risks relating to income and expenses to which the Intercompany Borrower is subject. Such risks could limit funds available to the Intercompany Borrower to enable the Intercompany Borrower to satisfy in full and on a timely basis its obligations under the Intercompany Loans.

Similarly, each Guarantor is a non-operating holding company with no material, direct business operations. The principal assets of the Guarantors are the equity interests they directly or indirectly hold in their operating holding subsidiaries (primarily Arqiva Group Holdings Limited, **Operating HoldCo**). As a result, the Guarantors are dependent on loans, interest, dividends and other payments from their Subsidiaries to generate the funds necessary to meet their financial obligations, including in the case of the Intermediate Guarantor (in its capacity as the Intercompany Borrower) the repayment of any Intercompany Loans. The Guarantors' Subsidiaries are separate and distinct legal entities and, except for the Issuer and the Guarantors, they will have no obligation, contingent or otherwise, to pay amounts due under the Notes or to make any funds available to pay those amounts, whether by dividends, distributions, advances, loans or other payments. Accordingly, risks that have an impact on the Subsidiaries of each Guarantor could affect the amount of funds available to each Guarantor to enable the Guarantors to satisfy in full and on a timely basis their obligations under the Guarantee (in the case of each Guarantor) and the Intercompany Loan Agreement (in the case of the Intermediate Guarantor only).

Noteholders are structurally subordinated to claims of creditors of the Guarantors' Subsidiaries, including the secured creditors of Operating HoldCo under the Senior Financing

The Guarantors' Subsidiaries do not guarantee the Notes. The ability of the Guarantors' Subsidiaries to make such distributions and other payments depends on their earnings and may be subject to statutory or contractual restrictions. As an equity investor in its Subsidiaries, each Guarantor's right to receive assets upon their liquidation or reorganisation will be effectively subordinated to the claims of creditors of their Subsidiaries. To the extent that a Guarantor is recognised as a creditor of any such Subsidiary, such Guarantor's claims may still be subordinated to any security interest in or other lien on the assets of such Subsidiaries and to any of their debt or other obligations. The Group's senior gross debt was £2,318 million as at 30 June 2018.

A downgrade of the ratings of the Senior Notes could limit the ability of the Issuer to make payments on the Notes

If a Rating Downgrade Event occurs in connection with the Senior Notes, and whilst no Senior Trigger Event has occurred and is continuing, a Senior Financing Group Company may only make Senior Restricted Payments to the extent that such Senior Restricted Payments are used exclusively to pay interest and repay principal on the Subordinated Loans for the purpose of Intermediate HoldCo paying interest and repaying principal to the Intercompany Borrower and the Intercompany Borrower paying interest and repaying principal to the Issuer (in its capacity as the Intercompany Lender) on the Intercompany Loans and the Issuer paying interest on the Notes and on any Facility and any senior expenses (as applicable).

In addition, if such Rating Downgrade Event occurs simultaneously with a Senior Trigger Event continuing, no Senior Financing Group Company may make any Senior Restricted Payments (unless such payments are made in accordance with a Remedial Plan).

In such circumstances, the Rating Downgrade Event occurring in relation to the Senior Notes would have an impact on the amounts received by the Issuer under the Intercompany Loans, which could then in turn impact the Issuer's ability to make corresponding payments on the Notes.

The occurrence of a Senior Trigger Event, including a breach by a Senior Financing Group Company of a Senior Trigger Event Financial Covenant Ratio, could limit the ability of the Issuer to make payments on the Notes

Whilst a Senior Trigger Event is continuing, including as a result of a breach by the Senior Financing Group of the Senior Trigger Event Financial Covenant Ratios, a Senior Financing Group Company is not permitted to make Senior Restricted Payments and any Excess Cash Flow (as defined in the Common Terms Agreement) of the Senior Financing Group will be locked-up within the Senior Financing Group and cannot in turn be distributed to AF No 2. This will effect AF No 2's ability as the Intercompany Borrower to pay interest and principal under the Intercompany Loans to the Issuer which will therefore negatively affect the Issuer's ability to make payments on the Notes.

The Obligors may not have the ability to raise the funds necessary to finance a change of control offer.

Upon the occurrence of certain events constituting a change of control (as defined in the Conditions), the Issuer will be required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. If a change of control were to occur, it is not assured that the Issuer would have sufficient funds available at such time to pay the purchase price of the outstanding Notes or that the restrictions in the Liquidity Facility Agreement, the Intercreditor Agreement or the Obligors' other then-existing contractual obligations would allow them to make such required repurchases. A change of control may result in an event of default and/or mandatory prepayment obligation under, or acceleration of, the Liquidity Facility and other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under the Liquidity Facility Agreement and other indebtedness, even if the change of control itself does not. In addition, certain events that may constitute a change of control under the Liquidity Facility may not constitute a change of control under the Conditions. The future indebtedness of the Obligors and its subsidiaries may also contain prohibitions on certain events that would constitute a change of control or require the Obligors to repay or repurchase such other indebtedness on the occurrence of certain events that would constitute a change of control. See "*Terms and Conditions*".

The ability of the Issuer to receive cash from its subsidiaries to allow it to pay cash to the holders of the Notes following the occurrence of a change of control may be limited by the Obligors' then existing financial resources. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control occurs at a time when the Obligors' subsidiaries are prohibited from providing funds to the Issuer for the purpose of repurchasing the Notes, the subsidiaries may seek the consent of the lenders under such indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuer will remain prohibited from repurchasing any Notes. In addition, the Obligors expect that they would require third party financing to make an offer to repurchase the Notes upon a change of control and the Obligors may not be able to obtain such financing. Any failure by the Issuer to offer to purchase the Notes would constitute a default under the Conditions which would, in turn, constitute a default under the Liquidity Facility Agreement and certain other indebtedness.

The change of control provisions contained in the Conditions may not necessarily afford protection in the event of certain important corporate events, including a reorganization, restructuring or other similar transactions involving the Group that may adversely affect Noteholders, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "change of control" as defined in the Conditions. Except as described under "*Terms and Conditions*", the Conditions will not contain provisions that would require the Issuer to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, recapitalization or similar transaction.

Investors in the Notes may have limited recourse against the independent auditors.

Please see "*General Information—Independent Auditors*" for a description of the independent auditors' reports, including language limiting the auditors' scope of duty in relation to such reports and the consolidated financial statements to which they relate. In particular, each of the audit reports of PricewaterhouseCoopers LLP relating to the annual financial statements reproduced herein, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, include a statement to the effect that PricewaterhouseCoopers LLP does not accept or assume responsibility for any other purpose or to anyone other than the members of the Parent Guarantor for its audit reports or the opinions it has formed.

The Issuer relies on certain third parties for certain services in relation to the Notes

The Issuer has entered into agreements with a number of third parties, which have agreed to perform services for the Issuer and the Intermediate Guarantor (in particular, in its capacity as Intercompany Borrower). In the event that any of those parties fails to perform its obligations under the relevant agreement to which it is a party, the ability of the Issuer to make payments owed in respect of the Notes may be affected.

The Notes will be held in book-entry form and therefore potential Noteholders must rely on the procedures of the relevant clearing systems to exercise any rights or remedies

The Notes will be represented on issue by one or more Global Notes that may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interest in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While Notes are represented by Global Notes, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing system. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

The interests of the Obligors' controlling shareholders may be inconsistent with the interests of holders of Notes.

The interests of the Obligors' principal shareholders, in certain circumstances, may conflict with the interests of holders of Notes. The Obligors' principal shareholders have, and will continue to have, directly or indirectly, the power, among other things, to affect the legal and capital structure and day-to-day operations, as well as the ability to elect and change management and to approve any other changes to operations. For example, the principal shareholders could vote to cause the Obligors' to incur additional indebtedness, to sell certain material assets or make dividends distributions, in each case, so long as the Conditions, the Liquidity Facility Agreement and the Intercreditor Agreement so permit. The interests of the principal shareholders could conflict with interests of holders of Notes, particularly if the Obligors encounter financial difficulties or are unable to pay their debts when due. The principal shareholders could also have an interest in pursuing acquisitions, divestitures, financings, dividend distributions or other transactions that, in their judgment, could enhance their equity investments although such transactions might involve risks to the holders of Notes. In addition, the principal shareholders may come to own businesses that directly compete with the business of the Group.

There may be no active trading market for the Notes, and if one develops, it may not be liquid

There can be no assurances as to:

- the liquidity of any market in the Notes;
- the ability of the Noteholders to sell their Notes; or
- the prices at which Noteholders would be able to sell their Notes.

Future trading prices for the Notes will depend on many factors, including, among other things, prevailing interest rates, the Group's operating results and the market for similar securities.

Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. The trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. Any such disruptions may adversely affect the value of the Notes and may have a negative effect on any Noteholder, regardless of the Group's prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the Notes. If no active trading market develops, Noteholders may not be able to resell their Notes at a fair value, if at all.

Although an application has been made for the Notes to be listed on the Official List and to be admitted to trading on the Euro MTF Market, there can be no assurance that the Notes will become or remain listed. Although no assurance is made as to the liquidity of the Notes as a result of the admission to trading on the Euro MTF Market, failure to be approved for listing or the delisting of the Notes, as applicable, from the Official List of the Luxembourg Stock Exchange may have a material effect on a holder's ability to resell the Notes, as applicable in the secondary market.

Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed

An optional redemption feature of the Notes is likely to limit their market value. During any period when the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they may be redeemed. This also may be true prior to any redemption period.

The Issuer may elect to redeem the relevant Notes in advance of their scheduled maturity date by giving notice to the relevant Noteholders in accordance with the Conditions. For example, the Issuer may redeem Notes when its cost of borrowing is lower than the interest rate on the Notes depending on the price the applicable Notes may be redeemed at. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Rating Agency assessments, downgrades and changes to Rating Agencies criteria may result in ratings volatility on the Notes

The ratings assigned by the Rating Agencies to the Notes reflect only the views of the Rating Agencies and in assigning the ratings, the Rating Agencies take into consideration the credit quality of the Obligors and structural features and other aspects of the transaction. There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agencies as a result of changes in, or unavailability of, information or if, in the Rating Agencies' judgment, circumstances so warrant. If any rating assigned to the Notes is lowered or withdrawn, the market value of the Notes may be reduced. Future events, including events affecting the Obligors and/or the Group and/or circumstances relating to the industry in which the Group operates generally, could have an adverse impact on the ratings of the Notes.

A confirmation from a Rating Agency that any action proposed to be taken by the Issuer or the Note Trustee will not have an adverse effect on the then current rating of the relevant Notes does not, for example, confirm that such action (i) is permitted by the terms of the Transaction Documents or (ii) is in the best interests of, or not prejudicial to, the Noteholders. While each of the Secured Creditors (including the Noteholders), the Issuer or the Note Trustee (as applicable) are entitled to have regard to the fact that the Rating Agencies have confirmed that the then current rating of the relevant class of Notes would not be adversely affected, the above does not impose or extend any actual or contingent liability on the Rating Agencies to the Secured Creditors (including the Noteholders), the Issuer, the Note Trustee or any other person or create any legal relationship between the Rating Agencies and the Secured Creditors (including the Noteholders), the Issuer, the Note Trustee or any other person whether by way of contract or otherwise.

Any such confirmation from a Rating Agency may or may not be given at the sole discretion of each Rating Agency. It should be noted that, depending on the timing of delivery of the request and any information required to be provided as part of any such request, it may be the case that a Rating Agency cannot provide a confirmation in the time available or at all, and the Rating Agency is likely to state that it is not responsible for the consequences thereof. A confirmation from a Rating Agency, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time and in the context of cumulative changes to the transaction of which the securities form part. A confirmation from a Rating Agency represents only a restatement of the then current rating of the Notes and cannot be construed as advice for the benefit of any parties to the transaction.

The Rating Agencies have indicated that they will no longer provide confirmations as a matter of policy. To the extent that a confirmation from a Rating Agency cannot be obtained, whether or not a proposed action will ultimately take place will be determined in accordance with the provisions of the relevant Transaction Documents and specifically the relevant modification and waiver provisions.

Credit ratings may not reflect all risks relating to the Notes

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (the **CRA Regulation**) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the European Union (the **EU**) and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected

The Issuer will pay principal and interest on the Notes in sterling. This presents certain risks to currency conversion if an investor's financial activities are denominated principally in a currency or currency unit other than the specified currency (the **Investor's Currency**). These include risk that exchange rates may significantly change (including changes due to devaluation of the specified currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the specified Investor's Currency may impose or modify exchange controls. An appreciation of value of the Investor's Currency relative to the specified currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected or no interest or principal.

Changes in market interest rates may adversely affect the value of the Notes

The Notes pay a fixed rate of interest. Investment in fixed rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of such fixed rate Notes.

General market volatility and post-Brexit uncertainty

On 23 June 2016, the UK held a referendum on whether the UK should remain a member of the European Union. The UK voted to leave the European Union and the UK Government invoked article 50 of the Lisbon Treaty relating to withdrawal on 29 March 2017. Under article 50, the Treaty on the European Union and the Treaty on the Functioning of the European Union cease to apply in the relevant state from the date of entry into force of a withdrawal agreement or, failing that, two years after the notification of intention to withdraw, although this period may be extended in certain circumstances.

There are a number of uncertainties in connection with the future of the UK and its relationship with the European Union after 29 March 2019. The negotiation of the UK's exit terms and related matters may take several years. Until the terms and timing of the UK's exit from the European Union are confirmed and until the nature of the new relationship between the UK and the European Union is known, it is not possible to determine the impact that the referendum, the UK's departure from the European Union and/or any related matters may have on general economic conditions in the UK and/or on the business of the Group or any other party to the Transaction Documents or on the regulatory position of any such entity or of the transactions contemplated by the Transaction Documents under EU regulation or more generally. See also "*—Business And Industry Risks—The Group is subject to UK government and other regulations that govern the way it conducts its businesses, and the effects of, or changes in, regulations and government policy could have a material adverse impact on the Group's business, financial condition and results of operations*"; and "*—Business And Industry Risks—The Group is subject to UK and global economic conditions*".

No assurance can be given that any of the matters outlined above would not adversely affect the ability of the Guarantors to satisfy their obligations under the Guarantees and Issuer to satisfy its obligations under the Notes and/or the market value or liquidity of the Notes.

Transfer of the Notes will be restricted, which may adversely affect their liquidity and value of the Notes

The Notes and the Guarantees have not been and will not be registered under the Securities Act or the securities laws of any jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. The offering of the Notes (and beneficial interests therein) will be made pursuant to exemptions from the registration provisions of the Securities Act and from other securities laws. Accordingly, reoffers, resales, pledges and other transfers of the Notes (and beneficial interests therein) are subject to certain transfer restrictions. Potential Noteholders should read the discussions in "*Transfer Restrictions*" for further information about these and other transfer restrictions. It is the obligation of each Noteholder to ensure that its offers and sales of Notes comply with applicable law. Potential Noteholders are advised to consult legal counsel in connection with any such reoffer, resale, pledge or other transfer.

If the share security under the Security Agreement is enforced, the Parent Guarantor may no longer be a direct shareholder of the Issuer and may no longer be a shareholder of the Intermediate Guarantor

The Parent Guarantor has granted share security over shares in its direct Subsidiaries, including the Intermediate Guarantor and the Issuer, pursuant to the Security Agreement. If the Secured Creditors elect to enforce their rights thereunder, then such security over the shares in the Intermediate Guarantor and the Issuer may be enforced and such enforcement may result in a sale of the Intermediate Guarantor and/or the Issuer and therefore the Parent Guarantor no longer being an indirect shareholder of Intermediate HoldCo and its Subsidiaries (including the operating companies in the Group).

If the share security under the Security Agreement is enforced, the Intermediate Guarantor may no longer be a shareholder of Intermediate HoldCo

The Intermediate Guarantor has granted share security over shares in its direct subsidiary, Intermediate HoldCo, pursuant to the Security Agreement. If the Secured Creditors elect to enforce their rights thereunder, then such security over the shares in Intermediate HoldCo may be enforced and such enforcement may result in a sale of Intermediate HoldCo and therefore the Intermediate Guarantor no longer being a direct shareholder of Intermediate HoldCo or an indirect shareholder in its Subsidiaries (including the operating companies in the Group).

If the share security under the Security Agreement is enforced, Intermediate HoldCo may no longer be a shareholder of the Senior Parent

Intermediate HoldCo has granted share security over shares in its direct subsidiary, the Senior Parent, pursuant to the Security Agreement. If the Secured Creditors elect to enforce their rights thereunder, then such security over the shares in the Senior Parent may be enforced and such enforcement may result in a sale of the Senior Parent and therefore Intermediate HoldCo no longer being a direct shareholder of the Senior Parent or an indirect shareholder in its Subsidiaries (including the operating companies in the Group).

USE OF PROCEEDS

The Group estimates that net proceeds (net of transaction fees and expenses) from the issuance of the Notes offered hereby will be approximately £600.0 million.

The proceeds of the Notes will be on-lent by the Issuer to AF No 2 by way of Intercompany Loans under the Intercompany Loan Agreement. AF No 2 will use the proceeds of the Intercompany Loans to repay in full (together with the related make-whole premium of £14.3 million) and terminate the £600.0 million of Existing Intercompany Loans. The Issuer will use the proceeds from the repayment by AF No 2 of the Existing Intercompany Loans to (i) redeem the Existing Issuer Debt in full (together with the related make-whole premium of £14.3 million), (ii) to pay any related transaction fees and expenses of £8.0 million and (iii) to fund cash on the Group's balance sheet of £2.7 million to be used for general corporate purposes. The following table describes the sources and uses in connection with the refinancing as if they occurred as at 30 June 2018 and based on amount estimated to be raised by the Notes offered hereby. The actual amounts as compared to those set out in the table and in the accompanying footnotes are subject to adjustments and may differ at the date of issuance of the Notes offered hereby depending on several factors, including differences from the estimation of fees and expenses.

Sources	Amount (£ millions)	Uses	Amount (£ millions)
Notes offered hereby(1)	625.0	Repay Existing Issuer Debt(3)	600.0
Restricted cash(2)	28.5	Accrued Coupon on Existing Issuer Debt(2)	28.5
		Call Premium on Existing Issuer Debt(4)	14.3
		Fees and expenses(5)	8.0
		Cash on the balance sheet(6)	2.7
Total sources	**653.5**	**Total uses**	**653.5**

(1) Represents the gross proceeds from the issuance of Notes of £625.0 million. See "*Terms and Conditions*".

(2) Represents restricted cash used to pay coupon at redemption of the Existing Issuer Debt. Restricted cash is included within cash and cash equivalents of £38.8 million as of 30 June 2018, as presented in the Financial Statements included elsewhere in this Offering Memorandum.

(3) Represents £600.0 million due under the Issuer's existing notes.

(4) Represents the make-whole premium related to the Issuer's existing notes at 2.375%.

(5) Represents the estimated fees and expenses associated with the refinancing of the Existing Issuer Debt, the issue and sale of the Notes offered hereby, including the Joint Global Coordinators and Joint Bookrunners' fees and commissions, financing fees, advisory fees and other transaction costs and professional fees. Actual fees and expenses may differ.

(6) Represents cash on the Group's balance sheet to be used for general corporate purposes.

CAPITALISATION

The following table sets out the consolidated cash and cash equivalents and capitalisation of the Group as at 30 June 2018 on (1) an actual basis based on the Group's audited financial statements at 30 June 2018, and (2) as adjusted to reflect the offering of the Notes offered hereby.

No assurance can be given that the transactions described above will be completed or that a particular principal amount of the Notes will be issued. These adjustments have been prepared for illustrative purposes only and address a hypothetical situation as at 30 June 2018, and therefore do not represent the Group's actual cash and cash equivalents and capitalisation as at that date.

Except as set forth below, there have been no material changes to the Group's capitalisation since 30 June 2018.

This table should be read in conjunction with "*Transaction Overview—The Notes, Use of Proceeds and Transaction Security*", "*The Offering*", "*Use of Proceeds*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Group's Financial Statements and notes thereto included elsewhere in this Offering Memorandum.

	As at 30 June 2018		
	Actual	**Adjustments**	**As Adjusted for the offering of the Notes offered hereby(1)**
		Unaudited (£ millions)	
Cash			
Cash and cash equivalents(2)	38.8	(25.8)	13.0
Of which			
Restricted cash(3)	28.5	(28.5)	—
Debt			
New Liquidity Reserve Facility(4)	—	—	—
Public Bonds 2013-1b(5)	386.7	—	386.7
Public Bonds 2013-1a(6)	350.0	—	350.0
Public Bonds due 2037(7)	164.0	—	164.0
USPP 1—USD Tranche(8)	235.5	—	235.5
USPP 1—GBP Tranche(9)	163.0	—	163.0
USPP 2(10)	300.0	—	300.0
EIB Loan(11)	190.0	—	190.0
Institutional Term Loan(12)	180.0	—	180.0
Capex and Working Capital Facility(13)	55.0	—	55.0
Tranche 1a Term Loan(14)	75.0	—	75.0
USPP 3(15)	218.5	—	218.5
Finance Leases(16)	13.1	—	13.1
Total Senior Debt	**2,330.8**	**—**	**2,330.8**
Existing 9.500% Senior Notes(17)	600.0	(600.0)	—
New Senior Notes (HoldCo Notes)(18)	—	625.0	625.0
Total Gross Debt	**2,930.8**	**25.0**	**2,955.8**
Total Equity	**1,507.5**	**—**	**1,507.5**
Total capitalisation(19)	**4,438.3**	**25.0**	**4,463.3**

(1) The figures contained in the 'As adjusted' column reflect the offering of the Notes hereby and the proposed use of proceeds from such offering as described in "*Use of Proceeds*".

(2) Under the Conditions, the Group is required to maintain sufficient cash within the Issuer to cover six months interest on the Notes offered hereby. It is the Group's intention that any cash that is held in excess of this is held within the Senior Financing Group.

(3) Represents restricted cash used to pay coupon at redemption of the Existing Issuer Debt. Restricted cash is included within cash and cash equivalents of £38.8 million as of 30 June 2018, as presented in the Financial Statements included elsewhere in this Offering Memorandum.

(4) Represents a new £20.0 million reserve facility to be entered into by Arqiva Broadcast Finance Plc as borrower and Arqiva Broadcast Parent Limited, Arqiva Financing No. 2 Limited and Arqiva Broadcast Intermediate Limited as guarantors. As of the date of this Offering Memorandum, no drawings were outstanding.

(5) Represents the 4.88% sterling denominated bonds issued by Arqiva Financing plc, which will mature in December 2032. See "*Description of Certain Financing Arrangements—Senior Notes*".

(6) Represents the 4.04% sterling denominated bonds issued by Arqiva Financing plc, which will mature in June 2035. See "*Description of Certain Financing Arrangements—Senior Notes*".

(7) Represents the 5.34% sterling denominated bonds issued by Arqiva Financing plc, which will mature in December 2037. See "*Description of Certain Financing Arrangements—Senior Notes*".

(8) Represents the US dollar denominated fixed rate USPP issued by Arqiva PP Financing plc, which will mature in June 2025. See "*Description of Certain Financing Arrangements—US Private Placements*".

(9) Represents the sterling denominated fixed rate USPP issued by Arqiva PP Financing plc, which will mature in June 2025. See "*Description of Certain Financing Arrangements—US Private Placements*".

(10) Represents the sterling denominated floating rate USPP that are amortising in nature and will mature in December 2018. See "*Description of Certain Financing Arrangements—US Private Placements*".

(11) Represents £190.0 million of debt outstanding under the EIB Loan with an expected maturity date of June 2024. See "*Description of Certain Financing Arrangements—Senior EIB Loans*".

(12) Represents £180.0 million of debt outstanding under the Institutional Term Loan with an expected maturity date of December 2023. See "*Description of Certain Financing Arrangements—Senior Institutional Term Loan*".

(13) Represents the capital expenditure facility and the working capital facility, each with an expected maturity date of June 2021. See "*Description of Certain Financing Arrangements—Senior Capex and Senior Working Capital Facilities Agreement*".

(14) Represents the senior term loan issued by Arqiva Financing No 1 Limited with an expected maturity date of December 2024. See "*Description of Certain Financing Arrangements*".

(15) Represents the sterling denominated floating rate USPP that are amortising in nature with an expected maturity date of December 2029. See "*Description of Certain Financing Arrangements—US Private Placements*".

(16) Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

(17) Represents the junior notes with a fixed interest rate of 9.50% with an expected maturity date of March 2020, which will be repaid in connection with the Transactions and excludes accrued interest and call premiums.

(18) Represents the notes offered hereby and excludes associated transaction fees and expenses.

(19) Total capitalisation comprises total gross debt and total equity.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The following tables present the Group's consolidated financial information. The following consolidated financial information should be read in conjunction with the audited Financial Statements, and notes thereto included elsewhere in this Offering Memorandum and the sections entitled "Presentation of Financial and Other Information", "Use of Proceeds", "Capitalisation" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

The summary financial information provided below was extracted from the Group's Financial Statements, prepared in accordance with IFRS and presented in pounds sterling. The information below is not necessarily indicative of the results of future operations.

Consolidated Income Statement

	Year Ended 30 June		
	2016	2017	2018
		(£ millions)	
Revenue	884.0	941.3	962.4
Cost of sales	(343.5)	(353.5)	(323.0)
Gross profit	**540.5**	**587.8**	**639.4**
Depreciation	(128.4)	(141.6)	(163.7)
Amortisation	(10.3)	(12.6)	(16.7)
Impairment	—	—	(4.4)
Other operating expenses(1)	(125.9)	(143.9)	(131.3)
Total operating expenses	(264.6)	(298.1)	(316.1)
Other income	0.2	1.1	4.6
Share of results of associates and joint ventures	0.1	0.3	0.2
Operating profit	**276.2**	**291.1**	**328.1**
Finance income	1.3	3.7	2.0
Finance costs	(342.2)	(358.5)	(367.0)
Other gains and losses(2)	14.3	(133.1)	92.4
(Loss) / profit before tax	**(50.4)**	**(196.8)**	**55.5**
Tax	0.1	(0.1)	227.8
(Loss) / profit for the year	**(50.3)**	**(196.9)**	**283.3**

(1) Including exceptional operating expenses.

(2) Including exceptional other gains and losses.

Consolidated Statement of Financial Position

	As at 30 June		
	2016	2017	2018
		(£ millions)	
Non-current assets			
Goodwill	1,987.4	1,980.6	1,980.6
Other intangible assets	44.1	48.9	59.0
Property, plant and equipment	1,768.8	1,770.2	1,750.2
Deferred tax	—	—	206.1
Retirement benefits	7.4	7.1	20.6
Interest in associates and joint ventures	4.8	5.1	0.1
	3,812.5	**3,811.9**	**4,016.6**
Current assets			
Trade and other receivables	286.8	289.9	288.3
Cash and cash equivalents	39.3	35.6	38.8
	326.1	**325.5**	**327.1**
Total assets	**4,138.6**	**4,137.4**	**4,343.7**
Current liabilities			
Trade and other payables	(1,259.1)	(1,390.8)	(1,457.6)
Borrowings	(5.4)	(113.7)	(151.9)
Provisions	(8.0)	(18.8)	(2.8)
	(1,272.5)	**(1,523.3)**	**(1,612.3)**
Net current liabilities	**(946.4)**	**(1,197.8)**	**(1,285.2)**
Non-current liabilities			
Other payables (including deferred revenue)	(148.2)	(159.4)	(276.5)
Borrowings	(3,121.0)	(3,017.9)	(2,866.8)
Derivative financial instruments	(1,146.3)	(1,179.7)	(1,030.8)
Provisions	(52.6)	(57.0)	(64.8)
	(4,468.1)	**(4,414.0)**	**(4,238.9)**
Total liabilities	**(5,740.6)**	**(5,937.3)**	**(5,851.2)**
Net liabilities	**(1,602.0)**	**(1,799.9)**	**(1,507.5)**
Equity			
Share capital	0.1	0.1	0.1
Accumulated losses	(1,531.5)	(1,729.1)	(1,437.2)
Merger reserve	(188.5)	(188.5)	(188.5)
Capital contribution reserve	120.3	120.3	120.3
Translation reserve	(2.8)	(3.3)	(3.1)
Total equity attributable to owners of the Parent	(1,602.4)	(1,800.5)	(1,508.4)
Non-controlling interest	0.4	0.6	0.9
Total equity	**(1,602.0)**	**(1,799.9)**	**(1,507.5)**

Consolidated Cash Flow Statement

	Year Ended 30 June		
	2016	2017	2018
	(£ millions)		
Net cash inflow from operating activities	**365.9**	**489.7**	**572.1**
Investing activities			
Interest received	0.5	0.7	1.8
Purchase of tangible assets	(168.4)	(151.0)	(161.4)
Purchase of intangible assets	(0.6)	(10.3)	(3.7)
Interest element of finance lease rentals	(1.0)	(1.0)	(1.0)
Sale of tangible assets	5.7	—	0.3
Sale of subsidiary undertakings and proceeds on disposal of investments	16.4	23.2	5.2
Loans to joint ventures	—	—	0.6
	(147.4)	**(138.4)**	**(158.2)**
Financing activities			
Raising of external borrowings	5.0	554.5	—
Repayment of external borrowings	—	(573.5)	(124.3)
Repayment of finance lease capital	(0.4)	(0.4)	(0.4)
Movement in borrowings	4.6	(19.4)	(124.7)
Interest paid	(230.7)	(236.9)	(227.4)
Cash settlement of principal accretion on inflation-linked swaps	(26.0)	(53.4)	(58.6)
Debt issue costs and facility arrangement fees	—	(12.5)	—
Cash outflow on close out of swap arrangements	—	(36.0)	—
Proceeds on disposal of swap options	—	3.2	—
	(252.1)	**(355.0)**	**(410.7)**
(Increase) / decrease in cash and cash equivalents	**(33.6)**	**(3.7)**	**3.2**

Segmental Financial Data

The following table shows the Group's revenue and EBITDA per reporting segment for the periods indicated:

	Year Ended 30 June		
	2016	2017	2018
	(£ millions)		
Terrestrial Broadcast			
Revenue	422.4	449.0	487.6
EBITDA(2)	308.0	329.4	360.8
Telecoms & M2M			
Revenue	317.0	345.4	341.3
EBITDA(2)	133.7	155.1	178.1
Satellite & Media			
Revenue	144.6	146.9	133.5
EBITDA	31.3	35.0	33.8
Other(1)			
Revenue	—	—	—
EBITDA(2)	(44.6)	(46.0)	(55.2)
Group consolidated			
Revenue	884.0	941.3	962.4
EBITDA(2)	428.4	473.5	517.5

(1) Other refers to the Group's corporate business unit, which is non-revenue generating.

(2) For a reconciliation of EBITDA to operating profit, see "—*Other Financial Data*" below.

Other Financial Data

The tables below present certain non-IFRS financial measures as at and for the years ended 30 June 2016, 2017 and 2018. The Group believes that these measures provide useful information with respect to the performance of its business and operations. These non-IFRS financial measures are not audited. They are not meant to be considered in isolation or as a substitute for metrics of financial performance reported in accordance with IFRS. Moreover, these measures may be defined or calculated differently by other companies and, as a result, they may not be comparable to similar measures calculated by the Group's peers. See "*Presentation of Financial and Other Information—Non-IFRS Financial Measures*".

	Year Ended 30 June		
	2016	**2017**	**2018**
	(£ millions, unless indicated otherwise)		
EBITDA[(1)]	428.4	473.5	517.5
EBITDA Margin (%)[(2)]	48.5%	50.3%	53.8%
Net cash inflow from operating activities[(3)]	365.9	489.7	572.1
Maintenance capital expenditure[(4)]	20.4	22.5	30.3
Growth capital expenditure—contracted[(5)]	145.7	129.5	121.7
Growth capital expenditure—non-contracted[(6)]	5.5	13.2	4.7
***Pro forma* financial data**			
Pro forma senior and junior cash interest expense[(7)]			
Pro forma gross senior and junior borrowings[(8)]			2,955.8
Pro forma cash and cash equivalents[(9)]			13.0
Pro forma net senior and junior borrowings[(10)]			2,942.8
Ratio of *pro forma* net senior and junior borrowings to EBITDA[(1)(10)(11)]			5.6x
Ratio of *pro forma* senior borrowings to EBITDA[(11)]			4.4x
Ratio of cashflow to *pro forma* senior and junior cash interest expense[(6)(12)]			

(1) EBITDA is presented to aid understanding of the Group's results of operations and financial condition. The Group defines EBITDA as operating profit (taken from the Group's consolidated income statement data) before depreciation and amortisation, impairment charges, exceptional administrative expenses and one-off items where the earnings or charges are not considered to be indicative of the Group's on-going operations, e.g. profit or loss on the disposal of non-current assets, as well as certain other items.

EBITDA is a supplemental measure of financial performance that is not required by, nor presented in accordance with, IFRS. EBITDA is not a measure of performance under IFRS and investors should not consider EBITDA as an alternative to (a) operating profit or profit for the period (as determined in accordance with IFRS) as a measure of the Group's operating performance, (b) cash flows from operating investing and financing activities as a measure to meet the Group's cash needs or (c) any other measures of performance under IFRS or generally accepted accounting principles. Investors should exercise caution in comparing EBITDA as reported by the Group to EBITDA of other companies.

EBITDA has been included in this Offering Memorandum because it is a measure that the Group's management uses to assess the Group's operating performance. Please see "*Presentation of Financial and Other Information—Non-IFRS Financial Measures*" for information on the limitations of EBITDA as an analytical tool.

The following table provides a reconciliation of operating profit to EBITDA for the periods indicated:

	Year Ended 30 June		
	2016	**2017**	**2018**
	(£ millions)		
Operating profit	**276.2**	**291.1**	**328.1**
Depreciation	128.4	141.6	163.7
Amortisation	10.3	12.6	16.7
Impairment	—	—	4.4
Exceptional administrative expenses	13.6	29.5	9.5
Other[(a)]	(0.1)	(1.3)	(4.9)
EBITDA	**428.4**	**473.5**	**517.5**

(a) Other' includes share of results of associates and joint ventures, other income, profit and loss on disposal of non-current assets and operational bank charges

(2) EBITDA margin is defined as EBITDA divided by Group revenue.

(3) The Group defines net cash inflow from operating activities as EBITDA before exceptional items, working capital and certain other items. The following table shows a reconciliation of net cash flow from operating activities to EBITDA for the periods indicated:

	Year Ended 30 June		
	2016	2017	2018
	(£ millions)		
EBITDA	**428.4**	**473.5**	**517.5**
Exceptional items	(13.6)	(29.5)	(9.5)
Working capital	(49.2)	45.7	64.0
Other	0.2	(0.1)	(0.1)
Net cash inflow from operating activities	**365.9**	**489.7**	**572.1**

(4) The Group defines maintenance capital expenditure as expenditure that is incurred to deliver cost-savings, productivity enhancements, to extend the useful life of existing non-current assets, or replace worn out and obsolete non-current assets with new ones in order to support existing contracts.

(5) The Group defines growth capital expenditure—contracted as capital expenditure that is incurred to deliver new or renewal revenues and which is supported by a signed customer contract.

(6) The Group defines growth capital expenditure—non-contracted as capital expenditure that is incurred to deliver revenues and which is supported by a business case but on which there is no signed customer contract at the time at which expenditure is incurred and reported.

(7) *Pro forma* senior and junior cash interest expense is calculated as follows: (i) consolidated cash interest expense for AF No 2 for year ended 30 June 2018 of £ million less (ii) cash interest costs associated with the existing junior and senior bank facilities (including derivative instruments) being refinanced for the year ended 30 June 2018 of £ million plus (iii) estimated cash interest costs associated with the Notes offered hereby, the junior and senior bank facilities and the Senior Notes (including derivative financial instruments) of £ million. Excludes non-cash interest expense and any interest expense related to intercompany indebtedness. For the avoidance of doubt, this excludes principal accretion on the ILS.

(8) *Pro forma* gross senior and junior borrowings is senior and junior indebtedness before debt issuance costs excluding deeply subordinated amounts due to parent undertaking as of 30 June 2018 (which was £2,892.0 million) adjusted to give *pro forma* effect to the refinancing, the offering of the first series of Senior Notes and the offering of the Notes hereby.

(9) *Pro forma* cash and cash equivalents is cash and cash equivalents as of 30 June 2018 adjusted to give *pro forma* effect to the refinancing and the offering of Notes hereby. Under the Conditions, the Group is required to maintain sufficient cash within the Issuer to cover six months interest on the Notes offered hereby. It is the Group's intention that any cash in excess of this is held in the Senior Financing Group.

(10) *Pro forma* net senior and junior borrowings is *pro forma* gross senior and junior borrowings less *pro forma* cash and cash equivalents as of 30 June 2018.

(11) Calculated using an EBITDA of £525 million, which is used for covenant purposes.

(12) Cashflow is calculated as EBITDA less maintenance capital expenditure, amounts of net corporation tax paid and amounts of Issuer Profit Amount payable.

Financial Covenant Ratios and Senior Trigger Events

	Historic pro forma	Historic			Projected			
	31 December 2012	30 June 2016	30 June 2017	30 June 2018	30 June 2019	Trigger Threshold	Consequence of Trigger	Event of Default Threshold
Senior Net Debt to EBITDA Ratio(1)	5.60x	5.75x	5.10x	4.42x	4.33x	6.50x	Distribution lock-up	7.50x
Senior Cashflow DSCR(1)	2.22x	2.31x	2.53x	2.58x	1.95x	1.30x		1.05x
Senior Cashflow ICR(1)	2.22x	2.31x	2.53x	2.78x	2.84x	2.00x		1.55x
Junior leverage(1)	6.98x	7.08x	6.29x	5.51x	N/A	N/A		N/A

(1) Calculated using an EBITDA of £525 million, which is used for covenant purposes.

Projected EBITDA

The table below presents the Group's Projected EBITDA for the year ended 30 June 2019 and the year ended 31 December 2018. The Group is required to report Projected EBITDA further to the reporting covenants under the Senior Financing. See *"Presentation of Financial and Other Information—Non-IFRS Measures"*.

Projected EBITDA is based on management estimates, is not part of the Group's consolidated financial information or financial accounting records and has not been audited or otherwise reviewed by independent auditors, consultants or experts. The Group's use or computation of this metric may not be comparable to the use or computation of a similarly titled measures reported by other companies in the broadcast, media or communications industry. Projected EBITDA should not be considered in isolation or as an alternative measure of performance. This metric is forward-looking information that is subject to significant risks and uncertainties that could cause the actual results and financial position of the Group to differ materially. Investors are cautioned to not place undue reliance on such forecast data. See *"Forward Looking Statements*."

The prospective financial information included in this Offering Memorandum has been prepared by, and is the responsibility of, the Group's management. The Group and its management believe that unaudited Projected EBITDA has been prepared on a reasonable basis, reflecting the best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Group's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future results.

PricewaterhouseCoopers LLP has neither audited, reviewed, examined, compiled nor applied agreed-upon procedures with respect to the prospective financial information contained herein and, accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance on such information or its achievability. PricewaterhouseCoopers LLP assumes no responsibility for and denies any association with the prospective financial information and any other information derived therefrom included elsewhere in this Offering Memorandum.

The PricewaterhouseCoopers LLP reports included elsewhere in this Offering Memorandum refer exclusively to the Parent Guarantor's historical financial information. PricewaterhouseCoopers LLP reports do not cover any other information in this Offering Memorandum and should not be read to do so.

	Year ended 30 June 2019	**Year ended 31 December 2018**
	(£ millions)	
Projected EBITDA	515.0	515.0

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the sections entitled "Presentation of Financial and Other Information" and "Selected Historical Consolidated Financial Information" as well as with the Financial Statements and notes thereto contained in this Offering Memorandum". The Group's audited consolidated financial statements as at and for each of the years ended 30 June 2016, 2017 and 2018 were audited by PricewaterhouseCoopers LLP and prepared in accordance with IFRS.

This discussion contains forward-looking statements regarding events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of the Group to differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set out in "Risk Factors" and the "Forward Looking Statements" disclaimer in this Offering Memorandum.

Overview

The Group is the UK's pre-eminent national provider of television and radio broadcast infrastructure and the leading independent provider of communications infrastructure to mobile network operators (**MNOs**) in the UK. In addition, the Group has been an early participant in the development of Machine-to-Machine (**M2M**) infrastructure in the UK through its smart water and energy metering services and through other Internet-of-Things (**IoT**) solutions. The Group is also a leading provider of satellite uplink infrastructure and satellite distribution services in the UK in terms of the number of channels available for UK DTH satellite broadcast. The Group's unique and long-life asset base enables it to generate revenues underpinned by long-term inflation-linked contracts, as demonstrated by a strong orderbook of £5.0 billion as at 30 June 2018, with significant revenue visibility. Approximately 85.6% of the Group's actual revenues realised in the year ended 30 June 2018 were already contracted as at 30 June 2017.

The Group operates through three main business units, which correspond to its three reporting segments, except for its Other reporting segment, which includes non-revenue generating central corporate functions.

- *Terrestrial Broadcast*—The Group benefits from a regulated position as the sole UK national provider of transmission services for digital terrestrial television (**DTT**) broadcasting, the most popular television broadcast platform in the UK in terms of the number of homes served. The Group operates all television transmission sites used for DTT broadcasting in the UK, with over 1,100 sites covering 98.5% of the UK population. Through its Digital Platforms division, the Group is also the UK market leader for the provision of access to the DTT platform for broadcast channels, owning two national commercial DVB-T Multiplexes and a further two High Definition (**HD**) capable DVB-T2 Multiplexes (**DVB-T2 Multiplexes**) used for transmission of DTT services in the UK. The Group's DTT Multiplexes carried 62 out of a total of 113 DTT channels in the UK as at 30 June 2018. DTT, through the subscription-free platform, Freeview, enables the public service broadcasters (**PSBs**) to meet the obligation under their licences to extend coverage to 98.5% of the UK population. The Group believes that DTT has a long-term future as the most economic model to provide free-to-air (**FTA**) television providing near-universal coverage in the UK, which it expects will be complemented, but not replaced by, certain "over-the-top" (**OTT**) services. The Group believes that there will remain a long-term need for a highly economic source of FTA linear TV available to the UK population and believes that the DTT platform, as complemented by OTT services, is best placed to deliver this.

  The Group also benefits from its regulated position as the leading UK national provider of radio broadcast transmission services, covering both analogue and digital services through Digital Audio Broadcast (**DAB**). The Group had radio network infrastructure comprising approximately 1,735 analogue transmitters and 990 DAB transmitters on 741 radio sites in the UK as at 30 June 2018. The Group is also the operator of the two national commercial digital radio multiplexes (including through JVs) and held 25 of the UK's 57 local DAB radio licences as at 30 June 2018. Further, the Group is the service provider for the BBC national digital radio Multiplex. The Group intends to support its customers and the industry by continuing to develop digital DAB radio as an attractive medium for listeners and planning for the expected eventual phase-out of analogue radio, rolling out DAB to fill the remaining coverage gaps, and positioning DAB as the default replacement network for analogue services.

- *Telecoms & M2M*—Through its Telecoms & M2M business unit, the Group holds the largest independent (i.e. not directly or indirectly owned by an MNO) portfolio of wireless infrastructure sites in the UK, which the Group licenses to national MNOs and other wireless network operators to allow them to provide services and coverage to their customers. The Group had approximately 8,000 active licensed wireless sites (including contractual options) as at 30 June 2018. A significant proportion of the Group's active licensed wireless sites carried MNO equipment, which the Group estimates represented approximately 21% of the total active licensed MNO macrocell site market as at 30 June 2018. It holds a strong and difficult-to-replicate position in rural and suburban regions where cost, economies of scale, planning permission restrictions, application regimes with local authorities and the secure nature of site leases (given the landlord's limited ability to terminate the lease) would make it difficult for competitors and MNO customers to replicate the Group's infrastructure and footprint. In addition, the Group provides installation services for the passive components (such as antennas and feeders) of network upgrades and roll-outs on its own wireless infrastructure sites. The Group is also positioning itself to be a leading provider of outdoor small cells infrastructure, having obtained access to street infrastructure in 14 London boroughs. In addition, the Group provides indoor and outdoor Distributed Antenna Systems (**DAS**) in the UK, with 46 in-building systems installed in UK locations as at 30 June 2018. The Group is also a leading provider of smart metering and M2M networks, with a long-term contract to provide smart metering communication services in northern England and Scotland for electricity and gas to approximately 7.0 million premises with SMETS2 (the second generation of Smart Metering Equipment Technical Specifications) devices by 2020. In addition, the Group provides a smart metering network for Thames Water that is expected to cover three million homes once fully deployed and has entered into a trial contract with Anglian Water for smart metering deployment.

- *Satellite & Media*—The Group's Satellite & Media business unit is a leading provider of satellite uplink infrastructure and satellite distribution services in the UK in terms of the number of channels uplinked for UK Direct-to-Home (**DTH**) satellite broadcast. The Satellite & Media business unit serves as an alternative for customers who do not wish to self-manage access, with an estimated outsourced market share of approximately 48% of fully managed channels as at 30 June 2018. The Group operates more than 80 uplink dishes in five teleports (ground stations that act as a hub to connect a satellite network to a terrestrial telecommunications network), accessing more than 30 satellites and delivering media content to five continents. The Group also procures third party ground-based teleport services where a line of sight to a satellite cannot be achieved from its UK assets. This infrastructure enables the Group to provide customers with a comprehensive range of services to deliver their data, broadcasts and media services internationally, focusing on the UK utility sector, oil & gas sector, and aviation & maritime sectors. In addition, the Group provides encryption, multiplexing, uplinking and satellite space to channel operators through its media distribution offering. The Group also provides media management services, including linear playout (preparing and transmitting content to distribution centres), video-on-demand, streaming, metadata management and other OTT services. The Group also provides over 100,000 miles of cable for leased fibre connectivity.

The Group has demonstrated revenue and EBITDA growth over the past three years with revenue of £884.0 million, £941.3 million and £962.4 million, and EBITDA of £428.4 million, £473.5 million and £517.5 million, for the years ended 30 June 2016, 2017 and 2018, respectively.

Recent Developments

The Group expects to appoint Michael William Darcey as a Director and as a member of the Nominations Committee in September 2018. Mr Darcey has over 25 years of experience in the technology, media and telecommunications industry with numerous positions held ranging from CEO of News International to COO of British Sky Broadcasting Group. Mr Darcey has also provided strategic advisory services to a range of clients in the media industry. Mr Darcey has served or is currently serving on the boards of Dennis Publishing (UK) Ltd (Chairman), M24Seven (Chairman), Home Retail Group (Senior Independent Director) and Sky New Zealand. Mr Darcey holds an MSc Economics, Microeconomics & Capital Markets from the London School of Economics. Mr Darcey's appointment is subject to CPP Investment Board approval.

Key Factors Affecting the Group's Results of Operations and Financial Condition

The Group's results of operations and financial condition are affected by a variety of factors, a number of which are outside the control of the Group. Set out below is a discussion of the most significant factors that have affected the Group's results during the periods under review and which it currently expects to affect its financial results in the future. Factors other than those set forth below could also have a significant impact on the Group's results of operations and financial condition in the future.

Impact of major project roll-outs in primary business units on revenue

The Group's revenue growth in the periods under review has been driven by major project roll-outs in the Terrestrial Broadcast and the Telecoms & M2M business units.

In the Terrestrial Broadcast reporting segment, the increase in revenue has been driven primarily by the ongoing 700 MHz clearance programme, including spectrum planning, network design programme management, infrastructure changes, service continuity, asset replacement and retuning of broadcast transmitters, which has seen a considerable increase in activity over the three years ended 30 June 2018, the increased coverage resulting from the DAB roll-out and the expansion of commercial DAB Multiplex capacity.

In the Telecoms & M2M reporting segment, revenue increased primarily due to increased site share assignments and additional change request activity and network operating revenues following the roll-out of the smart metering network for gas and electricity providers in northern England and Scotland.

A large portion of the Group's revenues for its Terrestrial Broadcast reporting segment are subject to the Undertakings

For historical reasons related to the degree of competition, the Group's terrestrial transmission services for DTT and radio provided by its Terrestrial Broadcast division are subject to regulation in the form of Reference Offers. The Undertakings and procedures established by Ofcom require the Group to publish Reference Offers setting out terms for access to its network infrastructure whenever any relevant new spectrum becomes available for broadcast purposes or when an existing contract for transmission services is renewed. Under the Reference Offer framework, pricing for transmission services can be reviewed by OTA-BTS. The Group is permitted to pass through to customers certain costs such as rent, taxes, electricity and operating costs. Moreover, the Group's DTT transmission services contracts are inflation-linked, and otherwise set so as to deliver a fixed rate of return relative to the underlying asset base. As a result of these features of the Undertakings, the Group's existing contractual terms and the fact that there are no scheduled regulatory reviews of customer contracts once contractually agreed, the Group benefits from a degree of long-term revenue visibility. See "*Regulation of the Communications Industry in the United Kingdom—Competition Regulation—The Undertakings*".

In the years ended 30 June 2016, 2017 and June 2018, revenue for the Terrestrial Broadcast division was £254.1 million, £273.2 million and £314.4 million, respectively, which represented 60.2%, 60.8% and 64.5%, respectively, of segment revenue of £422.4 million, £449.0 million and £487.6 million for the Terrestrial Broadcast reporting segment for the corresponding periods. The increase in DTT transmission services revenue was largely inflation linked.

In the year ended 30 June 2015, OTA-BTS reviewed the Group's regulatory pricing framework, resulting in a minor adjustment to the regulated return allowed on new capital investments. In its decision, OTA-BTS indicated that the revised return allowed on new capital investments would remain valid until 2025, but that it retains the ability to conduct an intermediate review prior to such date. Accordingly, the Group's revenue has not been significantly impacted by the most recent OTA-BTS review, and the Group has no expectation that another review of the return allowed on new capital investments will occur in the near future. The Group therefore expects its transmission services revenue to be linked with inflation in the medium term.

Increased demand for, and greater volume of, DTT channels/streams

Revenue from the Group's Digital Platforms division has increased at a CAGR of 5.6% from the year ended 30 June 2014 to the year ended 30 June 2018, growing from £139 million to £173 million, which has been driven by increased demand for Freeview channels from broadcasters and advances in compression technology that have increased the number of streams available for sale on the Group's DVB-T Multiplexes from 28 streams in the year ended 30 June 2014 to 31 streams in the year ended 30 June 2018. A stream is a 24-hour slot which can be used by multiple channels if the channels are not broadcasting 24/7. The pricing of Multiplex streams is determined by: (1) the amount of revenue (predominantly advertising, but also transactions and subscriptions) that can be generated based on the size and demographic make-up of the audience that the broadcaster can reach; and (2) the balance between supply of streams and demand from broadcasters requiring access to streams to broadcast their content.

The average price for access to DVB-T streams remained relatively flat over the three years ended 30 June 2018 as available capacity increased in line with demand. The Group has achieved strong capacity utilisation with average levels of approximately 98% on its DVB-T Multiplexes for the periods under review. The Group has also experienced increased stream utilisation on the Group's HD DVB-T2 Multiplexes. These streams are only available to viewers with HD television (DVB-T2/MPEG-4) sets or set-top boxes and maximum coverage is currently only approximately 73% of the UK population, compared to approximately 91% and 98.5% for commercial and PSB multiplexes, respectively, on the Group's DVB-T Multiplexes (*Source:* Ofcom). This lower coverage, combined with fewer viewers being able to access these channels, has resulted in lower value and lower utilisation levels of channel capacity, with utilisation of 85% for the COM 7 and COM 8 Multiplexes in the year ended 30 June 2018.

The Group has historically been successful in creating additional streams through technological improvements, such as improved compression and modulation technologies, and expects that this trend will continue over the medium term. The Group expects this will, in turn, increase the number of channels it is able to sell to broadcasters, which it expects will be partially offset by the revocation or expiry of the Group's DVB-T2 Multiplexes, which will remain in place until at least 2020. See "*Regulation of the Communications Industry in the United Kingdom—Spectrum Regulation—Multiplex Licences—700 MHz Clearance Project and DVB-T2 Multiplex licences*".

Impact of capital expenditures

The Group has significant infrastructure requirements and its ability to provide television and radio broadcast infrastructure and communications services to major distributors of media, wireless voice, data and smart metering services depends largely on its ability to provide attractive and competitive product offerings to its customers by maintaining, upgrading and expanding its asset base. In the periods under review, the Group's capital investments in major projects have been a key driver of revenue growth across its businesses.

The table below sets out the Group's capital expenditures for the periods indicated:

	Year Ended 30 June		
	2016	**2017**	**2018**
		(£ millions)	
Maintenance	20.4	22.5	30.3
Growth—contracted	145.7	129.5	121.7
Growth—non-contracted	5.5	13.2	4.7
Total capital expenditure	**171.6**	**165.2**	**156.7**

The Group typically incurs growth and other capital expenditure based on its contractual commitments, keeping speculative capital expenditure to a minimum. The Group's total contracted growth capital expenditures amounted to £145.7 million, £129.5 million and £121.7 million in the years ended 30 June 2016, 2017 and 2018, respectively, representing 84.9%, 78.4% and 77.7% of total capital expenditure for the corresponding periods. Significant contracted growth capital expenditures for the period under review included investments relating to the roll-out of smart metering networks (predominantly under the Group's contract with the DCC), the DAB roll-out and the 700 MHz clearance programme. The Group believes that the investment cycle relating to these projects has peaked, and investment is expected to fall over the coming years as the capital expenditures for the 700 MHz clearance programme are due to be delivered in 2020, the DAB roll-out is expected to reach its peak from 2020 to 2026, and the roll-out of the Group's smart metering networks will have largely been completed in the year ended 30 June 2018, with only change requests expected over the coming years in response to incremental industry specifications.

The Group's maintenance capital expenditure does not include capital expenditure related to retaining revenues and customer-funded maintenance capital expenditure. The Group's maintenance capital expenditure relates to capital expenditure that is incurred to deliver cost-savings and productivity enhancements, to extend the useful life of existing non-current assets, and to replace worn out and obsolete non-current assets with new ones in order to support existing contracts. The Group dedicates some capital expenditure to retaining certain clients and contracts, from time to time. The Group's total maintenance capital expenditures amounted to £20.4 million, £22.5 million and £30.3 million in the years ended 30 June 2016, 2017 and 2018, respectively, representing 11.9%, 13.6% and 19.3% of total capital expenditure for the corresponding periods. The increase in maintenance capital expenditure for the year ended 30 June 2018 related to the Group's IT transformation efforts as part of the FutureFit programme. The Group has historically maintained tight control of maintenance capital expenditures through stringent management oversight and efficiency measures. The Group expects that its maintenance capital expenditure requirements in the medium term are sustainable and will be in line with current levels. See "*—Liquidity and Capital Resources—Net cash flows—Net capital expenditure and financial investment*".

Changes to product mix

During the period under review, the Group has sought to shift its product mix, which (together with the impact of the Group's cost savings programmes described below) contributed to an increase in EBITDA margin from 48% in the year ended 30 June 2016 to 54% in the year ended 30 June 2018.

In the Telecoms & M2M reporting segment, the Group has exited non-core and sub-scale businesses, including WiFi and Secure Solutions. In the year ended 30 June 2018, the Group has also started to wind down its low margin installations services contracts after successfully supporting the MNOs with 4G roll-out and meeting their coverage obligations. The Group's revenue from installations services has been replaced by revenue from higher margin site sharing contracts, which has increased by approximately £8 million in the three year period ended 30 June 2018, driven by additional site assignment through site transfer programmes with the Group's MNO customers. In addition, in the M2M division, the Group has experienced further margin expansion as a result of the completion of the smart energy metering network roll-out, further change requests and new smart water metering contracts.

In the Satellite and Media reporting segment, the Group has reduced its exposure to lower margin contracts, particularly in the wholesale satellite space and other non-core businesses, and has been rationalising its cost base primarily through satellite capacity management.

Orderbook

The Group had a strong orderbook of £5.0 billion as at 30 June 2018. The Group's orderbook as at 30 June 2018 consisted of £3.5 billion revenue contracted in the Terrestrial Broadcast reporting segment, £1.3 billion revenue contracted in the Telecoms & M2M reporting segment and £0.2 billion revenue contracted in the Satellite & Media reporting segment, which accounted for 69.5%, 25.8% and 4.7% of the total £5.0 billion revenue contracted, respectively. A significant proportion of the value of the Group's orderbook relates to medium to long-term contracts across all its business units, including DTT and radio transmission, site sharing, energy and water smart metering, as well as satellite and other infrastructure services. These contracts result in generally predictable revenue generation with significant visibility over expected revenue for the financial year at the commencement of each financial year. Approximately 85.6% of the Group's actual revenues realised in the year ended 30 June 2018 were already contracted as at 30 June 2017. In addition to these customer contracts, the Group's strong orderbook also includes arrangements with the major broadcasters and Ofcom to clear the 700 MHz spectrum and change requests associated with the Group's smart energy metering and the further roll-out of the smart water metering network with Thames Water.

Revenue impact of disposals

As part of the Group's increased focus on its core activities, the Group disposed of certain non-core and sub-scale business across its business units throughout the period under review. This included the disposal of the WiFi business in November 2016 (Telecoms & M2M), as well as the disposal of the Group's Secure Solutions assets and its payphone assets/business (NWP Street Limited) in July 2015 (Satellite & Media). Revenue from the Group's disposed businesses was £28.8 million, £7.2 million and nil for the years ended 30 June 2016, 2017 and 2018, respectively, representing 3.3%, 0.8% and 0.0% of the Group's total revenues for the corresponding periods, respectively.

Impact of cost savings programmes

In the periods under review, the Group implemented a cost savings programme aimed at achieving efficiencies and reducing costs by optimising the Group's cost base and driving margin improvements by reducing overhead, consolidating business units into a more efficient structure and other initiatives, which (together with the change in the Group's product mix described above) contributed to substantial EBITDA growth. The Group's company-wide "FutureFit" transformation programme aims to streamline processes, modernise IT systems and achieve third-party cost efficiencies. The Group has conducted a review of operational processes across the business, underpinned by a transformation of IT systems, to deliver improvements in operational efficiency, eliminate waste and deliver improvements in customer services. Third-party savings achieved in the period under review include (i) IT cost savings, such as the renegotiation of rates for systems maintenance and rationalisation of the supplier base; (ii) circuit cost savings; (iii) facilities cost savings; (iv) power cost reductions, including the renegotiation of rates with energy providers and reduction of energy consumption; (v) transmission cost savings, such as the reduction in purchase of consumable and stock items through more efficient monitoring; (vi) reduction of travel spend; (vii) reduction of the marketing function and restrictions on third party marketing spend; and (viii) optimising satellite capacity. The Group intends to continue to focus on the delivery of further efficiencies as it rolls out its improved systems and processes that, together with the natural conclusion of major projects such as the 700 MHz clearance programme and the smart energy metering network, are expected to result in a substantial reduction in headcount.

Seasonality

The Group's working capital movement is seasonal in nature due to the different contractual timings of receipts and payments. The Group invoices a proportion of its site share customers annually in advance, and these billings and subsequent cash collections are mainly concentrated in the third quarter of the financial year. In addition, annual staff bonus payments are made in the first quarter of the financial year. As a result, the Group's cash inflow from operations in the second half of the financial year has historically been approximately double the amount of the first half of the financial year, which is reflected in the working capital fluctuation. Consequently, working capital movements tend to be adverse in the first half of the financial year as a higher proportion of profit and loss revenues are non-cash. This is reflected by the large negative movement in creditors in the first half of the financial year and is mainly driven by negative deferred income movements. Deferred income principally comprises (i) short term site share revenue resulting from key customers paying yearly, half yearly, quarterly and monthly in advance, (ii) payments by customers in advance outside their normal payment terms, (iii) site assignments from customers as part of framework contract terms, and (iv) projects where cash is paid up front as costs (capital expenditure and operational expenditure) are incurred but revenue is spread over the period of the contract, such as smart metering change requests. See "*—Liquidity and Capital Resources—Net cash flows—Working Capital*".

Description of Certain Income Statement Line Items

Revenue

Revenue represents the gross inflow of economic benefit for services provided utilising the Group's communications infrastructure, completion of significant engineering projects and the sale of communications equipment. Revenue is stated net of value added tax. Revenue is measured at the fair value of the consideration received or receivable. See "*—Critical Accounting Policies*".

Terrestrial Broadcast

Revenue for the Group's Terrestrial Broadcast business unit primarily comprises revenue from contracts for television and radio transmission covering both NA and MTS, revenue from contracts for DTT and radio Multiplex provision as well as revenue from the 700 MHz clearance programme and other engineering projects.

Telecoms & M2M

Revenue for the Group's Telecoms & M2M business unit primarily comprises revenue from the Group's site sharing business, revenue from project-based engineering contracts with MNOs such as installation services and the 4G roll-out, small cell and in-building network fees as well as network roll-out and operation fees under smart metering contracts.

Satellite & Media

Revenue for the Group's satellite business primarily comprises revenue from the UK DTH platform, satellite distribution platforms, satellite managed networks and other activities, which include media management, events, satellite data communications, wholesale space and an international fibre network.

Cost of sales

Cost of sales includes costs that are either variable in line with changes in revenue or can be directly attributable to the provision of products or services. Cost of sales includes items such as the cost of rent, business rates, power, satellite and video stream capacity and charges relating to the movement of data around the Group's infrastructure, for example to the main transmission sites and Multiplexing sites. It also includes third-party project delivery costs and a number of maintenance (including internal staff costs), equipment hire, software maintenance and facility costs. See "*Business—Business Units—Terrestrial Broadcast Business Unit*".

Depreciation

Depreciation includes depreciation of owned fixed assets and depreciation of assets held under finance leases.

Amortisation

Amortisation includes amortisation of intangible assets. Amortisation is charged to the income statement on a straight line basis over the estimated useful life of the asset, which is considered to be up to ten years or the length of the contractual agreement / licence. In no cases does this exceed 20 years.

Other operating expenses

Other operating expenses represent operating costs of the business that are not directly variable in line with changes in revenue, such as staff costs not associated with the maintenance of customer contracts or networks and the majority of corporate support costs. Such costs include the salaries and wages of employees, licence and operating arrangement fees, sales and marketing costs, travel and consultancy fees.

Other income

Other income includes the gross inflow of economic benefit for services provided which do not qualify as revenue. This includes certain government grants.

Share of results of associates and joint ventures

Share of results of associates and joint ventures represents the Group's percentage share of profit generated by its associates and joint venture companies. Associates and joint ventures are accounted for using the equity method.

Finance income

Finance income represents interest received on bank deposits, finance leases and other loans and receivables relating to joint ventures as well as dividends received from investments.

Finance costs

Finance costs comprise the expense of servicing the Group's financing arrangements, the amortisation of any associated costs of putting such arrangements in place, as well as the unwinding of discounts on provisions relating to matters such as decommissioning.

Other gains and losses

Other gains and losses represents fair value gains and losses under the Group's hedging arrangements, profits/losses on the sale of subsidiaries and exceptional gains/losses on the close out of swap arrangements and the disposal of swap options. See "*—Derivative Financial Instruments*".

Tax

Tax represents the corporation tax charge on the Group's profit or loss for the year, and includes both current and deferred taxation. Current year tax is the expected tax payable on the taxable income for the year, using rates enacted or substantively enacted in each jurisdiction at the end of the reporting period, and any adjustments in respect of previous periods.

Results of Operations

The following table sets forth certain of the Group's income statement data for the periods indicated:

	Year Ended 30 June		
	2016	2017	2018
	(£ millions)		
Revenue	884.0	941.3	962.4
Cost of sales	(343.5)	(353.5)	(323.0)
Gross profit	**540.5**	**587.8**	**639.4**
Depreciation	(128.4)	(141.6)	(163.7)
Amortisation	(10.3)	(12.6)	(16.7)
Impairment	—	—	(4.4)
Other operating expenses(1)	(125.9)	(143.9)	(131.3)
Total operating expenses	(264.6)	(298.1)	(316.1)
Other income	0.2	1.1	4.6
Share of results of associates and joint ventures	0.1	0.3	0.2
Operating profit	**276.2**	**291.1**	**328.1**
Finance income	1.3	3.7	2.0
Finance costs	(342.2)	(358.5)	(367.0)
Other gains and losses(2)	14.3	(133.1)	92.4
(Loss) / profit before tax	**(50.4)**	**(196.8)**	**55.5**
Tax	0.1	(0.1)	227.8
(Loss) / profit for the year	**(50.3)**	**(196.9)**	**283.3**

(1) Including exceptional operating expenses.

(2) Including exceptional other gains and losses.

Financial Year Ended 30 June 2018 Compared to the Financial Year Ended 30 June 2017

Revenue

For the year ended 30 June 2018, revenue for the Group was £962.4 million, an increase of 2.2% from £941.3 million in the year ended 30 June 2017. The year ended 30 June 2017 included revenue totalling £7.2 million from the WiFi business, which was disposed of within that year. Excluding this disposal, revenue growth from continuing operations was 3.0%. The following table sets forth the Group's revenue by reporting segment for the years indicated. The Other reporting segment did not generate any revenue for the periods indicated.

	Year Ended 30 June		
	2017	2018	% Change
	(£ millions, except percentages)		
Revenue			
Terrestrial Broadcast	449.0	487.6	8.6
Telecoms & M2M	345.4	341.3	(1.2)
Satellite & Media	146.9	133.5	(9.1)
Total Group revenue	**941.3**	**962.4**	**2.2**

Terrestrial Broadcast

Revenue for the Group's Terrestrial Broadcast reporting segment during the year ended 30 June 2018 was £487.6 million, representing an 8.6% increase from £449.0 million in the year ended 30 June 2017. This increase has been delivered as a result of increased activity in relation to the 700 MHz clearance programme, as well as increased activity from DAB following completion of the roll-out and RPI-linked increases on broadcast contracts.

Telecoms & M2M

Reported revenue for the Group's Telecoms & M2M reporting segment was £341.3 million in the year ended 30 June 2018, a 1.2% decrease from £345.4 million in the year ended 30 June 2017. The year ended 30 June 2017 included revenues totalling £7.2 million (2018: £nil) from the WiFi business, which was disposed of within that year. Excluding this disposal, revenue on a continuing basis was £341.3 million and £338.2 million for the years ended 30 June 2018 and 2017, respectively, and organic revenue growth was 0.9%.

Organic revenue growth in the Group's Telecoms & M2M reporting segment was principally a result of increased revenue from the telecoms towers business (£220.7 million in the year ended 30 June 2018, compared to £212.7 million in the year ended 30 June 2017) increasing 3.8% due to site assignments and upgrades to existing sites, and contract indexation. This growth has been offset by a decrease in lower margin Installation Services activity (£51.6 million in the year ended 30 June 2018, compared to £68.1 million in the year ended 30 June 2017) in line with the expected programme roll-out.

M2M revenues increased to £63.2 million in the year ended 30 June 2018 from £50.4 million in the year ended 30 June 2017. This was principally due to further revenues from set-up charges and change requests relating to the Group's smart energy metering network.

Satellite & Media

Revenue for the Satellite & Media reporting segment during the year ended 30 June 2018 was £133.5 million, which represented a 9.1% decrease from £146.9 million in the year ended 30 June 2017. The decrease was driven by the continuing impact of exiting low margin contracts and rationalisation of services. These decreases were, however, partially offset by the rollout of new HD channel sales within the UK DTH business.

Cost of Sales

For the year ended 30 June 2018, cost of sales for the Group was £323.0 million, a decrease of 8.6% from £353.5 million in the year ended 30 June 2017. Cost of sales from continuing operations (excluding the WiFi business) decreased by 7.2%. The shift in sales mix towards higher margin activities and improvements in service delivery efficiency has contributed to the reduction in cost of sales.

Gross profit

For the year ended 30 June 2018, gross profit for the Group was £639.4 million, representing an 8.8% increase from £587.8 million in the year ended 30 June 2017. Gross profit from continuing operations increased 9.1% year on year as a result of the abovementioned revenue growth and shift in sales mix, as well as improvements in the efficiency of service delivery.

Other operating expenses

Other operating expenses for the Group during the year ended 30 June 2018 excluding exceptional items were £121.8 million, a 6.5% increase from £114.4 million in the year ended 30 June 2017. The increase was principally due to a shift in nature of activities as major programmes progress, reducing billable and capital labour costs towards third party expense and one-offs, including consultancy costs.

EBITDA

EBITDA for the Group before exceptional items was £517.5 million in the year ended 30 June 2018, representing a 9.3% increase from £473.5 million in the year ended 30 June 2017, explained by the increase in gross profit resulting from the shift in sales mix and cost saving initiatives from the FutureFit programme and operating efficiencies becoming embedded into the cost base of the business.

The following table shows the Group's EBITDA (pre-exceptional items) by reporting segment for the years indicated:

	Year Ended 30 June		
	2017	2018	% Change
	(£ millions, except percentages)		
EBITDA			
Terrestrial Broadcast	329.4	360.8	9.5
Telecoms & M2M	155.1	178.1	14.8
Satellite & Media	35.0	33.8	(3.4)
Other[(1)]	(46.0)	(55.2)	(20.0)
Total EBITDA	**473.5**	**517.5**	**9.3**

(1) Other refers to the Group's corporate business unit, e.g. the Company's finance, legal and IT services.

Terrestrial Broadcast

EBITDA for the Group's Terrestrial Broadcast reporting segment for the year ended 30 June 2018 was £360.8 million, representing a 9.5% increase from £329.4 million in the year ended 30 June 2017. The growth was mainly due to completion of the DAB roll-out and increased 700 MHz Clearance activities.

Telecoms & M2M

EBITDA for the Group's Telecoms & M2M reporting segment for the year ended 30 June 2018 was £178.1 million, a 14.8% increase from £155.1 million in the year ended 30 June 2017. This was driven by changes in sales mix, namely an increase in site share revenue offset by a reduction in lower margin installation services activity, as well as increases in incremental change requests relating to the smart metering contract.

Satellite & Media

EBITDA for the Satellite & Media reporting segment for the year ended 30 June 2018 was £33.8 million, a 3.4% decrease from £35.0 million in the year ended 30 June 2017. The decrease was due to the revenue reduction described above, partially offset by reduction of satellite capacity costs as a result of the FutureFit savings programme, which resulted in margin improvement.

Other

EBITDA for the Group's Other reporting segment for the year ended 30 June 2018 was £(55.2) million, a 20.0% decrease from £(46.0) million for the year ended 30 June 2017. The increase reflected increased maintenance contract and licence costs to support IT systems in growth areas, including smart metering, together with one-off costs, including consultancy costs and foreign exchange credits, in the year ended 30 June 2017 but not repeated in the year ended 30 June 2018.

Depreciation

Depreciation for the Group during the year ended 30 June 2018 was £163.7 million, an increase of 15.6% from £141.6 million in the year ended 30 June 2017. This was due to an increase in the underlying tangible asset base of the Group (particularly in connection with smart metering contracts and the 700 MHz clearance programme) and the accelerated depreciation on certain assets (particularly in connection with assets replaced under the 700 MHz clearance programme).

Amortisation

Amortisation for the Group during the year ended 30 June 2018 was £16.7 million, an increase of 32.5% from £12.6 million in the year ended 30 June 2017. This was due to an increase in the underlying intangible asset base of the Group and the accelerated amortisation of certain assets linked to the Group's IT transformation.

Impairment

Impairment for the Group during the year ended 30 June 2018 was £4.4 million, compared to £nil in the year ended 30 June 2017. This increase was due to an impairment recognised in the year ended 30 June 2018 to write down the value of tangible and intangible assets in relation to non-core business areas.

Exceptional operating expenses

Exceptional operating expenses for the Group during the year ended 30 June 2018 were £9.5 million, compared to £29.5 million during the year ended 30 June 2017. Exceptional items charged to operating profit in both the year ended 30 June 2018 and the year ended 30 June 2017 predominantly related to reorganisation and programme management resulting from the Group's FutureFit efficiency programme and costs associated with the shareholders' strategic review. Year-on-year changes reflect the phasing of the FutureFit programme.

EBITDA including exceptional items

EBITDA for the Group including exceptional items charged to operating profit was £508.9 million for the year ended 30 June 2018, an increase of 14.4% compared with £444.0 million for the year ended 30 June 2017. This was explained by the increase in gross profit and operating efficiencies becoming embedded into the cost base of the business.

Other income

Other income for the year ended 30 June 2018 was £4.6 million, a 318.2% increase from £1.1 million for the year ended 30 June 2017, and related to income grants received in the year. In addition, on 26 October 2017, the Group sold its 22.5% shareholding in Arts Alliance Media Investment Limited, a joint venture. A gain of £0.1 million was recognised on disposal.

Share of results of associates and joint ventures

The Group's share of results of associates and joint ventures for the year ended 30 June 2018 was £0.2 million compared to £0.3 million in the year ended 30 June 2017. The prior year included a share of adverse foreign exchange movements.

Operating profit

Operating profit for the Group was £328.1 million for the year ended 30 June 2018, a 12.7% increase from £291.1 million in the year ended 30 June 2017. This increase was principally due to the growth in EBITDA described above, partially offset by the increases in operating expenses, depreciation, amortisation and impairment.

Finance income

Finance income for the year ended 30 June 2018 was £2.0 million, compared to £3.7 million in the year ended 30 June 2017. The decrease was principally due to one-off finance income generated on long-term revenue contracts in the year ended 30 June 2017.

Bank and other loan interest

Bank and other loan interest for the Group was £228.8 million for the year ended 30 June 2018 compared to £231.4 million in the year ended 30 June 2017. This decrease was as a result of the new facilities and swap instruments that were established in November 2016 and a reduction in the Group's term debt.

Other interest

Other interest for the Group was £39.1 million for the year ended 30 June 2018, compared to £33.9 million in the year ended 30 June 2017. Other interest is primarily non-cash and principally includes the amortisation of debt issue costs and imputed interest.

Interest payable to other group entities

Interest payable to other group entities for the Group was £102.6 million for the year ended 30 June 2018, compared to £93.2 million in the year ended 30 June 2017. The increase was due to the additional interest on outstanding balances.

Other gains and losses

Excluding exceptional other gains and losses, the Group reported £92.3 million of other gains in the year ended 30 June 2018, compared to a loss of £112.5 million in the year ended 30 June 2017 as a result of mark-to-market movements. Of the gains in the period, a £2.0 million gain was recognised in relation to foreign exchange movements on foreign denominated debt instruments. The cross-currency swaps provide an economic hedge to the Group's US$ denominated debt. A further £90.3 million of gains were recognised as a result of fair value movements of swaps, principally attributable to the servicing of derivatives partially offset by changes in market yields and credit spreads.

Tax

Tax on loss on ordinary activities during the year ended 30 June 2018 was a credit of £227.8 million, compared to a £0.1 million charge in the year ended 30 June 2017. The credit in the period was a result of one-off tax adjustments, including recognition of deferred tax assets, not previously recognised on the balance sheet following changes in tax legislation and payment received for group relief.

Profit for the financial year

The profit for the year ended 30 June 2018 was £283.3 million, compared to a loss of £196.9 million in the year ended 30 June 2017. The profit for the period was after non-cash charges of £23.6 million (2017: £413.4 million charge) comprising: £92.3 million credited to other gains and losses excluding exceptional items (2017: £133.1 million charged); £163.7 million depreciation (2017: £141.6 million); £16.7 million amortisation (2017: £12.6 million); £4.4 million impairment (2017: £nil); £102.6 million interest payable to other group entities (2017: £93.2 million); £34.6 million of other non-cash interest and similar charges (2017: £32.9 million); and £206.1 million credited to recognise deferred tax assets (2017: £nil). Excluding these non-cash items, the Group made an adjusted profit of £306.9 million in the year ended 30 June 2018, compared to an adjusted profit of £216.5 million in the year ended 30 June 2017.

Financial Year Ended 30 June 2017 Compared to the Financial Year Ended 30 June 2016

Revenue

For the year ended 30 June 2017 revenue for the Group was £941.3 million, an increase of 6.5% from £884.0 million in the year ended 30 June 2016. The year ended 30 June 2016 included revenue totalling £28.8 million (compared to £7.2 million for the year ended 30 June 2017) from non-core business areas (principally the WiFi and Secure Solutions businesses in the Telecoms & M2M business segment), that were disposed of in the years ended 30 June 2017 and 2016, respectively. Excluding these disposals, revenue growth from continuing operations was 9.2%.

The following table sets forth the Group's revenue by reporting segment for the periods indicated:

	Year Ended 30 June		
	2016	2017	% Change
	(£ millions, except percentages)		
Revenue			
Terrestrial Broadcast	422.4	449.0	6.3%
Telecoms & M2M	317.0	345.4	9.0%
Satellite & Media	144.6	146.9	1.6%
Total Group revenue	**884.0**	**941.3**	**6.5%**

Terrestrial Broadcast

Revenue for the Group's Terrestrial Broadcast reporting segment during the year ended 30 June 2017 was £449.0 million, representing a 6.3% increase from £422.4 million in the year ended 30 June 2016. This increase was principally from the Group's DTT multiplexes (2017: £175.8 million; 2016: £168.3 million) mainly as a result of new channel launches and other increases. The Group had capacity of 31 video streams on its main multiplexes, all of which were utilised and increased channel sales on its DVB-T2 (HD enabled) multiplexes during the financial year. Radio contracts (resulting from the DAB roll-out and increased transmission activity thereon), an increase in activities in relation to the 700 MHz clearance programme, and RPI linked increases on broadcast contracts delivered further growth.

Telecoms & M2M

Revenue for the Group's Telecoms & M2M reporting segment was £345.4 million in the year ended 30 June 2017, a 9.0% increase from £317.0 million in the year ended 30 June 2016. The year ended 30 June 2016 included revenues totalling £28.8 million (compared to £7.2 million in the year ended 30 June 2017) from non-core business areas (principally the WiFi and Secure Solutions businesses) which were disposed of. Excluding these disposals, revenue on a continuing basis was £338.2 million and £288.2 million for the years ended 30 June 2017 and 2016, respectively, and organic revenue growth was 17.3%.

The organic growth was principally as a result of increased revenue from the telecoms towers business (£212.7 million in the year ended 30 June 2017 and £198.7 million in the year ended 30 June 2016) due to site assignments and upgrades to existing sites, and accelerations in Installation Services activity (£68.1 million in the year ended 30 June 2017 and £51.6 million in the year ended 30 June 2016) to assist MNOs in meeting 4G coverage requirements.

M2M revenues increased to £50.4 million in the year ended 30 June 2017 from £34.4 million in the year ended 30 June 2016. This was principally due to recurring smart energy metering contract revenues as a result of network availability charges commencing in December 2015, further revenues from change requests to the smart energy metering contract, and additional meter revenues in relation to smart metering contracts with Thames Water and Anglian Water.

Satellite & Media

Revenue for the Satellite & Media reporting segment during the year ended 30 June 2017 was £146.9 million which was a 1.6% increase from £144.6 million in the year ended 30 June 2016. The growth was driven by new HD channel sales, its new agreement with Al Jazeera Media Network for global teleport and distribution services, and foreign exchange gains. These increases were, however, partially offset by the continuing impact of exiting certain low margin contracts.

Cost of Sales

For the year ended 30 June 2017 cost of sales for the Group was £353.5 million, an increase of 2.9% from £343.5 million in the year ended 30 June 2016. Cost of sales from continuing operations increased by 8.1% over the same period. The percentage increase in cost of sales was lower than the increase in revenue primarily due to the shift in sales mix (i.e. disposal of non-core business areas) and improvements in the efficiency of service delivery.

Gross profit

For the year ended 30 June 2017, gross profit for the Group was £587.8 million, representing an 8.8% increase from £540.5 million in the year ended 30 June 2016. Gross profit from continuing operations increased 10.5% year on year as a result of the above-mentioned strong revenue growth and improvements in the efficiency of service delivery.

Other operating expenses

Other operating expenses for the Group during the year ended 30 June 2017, excluding exceptional items, were £114.4 million, a 1.9% increase from £112.3 million in the year ended 30 June 2016. The increase was principally due to higher rewards and bonuses under management and employee performance frameworks due to the business outperforming expectations. Additionally, there were adverse movements in foreign exchange versus favourable movements recorded in the prior year.

EBITDA

EBITDA for the Group before exceptional items was £473.5 million for the year ended 30 June 2017, representing a 10.5% increase from £428.4 million in the year ended 30 June 2016, explained by the increase in gross profit and the business outperforming business expectations. The outperformance of the business was primarily attributable to cost saving initiatives and operating efficiencies and will become embedded into the cost base for future financial periods. This was partially offset by the marginal increase in other operating expenses as set out above.

The following table shows the Group's EBITDA (pre-exceptional items) by reporting segment for the years indicated:

	Year Ended 30 June		
	2016	2017	% Change
	(£ millions, except percentages)		
EBITDA			
Terrestrial Broadcast	308.0	329.4	6.9%
Telecoms & M2M	133.7	155.1	16.0%
Satellite & Media	31.3	35.0	11.8%
Other[1]	(44.6)	(46.0)	(3.1)%
Total EBITDA	**428.4**	**473.5**	**10.5%**

(1) Other refers to the Group's corporate business unit, e.g. the Company's finance, legal and IT services.

Terrestrial Broadcast

EBITDA for the Group's Terrestrial Broadcast reporting segment during the year ended 30 June 2017 was £329.4 million, representing a 6.9% increase from £308.0 million in the year ended 30 June 2016. The growth was mainly due to utilisation of the main multiplexes with increased capacity, on-going DAB roll-out and 700 MHz Clearance activities.

Telecoms & M2M

EBITDA for the Group's Telecoms & M2M reporting segment during the year ended 30 June 2017 was £155.1 million, a 16.0% increase from £133.7 million in the year ended 30 June 2016. This was principally due to the growth in the telecoms towers business, and the smart energy metering contract, which were among the main sources of revenue growth.

Satellite and Media

EBITDA for the Satellite & Media reporting segment during the year ended 30 June 2017 was £35.0 million which represented an 11.8% increase from £31.3 million in the year ended 30 June 2016. The revenue growth of 1.6% as described above has been further supported by rationalisation of satellite capacity costs and headcount savings.

Other

The increase in Other costs versus the prior year period was mainly driven by movements in foreign exchange partially offset by reductions in corporate costs.

Depreciation

Depreciation for the Group during the year ended 30 June 2017 was £141.6 million, an increase of 10.3% from £128.4 million in the year ended 30 June 2016. This was due to an increase in the underlying tangible asset base of the Group (particularly in connection with Smart Metering contracts) and the accelerated depreciation on certain assets (particularly in connection with the 700 MHz clearance programme).

Amortisation

Amortisation for the Group during the year ended 30 June 2017 was £12.6 million, an increase of 22.3% from £10.3 million in the year ended 30 June 2016. This was due to an increase in the underlying intangible asset base of the Group, and the accelerated amortisation of certain assets linked to the Group's IT transformation

Exceptional operating expenses

Exceptional operating expenses for the Group during the year ended 30 June 2017 were £29.5 million compared to £13.6 million during the year ended 30 June 2016, an increase of 116.9%. Exceptional items charged to operating profit in both the year ended 30 June 2017 and 2016 predominantly relate to reorganisation costs; in the year ended 30 June 2017 resulting from the Group's new FutureFit efficiency programme.

EBITDA including exceptional items

EBITDA for the Group including exceptional items charged to operating profit was £444.0 million for the year ended 30 June 2017, an increase of 7.04% compared with £414.8 million in the year ended 30 June 2016.

Other income

Other income for the year ended 30 June 2017 was £1.1 million (compared to £0.2 million for the year ended 30 June 2016) and related to income grants received in the year.

Share of results of associates and joint ventures

The Group's share of results of associates and joint ventures for the year ended 30 June 2017 was £0.3 million compared to £0.1 million in the year ended 30 June 2016. The year ended 30 June 2016 included a share of adverse foreign exchange movements.

Operating profit

For the year ended 30 June 2017, operating profit for the Group was £291.1 million, representing a 5.4% increase from £276.2 million in the year ended 30 June 2016. This increase was principally due to the growth in EBITDA including exceptional items described above, partially offset by the increase in depreciation and amortisation.

Finance income

Finance income for the year ended 30 June 2017 was £3.7 million compared to £1.3 million in the year ended 30 June 2016. The increase was principally due to finance income generated on long-term revenue contracts.

Bank and other loan interest

Bank and other loan interest for the Group for the year ended 30 June 2017 was £231.4 million compared to £225.1 million in the year ended 30 June 2016. This increase was as a result of the higher rates and phasing of the new swap instruments that were restructured as part of the November 2016 refinancing, and the annual margin step-up on the Group's former bank facilities prior to refinancing.

Other interest

Other interest for the Group for the year ended 30 June 2017 was £33.9 million, compared to £32.5 million in the year ended 30 June 2016. Other interest was primarily non-cash and principally includes the amortisation of debt issue costs and imputed interest.

Interest payable to other group entities

Interest payable to other group entities for the Group for the year ended 30 June 2017 was £93.2 million, compared to £84.6 million in the year ended 30 June 2016. The increase was due to the additional interest on higher interest accrued and outstanding balances.

Other gains and losses

The Group reported £112.5 million of other losses in the year ended 30 June 2017, compared to £0.1 million of other losses in the year ended 30 June 2016. Of the losses in the year ended 30 June 2017,

£104.2 million were as a result of movements in the fair value of swaps. This loss was principally attributable to changes in market yields and credit spreads. An £8.3 million loss was recognised in relation to foreign exchange movements on foreign denominated debt instruments, however the cross-currency swaps provide an economic hedge to the Group's US dollar denominated debt.

Exceptional other gains and losses

Exceptional other gains and losses included the close out of swap arrangements as part of the Group's November 2016 refinancing (£15.4 million) and a loss on disposal of Arqiva WiFi Limited in November 2016 (£5.2 million).

Tax

Tax on loss on ordinary activities during the year ended 30 June 2017 was a £0.1 million charge, compared to a £0.1 million credit in the year ended 30 June 2016.

Loss for the financial year

The loss for the year ended 30 June 2017 was £196.9 million, compared to a loss of £50.3 million in the year ended 30 June 2016. The loss in the year ended 30 June 2017 was principally as a result of the adverse fair value movements recorded in respect of the swaps as described above. The loss for the period was after non-cash charges of £413.4 million (compared to a £240.5 million charge in the year ended 30 June 2016) comprising: £133.1 million charged to other gains and losses (compared to £14.3 million credited in the year ended 30 June 2016); £141.6 million depreciation (compared to £128.4 million in the year ended 30 June 2016); £12.6 million amortisation (compared to £10.3 million in the year ended 30 June 2016); £93.2 million interest payable to other group entities (compared to £84.6 million in the year ended 30 June 2016); and £32.9 million of other non-cash interest and similar charges (compared to £31.5 million in the year ended 30 June 2016). Excluding these non-cash items, the Group made a profit of £216.5 million in the year ended 30 June 2017 compared to an adjusted profit of £190.2 million in the year ended 30 June 2016.

Liquidity and Capital Resources

The Group's primary source of liquidity for its operations and capital expenditures has historically been positive cash flow from operations, internal liquidity and banking facilities. Following the Transactions, the Group believes it will have adequate and stable sources of funds to meet its future capital expenditures and working capital requirements.

Net cash flows

The following table sets forth information regarding the Group's statement of cash flows for the periods presented:

	Year Ended 30 June		
	2016	**2017**	**2018**
		(£ millions)	
Consolidated cash flow data			
Net cash inflow from operating activities	365.9	489.7	572.1
Net capital expenditure and financial investment	(163.3)	(161.3)	(164.8)
Sale of subsidiary undertakings and proceeds on disposal of investments	16.4	23.2	5.2
Loans to joint ventures	—	—	0.6
Operating cash flow after capital and financial investment activities	219.0	351.6	413.1
Movement in borrowings	(4.6)	(19.4)	(124.7)
Net interest paid and financing charges	(231.2)	(237.2)	(226.6)
Principal accretion on inflation-linked swaps	(26.0)	(53.4)	(58.6)
Debt issue costs and facility arrangement fees	—	(12.5)	—
Cash flow on close out of swaps	—	(36.0)	—
Swap Option sale proceeds	—	3.2	—
(Decrease) / increase in cash	**(33.6)**	**(3.7)**	**3.2**

Net cash inflow from operating activities

For the year ended 30 June 2018, the Group generated a cash inflow from operating activities of £572.1 million compared to £489.7 million for the year ended 30 June 2017, representing a 16.8% increase from the prior year due to strong EBITDA performance and working capital inflows.

For the year ended 30 June 2017, the Group generated a cash inflow from operating activities of £489.7 million compared to £365.9 million in the year ended 30 June 2016, representing a 33.8% increase from the prior year due to strong EBITDA and positive working capital. This was partially offset by an increase in exceptionals driven by the compensation payments for alignment in contract terms and conditions. Operating cash flow after capital and financial investment activities (which aggregates cash inflow from operating activities and net capital expenditure and financial investment) was £351.6 million in the year ended 30 June 2017 compared to £219.0 million in the year ended 30 June 2016, representing an improvement of £132.6 million. This improvement resulted in the Group repaying more borrowings during the year compared with the prior year.

Working capital

Working capital is part of "Net cash inflow from operating activities" in the Group's summary consolidated cash flow statement. The Group defines working capital movement as the movement in current assets, current liabilities and certain long term liabilities including deferred income and provisions greater than one year that form part of the Group's net cash inflow from operating activities. Working capital movement does not include other statement of financial position item movements such as capital creditors, imputed interest and movements on intercompany loan and interest balances.

Whilst the Group's business is not seasonal in nature, its working capital movement is seasonal. The Group invoices and collects a proportion of its Site Share revenues annually in advance in the third quarter of the year. Annual staff bonus payments are made in the first quarter of the financial year.

The table below sets out the Group's working capital position as at the dates shown:

	Year Ended 30 June		
	2016	**2017**	**2018**
	(£ millions)		
Net (increase) / decrease in receivables	(50.2)	(4.3)	5.9
Net (decrease) / increase in payables	(2.1)	36.9	70.7
Net increase / (decrease) in provisions	3.1	13.1	(12.6)
Total working capital movement	**(49.2)**	**45.7**	**64.0**

The components of the Group's working capital are:

- Net movement in receivables comprising trade receivables, prepayments and accrued revenue;
- Net movement in payables including trade payables, sundry payables, VAT creditors, accruals, and deferred revenue less than and greater than one year; and
- Net movement in provisions includes provisions less than and greater than one year.

The working capital movement for the year ended 30 June 2018 was an inflow of £64.0 million, compared to an inflow of £45.7 million in the year ended 30 June 2017 and an outflow of £49.2 million in the year ended 30 June 2016.

The year ended 30 June 2018 working capital inflow of £64.0 million consisted of:

- A decrease in receivables of £5.9 million as a result of timing differences in billing and cash collection mostly from large Telecoms & M2M and Terrestrial Broadcast customers;
- A net increase in payables of £70.7 million which is principally due to additional deferred income recognised from Telecoms & M2M and Terrestrial Broadcast customers, partially offset by the normal utilisation of deferred revenue in connection with large Telecoms & M2M customers; and
- A net decrease in provisions of £12.6 million principally following the payment of compensation for the alignment of employee contract terms and conditions.

The movement in working capital compared to the year ended 30 June 2017 is a favourable movement of £18.3 million. This was principally due to additional deferred income recognised partially offset by the payment of compensation for the alignment of employee contract terms and conditions.

The year ended 30 June 2017 working capital inflow of £45.7 million consisted of:

- An increase in receivables of £4.3 million as a result of partially offsetting timing differences in billing and cash collection mostly from large Telecoms and Terrestrial Broadcast customers;
- A net increase in payables of £36.9 million which was principally due to: additional deferred income recognition in relation to smart metering resulting from an advance receipt as a result of a new change request order, 700 MHz Clearance and other Telecoms and Terrestrial Broadcast customers; additional central accruals including performance related staff benefits; partially offset by the normal utilisation of deferred revenue in connection with large Telecoms customers and other smaller timing differences; and
- A net increase in provisions of £13.1 million primarily due to exceptional expenditure in relation to reorganisation costs including compensation payments for the alignment of contract terms and conditions.

The movement in working capital compared to the year ended 30 June 2016 was a favourable movement of £94.9 million. This was principally due to additional deferred income from advance cash receipts recognised in the current period in relation to an improved working capital position on certain contracts, including Smart Metering and 700 MHz Clearance.

The year ended 30 June 2016 working capital outflow of £49.2 million consisted of:

- An increase in receivables of £50.2 million which is principally due to:
  - An increase in trade receivables primarily due to the timing of receipts from certain large customers;
  - Grant receipt claims assessed in respect of the finalisation of the mobile infrastructure project (‘MIP’), shown within sundry debtors;
  - Other smaller timing differences in relation to the timing of receipts from customers and prepayments on corporate contracts.
- A decrease in payables of £2.1 million which is principally due the normal utilisation of deferred revenue in connection with large Terrestrial Broadcast and Telecoms customers partially offset by an increase in deferred revenue in connection with the Group’s smart energy metering contract and future grant claims (as described above), among other smaller timing differences.
- A net increase in provisions of £3.1 million primarily due to exceptional expenditure in relation to reorganisation and severance costs.

Net capital expenditure and financial investment

The Group requires maintenance capital expenditure as well as growth capital expenditure to support its current business and future development. The Group expects its capital expenditures to reduce over the longer term as major projects complete, with reduction starting from the year ending 30 June 2019 onwards.

Maintenance capital expenditure is expenditure that is incurred to deliver cost-savings, productivity enhancements, to extend the useful life of existing non-current assets, or replace worn out and obsolete non-current assets with new ones in order to support existing contracts; ‘Growth—contracted’ is capital expenditure that is incurred to deliver new or renewal revenues and which is supported by a signed customer contract; ‘Growth—non-contracted’ is capital expenditure that is incurred to deliver revenues and which is supported by a business case but on which there is no signed customer contract at the time at which expenditure is incurred and reported.

Capital creditors/accruals reflect the timing difference (between accruing the liability for capital expenditure and the associated cash outflow) to arrive at ‘net capital expenditure and financial investment’.

The table below sets out the Group's capital expenditures for the periods stated:

	Year Ended 30 June		
	2016	**2017**	**2018**
		(£ millions)	
Maintenance	20.4	22.5	30.3
Growth—contracted	145.7	129.5	121.7
Growth—non-contracted	5.5	13.2	4.7
Subtotal capital expenditure	**171.6**	**165.2**	**156.7**
Sale of tangible assets(1)	(5.7)	—	(0.3)
Capital creditors/accruals(2)	(2.6)	(3.9)	8.4
Net capital expenditure and financial investment	**163.3**	**161.3**	**164.8**

(1) Sale of non-current assets related to the disposal of assets in non-core business areas.

(2) Reflects the timing difference (between accruing the liability for capital expenditure and the associated cash outflow) to arrive at 'net capital expenditure and financial investment'.

For the year ended 30 June 2018, net cash capital expenditure and financial investment was £164.8 million, compared to £161.3 million in the year ended 30 June 2017.

The overall increase in net capital expenditure and financial investment in the year ended 30 June 2018 compared with the year ended 30 June 2017 was principally a result of the increased expenditure on significant capital projects, including the 700 MHz clearance programme, partly offset by the change in capital creditors and accruals due to short term cash flow timing.

Included within the £121.7 million 'growth—contracted' capital expenditure in the year ended 30 June 2018 was:

- £64.6 million within Terrestrial Broadcast, principally in relation to the 700 MHz clearance programme and DAB roll-out;
- £44.8 million within Telecoms & M2M, principally in relation to the smart energy metering contract;
- £9.3 million within Satellite & Media across a number of projects; and
- £3.0 million relating to central corporate functions.

For the year ended 30 June 2017, net cash capital expenditure and financial investment was £161.3 million, compared to £163.3 million in the year ended 30 June 2016.

Net capital expenditure and financial investment remained consistent for the year ended 30 June 2017 compared with the year ended 30 June 2016.

Included within the £129.5 million 'growth—contracted' capital expenditure in the year ended 30 June 2017 was:

- £66.2 million within Telecoms & M2M, principally in relation to the smart energy metering contract;
- £51.0 million within Terrestrial Broadcast, principally in relation to the 700 MHz clearance programme and DAB roll-out;
- £9.3 million within Satellite & Media across a number of projects; and
- £3.0 million relating to central corporate functions.

The 28GHz licence acquisition was spectrum that has been purchased to be used across London boroughs for 5G connectivity.

The figures set out by operating segment above are presented on an accruals basis and therefore cannot be directly reconciled to the figures presented as segmental information in the notes to the financial statements, which are presented on a cash basis.

Contractual Obligations and Commitments

The following table sets out the payments due by period under the Group's contractual obligations as at 30 June 2018:

	Payments due by Period				
	Total	Within 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	After 5 Years
			(£ millions)		
Bank loans—Working capital facility[1]	55.0	55.0	—	—	—
Senior debt—Institutional Term Loan[1]	180.0	—	—	—	180.0
Senior debt—European Investment Bank[1]	190.0	—	—	—	190.0
Senior debt—Senior Term Loan[1]	75.0	—	75.0	—	—
Senior bonds, notes and US Private Placement[1][2]	1,855.1	77.2	543.6	276.8	957.5
Junior bonds[3]	600.0	—	600.0	—	—
Finance lease obligations	13.1	0.7	1.6	1.7	9.1
Sub total (excluding impact of off-setting hedge arrangements)	**2,968.2**	**132.9**	**1,220.2**	**278.5**	**1,336.6**
Trade payables	61.4	61.4	—	—	—
Capital commitments	47.8	45.4	2.4	—	—
Operating lease commitments	264.4	35.0	58.3	39.5	131.6
Other payables (incl. accruals and deferred revenue)	585.8	317.0	56.3	43.4	169.1
Total non-Group	**3,927.6**	**591.7**	**1,337.2**	**361.4**	**1,637.3**
Amounts owed to Group undertakings	1,137.5	1,092.3	—	—	45.2
Total	**5,065.1**	**1,684.0**	**1,337.2**	**361.4**	**1,682.5**

(1) For a description of these facilities, see "*Description of Certain Financing Arrangements*".

(2) Senior bonds, notes and US Private Placement include US$ denominated debt presented gross of offsetting hedge arrangements.

(3) Reflects the debt to be refinanced by the issuance of the Notes. See "*Use of Proceeds*".

As part of the Group's 2013 refinancing, the majority of the balances within amounts owed to group undertakings were formalised under a single subordinated loan agreement with the direct parent company which has a long term maturity date of 2033. Under the terms of the subordinated loan agreement, these loans cannot be recalled earlier than the final maturity date other than with the agreement of the borrower, and interest can be deferred if the borrower does not have sufficient available cash flow. The Group continues to defer these amounts in accordance with the terms of the loans, and this deferred amount is presented as being due within one year.

The Group does not, and has not used off-balance sheet special purpose vehicles or similar financing arrangements on an historical basis. In addition, the Group has not had and does not have off-balance sheet arrangements with any of its affiliates.

Contingent Liabilities

For a discussion of the Group's contingent liabilities, see Note 28 of the Group's consolidated financial information and the accompanying notes included elsewhere in this Offering Memorandum.

Off-Balance Sheet Arrangements

The Group has not used special purpose vehicles or similar financing arrangements on an historical basis. In addition, the Group has not had and does not have off-balance sheet arrangements with any of its affiliates.

Derivative Financial Instruments

The Group uses interest rate swaps and inflation linked swaps to hedge its net exposure to movements in interest rates and inflation and cross-currency swaps to manage its exposure to fluctuations of currency movements on its foreign dominated debt. Receipts, payments and accreting liabilities on interest rate and inflation swaps are recognised on an accruals basis, as part of the carrying value of the instrument over its full life, which correlates to the life of the instrument it is designed to hedge.

Amounts received and paid under the swaps are shown at net value under financing costs, where they are part of the same legal agreement and settled at net value in practice. Accreting liabilities on inflation linked swaps are incorporated into the fair value measurement of the instrument.

The Group also utilises forward contracts to hedge certain trade-related foreign currency transactions, however there were no trades in place as of the date of this Offering Memorandum.

The fair value of derivatives is calculated using a credit risk-adjusted discount rate and therefore incorporates a debit valuation adjustment (and/or credit valuation adjustment) as required. The changes in the fair value of such derivatives are recognised within the income statement as an "other gain or loss".

For a description of the Group's hedging arrangements, see "*Overview of Senior Hedges*".

Inflation Linked Swaps

As at 30 June 2018, £1,312.5 million of fixed rate debt was hedged via three classes of inflation linked swaps which either directly or via overlay swaps, fix interest and cause it to be indexed to RPI. These swaps have been structured such that the accretion is paid down annually. For the years ended 30 June 2018, 2017 and 2016 the accretion cash payments were £26.0 million, £53.4 million and £58.6 million, respectively. Variation in the accretion cash payments is due to changes in RPI over the relevant periods. Only one small tranche of these swaps has a mandatory break clause in 2023, whilst the remaining tranches are break-free.

The maturity date for all three classes of inflation linked swaps is April 2027. See "*Overview of Senior Hedges—Senior Borrower ILS and Senior Borrower OS*".

Interest Rate Swaps

As at 30 June 2018, £976.5 million of floating rate debt was hedged via four tranches of interest rate swaps contracted by Arqiva Financing No1 Ltd. These swaps have no break clauses and maturity dates are aligned with the underlying floating rate debt instrument's repayment profile. See "*Overview of Senior Hedges—Senior Borrower IRS*".

Cross-Currency Swaps

Arqiva Financing No 1 Ltd entered into US$358.0 million of cross-currency swaps to fix the Sterling cost of future interest and capital repayment obligations relating to the US dollar tranche of the Private Placement at an exchange rate of US$1.52:£1. See "*Overview of Senior Hedges—Senior Borrower CCS*".

Swap Options

Following their close-out in November 2016, the Group no longer holds any swap options. As at 30 June 2016, these amounted to £353.2 million notional principal.

Fair value measurement

The credit risk-adjusted fair value of the Group's outstanding swaps at 30 June 2018 was a liability of £1,030.8 million, comprising £755.1 million in relation to the Group's inflation linked swaps (including principal accretion of £nil), £297.7 million in relation to the Group's interest rate swaps and a £22.0 million asset in relation to the Group's cross-currency swaps.

Pension Obligations

The Group currently operates two pension arrangements. The Group operates a defined contribution group personal pension scheme for employees employed in the UK to which the relevant employer makes contributions of between 6% and 10% depending on the employee's level of contributions. The Group also operates a defined benefit pension scheme which is closed to new entrants and was closed to future accrual with effect from 31 January 2016. As at 30 June 2017 (latest valuation) the defined benefit pension scheme had approximately 847 active members, 439 deferred members and 435 pensioner and dependant members. The defined benefit pension scheme was closed to future accrual from 31 January 2016, meaning that active members then became deferred or pensioner members. As part of the transitional arrangements for closure, payments are being made to former members of the defined benefit pension scheme of between 50% and 65% of pensionable salary over the next two to five years. The draft valuation for 30 June 2017 (latest valuation) indicates a deficit of £18.3 million on an ongoing (technical provisions) basis, representing a funding level of 93% (technical provisions basis) and the cost of buying out the members' benefits in the defined benefit pension scheme would have been around £112.6 million. The proposed schedule of contributions requires Arqiva Limited to make annual contributions in respect of the defined benefit pension scheme deficit of between £5.4 million and £5.9 million until 2020. A small number of employees (estimated to be less than 100) have entitlements to enhanced early retirement benefits under the defined benefit pension scheme which would transfer on any future TUPE transfer.

Market Risk Disclosure

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

Purchase price risk

Energy is a major component of the Group's cost base and is subject to price volatility. A large proportion of this is managed via pass-through arrangements to customers. The Group's residual exposure to fluctuations in the electricity price is managed by forward purchasing the majority of power requirements. Key revenue and cost milestones are set on larger projects to ensure the financial risks of volatile market pricing are mitigated.

Credit risk

The Group is exposed to credit risk on customer receivables. This is managed through appropriate credit checking procedures prior to taking on new customers; and higher risk customers paying in advance of services being provided. Performance is closely monitored to ensure agreed service levels are maintained, reducing the level of queried payments and mitigating the risk of uncollectible debts.

The Group is exposed to counterparty risks in its financing operations. The Group carefully manages the credit risk on liquid funds and derivative financial instruments with balances currently spread across a range of major financial institutions which have satisfactory credit ratings assigned by international credit rating agencies. The levels of credit risk are monitored through the Group's on-going risk management processes, which include a regular review of the credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty. For details of the Group's debt maturity profile, see "*—Contractual Obligations and Commitments*" above.

Liquidity risk

To provide the Group with sufficient available funds for working capital requirements and planned growth, the Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. As at 30 June 2018 the Group had £39 million cash and £335 million available undrawn facilities to meet planned growth and working capital requirements. In addition, the Group has £250.0 million of liquidity facilities available to cover senior interest payments if required. The Board of Directors considers the availability and adequacy of working capital funding requirements in conjunction with forming its long-term financial plan for the business.

Financing risk

The Group will need to refinance at least part of its debt as it matures and may need additional financing to cover capital expenditure and certain other expenses to support its growth plans. The Group cannot be certain that such financing will be readily available on attractive or historically comparable terms.

The Group attempts to mitigate this risk by the strength of the stable long term investment grade capital structure in place, the Group's BBB ratings reflect its strong ability to service and repay debt from cash flows over a reasonable period of time, maintaining an active dialogue with lenders and investors, maintaining debt with a variety of medium and long term maturities so that over time the Group does not have a significant concentration of debt due for refinancing in any given year, and aiming to refinance debt well in advance of the maturity date.

In addition, if the Group breaches its debt covenants and/or if the Group's ratings are downgraded, these could impact the availability of finance or the comparability of terms. The Group monitors and models its covenants, both retrospectively and prospectively, and maintains regular dialogue with credit ratings agencies.

Interest rate risk

The Group has exposure to interest rate risk due to borrowing variable rate bank debt. The Group uses derivative contracts to hedge its exposure to rising interest rates. The Group maintains a hedging policy to manage interest rate risk and to ensure the certainty of future interest cash flows and compliance with debt covenants. It currently has fixed rate hedging, split between interest rate swaps and inflation-linked swaps. Interest rate swaps convert variable rate interest costs to fixed rate interest costs while inflation swaps convert fixed rate interest costs to RPI-linked costs, which fluctuate in line with the RPI index as do a significant proportion of the Group's revenue contracts. Fluctuations in interest rates therefore have had a significant non-cash impact on the Group's results of operations. Details of the interest rate profile of the Group's liabilities are provided in Note 25 to the Group's Financial Statements included elsewhere in this Offering Memorandum.

Inflation risk

The Group has exposure to movements in inflation rates as a result of non-cash changes in the fair value of the Group's inflation-linked swaps, mitigated to some extent by inflation-linked revenue provisions in its contracts.

Foreign exchange risk

The Group operates from UK sites and predominantly in the UK market. While some customer and supplier contracts are denominated in other currencies (mainly US dollars and Euros), the majority of the Group's revenues and costs are sterling based, and accordingly exposure to foreign exchange risk is limited. Management regularly monitor the impact of foreign exchange risks and assess the need to put any mitigating financial instruments in place. During the periods presented in this financial information cross currency swaps were in place to fix the exchange rate in relation to US Dollar denominated private placement notes and senior bonds. Details of cross currency swaps are provided in Note 25 to the Group's Financial Statements included elsewhere in this Offering Memorandum.

Critical accounting judgements and key sources of estimation uncertainty

For a description of the Group's accounting policies, see Note 3 to the Group's Financial Statements included elsewhere in this Offering Memorandum.

In the application of the Group's accounting policies the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, and those involving estimations, that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial information. For a full description of critical accounting judgements and key sources of estimation uncertainty, please see Note 4 to the Group's Financial Statements included elsewhere in this Offering Memorandum.

Revenue recognition (critical accounting judgement and key source of estimation uncertainty)

In applying the Group's revenue recognition policy, judgements are made in respect of certain areas including:

- determination of distinct contract components and performance obligations;
- measurement of variable consideration;

- determination of fair value of non-cash consideration; and
- the recognition of a significant financing component.

Such judgments are consistently applied across similar contracts and key estimates are regularly monitored throughout the relevant contractual periods with reference to the stage of completion and any applicable customer milestone acceptance. This is particularly relevant to the approach for significant engineering projects which typically contain a programme build phase and a long-term operational phase.

Deferred tax (critical accounting judgement)

The largest element of deferred tax that requires judgement relates to tax losses carried forward. Applicable accounting standards permit the recognition of deferred tax assets only to the extent that future taxable profits will be generated to utilise the tax losses carried forward. The assessment of future taxable profits involves significant estimation uncertainty, principally relating to an assessment of management's projections of future taxable income based on business plans and on-going tax planning strategies in relation to substantively enacted tax legislation.

Useful lives for property, plant and equipment and intangibles (key source of estimation uncertainty)

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

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

Provisions and contingent liabilities (critical accounting judgement and key source of estimation uncertainty)

The Group's provisions principally relate to obligations arising from contractual obligations, restructuring and property remediation plans and decommissioning obligations.

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

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

Impairment of goodwill (critical accounting judgement and key source of estimation uncertainty)

The carrying amount of the Group's goodwill is reviewed at each statement of financial position date to determine whether there is any indication of impairment, in compliance with the Group's accounting policies. Deciding the recoverable amount of a line of business to which goodwill is attributed involves management estimates. The recoverable amount is the higher of the fair value less costs to sell, and the value in use.

The Group determines these values using methods based on discounted cash flows. These discounted cash flows are founded on five-year projections built on financial plans approved by the Board of Directors. The cash flow projections take account of past experience, and are based on management's best estimates of future developments based on contracted growth and necessary expenditure to maintain the assets required to generate that expected revenue. Cash flows beyond the planning period are extrapolated using an expected terminal growth rate.

The key assumptions underlying the changes in value in use involve estimates of the discount rate (with reference to weighted average costs of capital), projected cash flows and terminal growth rate.

Actuarial assumptions used to determine the carrying amount of the Group's defined benefit plan liabilities (key source of estimation uncertainty)

The Group's defined benefit plan liabilities are discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. The Group selects these assumptions in consultation with an external qualified actuary. Additionally, the present value of the scheme liabilities depend on such factors as the life expectancy of the members, the salary progression of the Group's current employees and price inflation.

Estimates are used for all of these factors in determining the pension costs and liabilities incorporated in the Group's consolidated financial information. The assumptions reflect historical experience and the Group's judgement regarding future expectations.

Fair value measurements and valuation processes (key source of estimation uncertainty)

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group uses estimation techniques in accordance with the requirements of IFRS 13. This includes the assessment of the fair value adjustments with respect to credit risk (specifically debit valuation adjustments to the fair value of the derivative liabilities) for which the Group incorporates market-observable data into its valuation techniques.

Recent and Prospective Changes in Accounting Policies

IFRS 9 and IFRS 15 will be effective for the Group for the year ending 30 June 2019. The Group has performed an impact assessment on the adoption of IFRS 9 and IFRS 15 and does not expect either of IFRS 9 or IFRS 15 to have a material impact on the financial statements. IFRS 16 'Leases' is effective for financial periods beginning on or after 1 January 2019 and is expected to have a material impact on the financial statements of the Group for the year ending 30 June 2020. This is primarily through the recognition of the Group's operating leases on the balance sheet and reclassification of costs in the income statement leading to an increase in EBITDA; however management is still assessing the impact of adoption on the Group. Further details of the Group's operating lease commitments are shown in Note 28 to the Group's Financial Statements included elsewhere in this Offering Memorandum.

INDUSTRY

The information in the following section has been provided for background purposes. The information has been extracted from a variety of sources released by public and private organisations as described in "Presentation of Financial and Other Information".

The Group confirms that the information in this section has been accurately reproduced from these sources and, as far as the Group is aware and is able to ascertain from information published by these sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. The Group believes that these industry publications, surveys and forecasts are broadly reliable but the Group has not independently verified them and cannot guarantee their accuracy or completeness.

The projections and forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Risk Factors" and "Forward Looking Statements".

Introduction

The Group operates within the UK broadcast, media and communication sectors, particularly within the television, radio, fixed and wireless telecom and satellite and media management industries. The Group is the UK's pre-eminent national provider of terrestrial television and radio broadcast infrastructure and a leading independent provider of communications infrastructure to mobile network operators (**MNOs**) in the UK. The Group operates in the following areas:

- ***Terrestrial Broadcast*** *(representing 51% of the Group's total revenue in the year ended 30 June 2018)*, comprising TV and radio transmission infrastructure and the operation of Multiplexes;
- ***Telecoms*** *(representing 29% of the Group's total revenue in the year ended 30 June 2018)*, comprising infrastructure for wireless telecoms, small cells and distributed antenna systems (**DAS**);
- ***M2M*** *(representing 7% of the Group's total revenue in the year ended 30 June 2018)*, comprising smart metering communications for electricity, gas and water and other machine-to-machine (**M2M**) connectivity services; and
- ***Satellite & Media*** *(representing 14% of the Group's total revenue in the year ended 30 June 2018)*, comprising UK-located teleports and media management centres, as well as an international network of leased satellite and fibre infrastructure.

The Television and Broadcast Industry in the UK

The UK television market offers a broad choice of channels available to viewers on both free-to-air (**FTA**) television and pay-television platforms. Television delivery platforms are the means of linking channels to their audiences. Broadcasters select platforms to air their channels, with platform selection driven by the commercial incentive to maximise revenues or to meet public service obligations.

The Group's Digital Terrestrial Television (**DTT**) platform is the largest TV platform in the UK with near universal coverage of 98.5% and with approximately 18.9 million households using the services out of the total approximately 27.1 million households in the UK with at least one active TV set irrespective of the platform used as at 31 March 2018 (*Source:* BARB). The Group believes that DTT has a long-term future as it provides near-universal coverage, a strong content offering and an economic model for FTA broadcasters. In addition, unlike other platforms, DTT is free at the point of use. As such, the Group believes that it will remain a popular TV platform with an established viewer base across UK households. The Group expects DTT to continue to be complemented, but not replaced by, certain over-the-top (**OTT**) services. The Group believes that there will remain a long-term need for FTA linear TV available to the UK population, given that (i) FTA linear TV plays an important role in the Public Service Broadcasting (**PSB**) system in the UK, including for the BBC, (ii) FTA linear TV provides unparalleled access to channels to the television advertising market, (iii) approximately 11.6 million households rely on DTT as their primary delivery mechanism for television broadcast services and (iv) approximately 40% of UK households have disposable income of £21,000 or less and value access to a free service. The Group believes that the DTT platform, as complemented by OTT services which can include catch-up TV and subscription video-on-demand (**VoD**) services, is best placed to deliver this. In addition, the Group expects that any political agendas which could force voters to adopt paid-for alternatives are likely to be unpopular.

TV homes that have DTT as their primarily delivery mechanism, rather than cable or satellite, make up the largest proportion of all homes at approximately 42.9%. The proportion of homes with pay-DTH satellite has fallen over time and digital cable has only seen marginal growth in uptake in recent years. Free-to-view satellite services such as Freesat account for only a small proportion of all homes.

UK Television Delivery Platforms

Platforms comprise a transmission network (such as terrestrial broadcast sites, satellite, cable or telecom networks) and an associated receiver, which may be integrated within the television set or may exist as a separate "set-top box". The TV or set-top box allows users to search, receive and decode the channels and programmes they wish to watch. More advanced receivers allow users to record programmes on to a personal video recorder or connect to the internet.

Platforms can be divided into FTA platforms and pay platforms. The FTA platforms in the UK are operated primarily by the Freeview and Freesat consortiums (as well as Freesat from Sky and Youview), providing TV services that are free to the viewer at the point of consumption and provided through advertising or licence fee payments, while pay television platforms are run on a proprietary commercial basis (key providers include Sky, Virgin Media, BT TV and TalkTalk TV) and require payment to receive the services.

The following chart shows the various television delivery platforms available in the UK:

	DTT	DTT + IPTV (1)	Satellite	Cable
Description	• Transmission via radio signals • Reception via aerials and built into all new TVs	• Hybrid solution with Internet Protocol (IP) television delivered by broadband via closed networks using DSL or fibre	• Transmission via communication satellites • Reception via outdoor satellite dishes	• TV signals transmitted through coaxial cables or light pulses through fibre-optic cable
Consumer brand	Freeview, FreeviewPlay	BT TV, NOW TV, TalkTalk *Hybrid TV*	sky, Freesat	Virgin media
Comments	• Largest TV platform reaching c.18.9m households as at 31 March 2018 • Nationwide network infrastructure with near universal coverage • Catch-up services offered via IP on connected TV sets	• IPTV available in the UK as a hybrid solution, complementing DTT rather than directly competing • Typically includes pay services	• Satellite has high coverage, but focus on pay platforms and the need to install dishes severely limits adoption levels • Online and app driven content, as well as proposition with Netflix embedded into core platform • Offers UHD channels	• Cable platform coverage currently limited to 47% with no prospects of achieving similar coverage levels as DTT (high roll-out costs) • Online and app driven content, as well as proposition with Netflix embedded into core platform

(1) Service that provides the PSB and other key channels; pure play IPTV is not available.

Source: Company websites; BARB; Ampere

Digital Terrestrial Television—Freeview

The DTT platform is principally used to provide FTA services marketed under the Freeview brand. Freeview is backed by five shareholders: BBC, Sky, Channel 4, ITV and Arqiva. Freeview carries a range of PSB channels, FTA channels, shopping channels, digital radio stations and interactive services to households via an aerial.

DTT is the TV platform which covers the largest number of households in the UK, having an installed base of approximately 18.9 million households, including approximately 11.6 million sets with DTT as the primary TV platform in the household (*Source:* BARB). All new TV sets in the UK have a default DTT tuner. DTT also offers a wide choice of popular content. In the week commencing 23 July 2018, all 50 of the UK's 50 most watched programmes were on FTA DTT channels (*Source:* Thinkbox). HD services have been available on Freeview since 2010.

The number of channels on the Freeview platform has been expanded in recent years. As at 30 June 2018, the platform carried 113 channels, 48 of which were PSBs or PSB portfolio channels (*Source:* BBC; UK

Satellite Help). HD services have been available on Freeview since 2010, when Arqiva upgraded the BBC's DVB-T Multiplex to the DVB-T2 standard, with additional HD services since the end of 2013. Going forward, Freeview partners are investing £125 million over five years to build on the success of Freeview Play and to improve the platform's hybrid capabilities, including developing a mobile app and improving content discoverability and navigation (*Source:* DigitalUK).

The revenue generated by a commercial DTT multiplex (bundle of digitalised and compressed TV services combined into a data-stream for transmission over a single channel) is the product of two factors: (i) the price broadcasters are willing to pay for a channel slot on a stream—either a full day or a part of a day—and (ii) the number of streams that can be accommodated in a DTT multiplex. The pricing of DTT multiplex streams is determined by the size and value of the audience that the broadcaster can reach, its position in the Electronic Programme Guide, and the subsequent revenue that can be generated (predominantly via advertising), as well as the balance between supply of streams and the demand from broadcasters who wish to use channels. Across all customers, average revenue per channel has remained relatively stable across the Group's main Multiplexes (COM 5 and COM 6) from 30 June 2015 to 30 June 2018.

Multiplex operators (including Arqiva through its Digital Platforms division) pay the Group to transmit their broadcasts. Contract prices for the provision of Network Access (**NA**) services and Managed Transmission Services (**MTS**) are set within the framework of a reference offer (a **NA Reference Offer** and **MTS Reference Offer**, respectively). Under a NA Reference Offer, the Group is allowed to make a fixed rate of return equivalent to a Weighted Average Cost of Capital (**WACC**) of 7.71% (real pre-tax) on a pre-2015 regulated asset base used for NA services and a 7.5% WACC (real pre-tax) on post-2015 new capital assets. Unlike the NA pricing framework, pricing for MTS services under the MTS Reference Offer framework is set in accordance with market prices. However, the MTS Reference Offer framework requires the Group to provide MTS services upon reasonable request and upon terms which are fair, reasonable and non-discriminatory. For further detail on the regulatory transmission services framework, see "*—Terrestrial Television Regulation in the UK*" and "*Regulation of the Communications Industry in the United Kingdom—Competition Regulation—The Undertakings*".

The DTT network has capacity limitations as a result of the limited amount of spectrum available to use in the network which limits the number of multiplexes that can use it. However, improving compression technology has enabled additional channels to launch on the platform. The introduction of two new DVB-T2 multiplexes at the end of 2013 also created additional capacity and has helped to increase the range of content on the DTT platform. The number of streams on DTT has grown over time, and DTT now supports over 110 channels. The Group expects demand for multiplex capacity from broadcasters to continue in the medium to long term, reflecting high anticipated broadcaster demand for streams due to competition between channel providers, the strength of the hybrid DTT/IPTV platform and the importance of the DTT platform as a means to access the TV advertising market. The Group also expects demand for multiplex capacity to be positively impacted by the potential migration of channels from traditional pay TV to FTA due to downwards pressure on carriage fees paid to them by pay TV operators.

DTT coverage is now 98.5% for Public Service Broadcasters (**PSBs**) and approximately 90% for commercial channels (*Source:* Ofcom), making DTT the platform with the widest reach in the UK and the only platform that meets the coverage requirement of 98.5% for the PSBs as at 30 June 2018. In light of its coverage, high uptake and FTA capabilities, DTT benefits from very strong political and regulatory support.

DTH Satellite

Direct-to-Home (**DTH**) pay-television uses satellite transmission to broadcast content. DTH satellite pay-television is provided by Sky and is available to approximately 98% of the population and had approximately 8.7 million households in the UK using it with subscription as at 31 March 2018 (*Source:* BARB). Sky has also developed a wide range of services, including multi-room services, the Sky+ personal video recorder service, multiple HD channels and UHD.

There are currently two providers of FTA DTH, Freesat and Sky. Freesat, launched in 2008, is a FTA DTH satellite service jointly owned by ITV and the BBC. It offers over 200 channels, 98% service availability to UK homes and had approximately 1.2 million households in the UK using it as at 31 March 2018 (*Source:* BARB). While FTA DTH satellite offers more channels than Freeview and greater HD capability, adoption is far lower than DTT at approximately 6%.

Sky offers its own variation of the FTA DTH service, Freesat from Sky. Freesat from Sky customers have access to all the channels available on Freesat, along with some additional networks, with no subscription costs.

Cable Television—Virgin Media

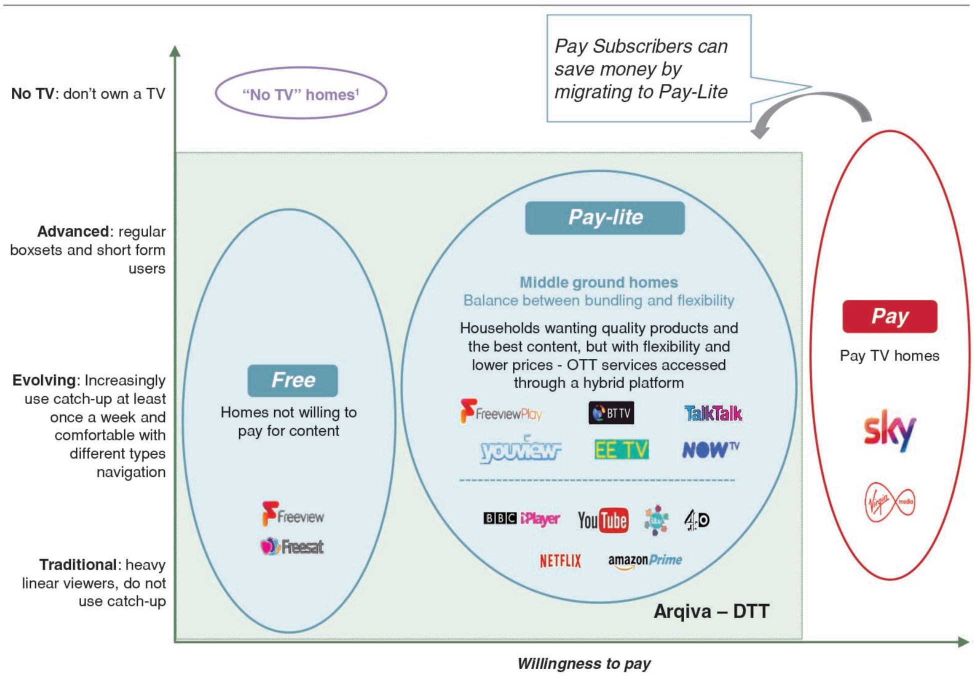
Virgin Media operates the UK's only cable television network and provides television, internet and telephony services to approximately 4.2 million households as at 31 March 2018 (*Source:* BARB). Due to the limited physical extent of the cable network, only approximately 15 million homes in the UK are capable of accessing the network, representing 47% of UK households (*Source:* Virgin Media) and less than 30% of households capable of accessing the network currently do so. Virgin Media has recently been expanding its network coverage with the goal to connect 4 million premises to speeds of 300Mbps by the end of 2019 as part of its Project Lightning. Project Lightning is reported to be behind schedule (*Source:* The Register).

IPTV and OTT

Internet Protocol television (**IPTV**) and OTT services have been introduced in recent years, including as forms of non-linear on-demand television. Although both platforms use the internet to deliver content, they differ in the type of technology used. OTT offers content to all customers who have a broadband connection through open internet, giving access to a content library. IPTV typically uses a managed service over an IP network operated by a fixed network operator, creating dedicated connectivity when streaming content between the server and the customer.

The hybrid DTT/IP platform is currently available through DTT and a managed IP network (DTT+IPTV from providers such as BT TV and TalkTalk TV) or through DTT with a connected TV which can access services via the internet. These services provide the potential to be combined with OTT services such as Netflix or Amazon Prime, enabling the creation of a "pay-lite" model, meaning that customers can pay for specific content with greater flexibility. Pay-lite TV offers direct competition to traditional pay platforms, including satellite and cable, and offers significant scope for households to move from full pay TV to pay-lite offerings over time.

DTT is at the heart of the free and growing Pay-Lite market



(1) Approximately 1.3 million households either do not watch TV at all or only access OTT services via tablets, mobile devices or PCs.

IPTV Services (Hybrid with DTT)

IPTV operates as a hybrid service in conjunction with DTT in the UK and represents a small yet growing segment of the market. Hybrid DTT/IPTV allows consumers to enjoy the breadth of DTT whilst providing an option for them to select the additional pay TV channels and/or free catch up services, and has consequently been popular in the market, strengthening DTT's position as the leading TV platform. IPTV (hybrid with DTT) is now offered through a range of different platforms, including BT TV, TalkTalk TV, EE TV and Now TV. However, only a portion of Now TV boxes include a DTT tuner, as some are IP-only but plug into a TV to receive the full channel list via DTT.

YouView is the underlying technology used by BT TV and TalkTalk TV products. Developed by a consortium of BT, TalkTalk, the BBC, ITV, Channel 4, Arqiva and Channel 5, YouView builds on the existing Freeview platform to incorporate additional on-demand-catch-up services from broadcasters and pay services. The channels available on Freeview continue to be delivered over DTT as part of YouView. Compared to the current Freeview service, users of the YouView platform have access to a wider range of content, provided that they have an adequate broadband connection. The service was launched in July 2012 and is offered through BT or TalkTalk. YouView is also offered directly in some TVs by Sony, where it provides a comparable service to Freeview.

Other IP-delivered TV systems include Apple TV, Google TV and Roku. These systems are generally capable of streaming and storing digital media, particularly video, and can provide access to web media content such as Netflix and iTunes. However, the uptake of these systems has been relatively limited in the UK to date.

Full IPTV without DTT support is currently limited by overall broadband adoption, network and in-home performance. 20% of adults in the UK currently do not have either fixed broadband or a fixed landline (*Source:* Ofcom). Whilst IP services can still be received at relatively low bandwidth speeds and average broadband speeds have increased, the potential of stand-alone IPTV platforms may also be limited by the availability and uptake of high speed broadband services and the capacity of the core network to cope with tens of millions of simultaneous viewers. Around half of UK households had a superfast broadband connection (at least 30Mbit/s) as of November 2017. In terms of coverage of truly fast broadband, only 45% of UK premises had access to ultrafast broadband (at least 300 Mbit/s) and only 4% (1.2 million) of UK premises had access to full-fibre services (gigabit-capable) (*Source:* Ofcom).

OTT

Content is increasingly being delivered OTT via the internet—both in terms of streamed linear channels and through video-on-demand. Content can be delivered through third party platforms (such as Netflix or YouTube) or direct-to-consumer. There is also significant overlap between the various OTT platforms, with many households using two or more platforms.

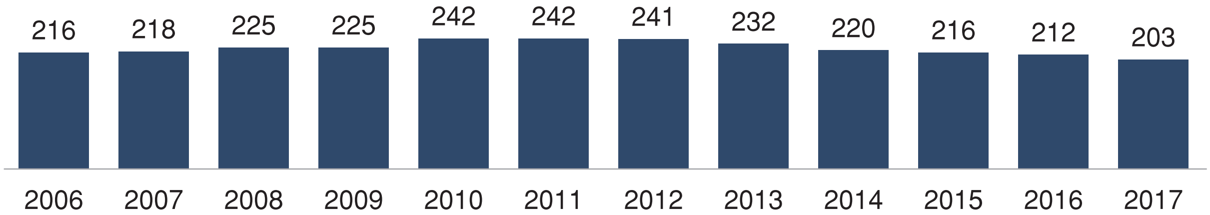
Most major UK and international broadcasters offer direct-to-consumer services either on a free or paid-for basis (including the BBC's iPlayer service, Sky's Now TV, Discovery Dplay and DisneyLife), which offers viewers "everywhere" access to linear TV programming and access to catch-up TV. There is also increasing monetisation of content through OTT direct-to-consumers by rightsholders (i.e. companies that own content rights but do not broadcast via a linear channel on traditional platforms, such as primary sports rightsholders monetising matches that are not part of broadcast deals, secondary sports rightsholders, content archives and independent studios).

In addition, companies such as Amazon, Facebook, Google, Apple and Netflix are monetising content OTT, and these companies have increasingly large expenditures on media management and distribution.

OTT platforms include: (i) advertising-funded video-on-demand platforms (such as YouTube), which offer free access to a large library of video content with advertising; (ii) subscription video-on-demand platforms (such as Netflix and Amazon Prime), which offer access to a large library of movies and TV shows for a monthly fee; (iii) transactional video-on-demand platforms (such as iTunes and maxdome), which allow users to rent an electronic copy of video material to download or stream; and (iv) electronic sell-through platforms (such as iTunes, Amazon and Vudu), which allow users to purchase an electronic copy of video material for personal ownership.

UK Television Viewing Trends

The following chart shows UK average linear TV consumption (minutes/day/capita) for the periods indicated:



Source: Ofcom; BARB

Although broadly stable when looked at over the last two decades, linear TV, which is the traditional form of TV consumption watched live over one of the traditional platforms (i.e. DTT, satellite, cable) has been impacted in recent years by non-linear TV viewing (catch-up and on-demand services) and other forms of non-linear TV viewing such as online video and social media. The launch of catch-up and on-demand services has led to a decrease in time spent watching live linear TV and a growth in non-linear viewing. Despite this overall decline in viewing, DTT has performed well, benefiting from the move towards 'pay-lite' services and away from traditional pay-TV. The average audience watching DTT has remained relatively stable and its share of viewers over the age of four grew to 46.8% in 2017 (up 2.4% compared to the previous year) (*Source:* FEH Media Insight). In light of the complementary nature of DTT and pay-lite non-linear platforms (e.g. IPTV and OTT), the Group believes DTT is well positioned to benefit from a continued interest in non-linear and pay-lite services which have helped to expand the overall DTT/OTT or DTT/IPTV landscape while the Group believes that traditional pay platforms, such as satellite and cable, are likely to see challenges to meaningfully increase the level of household uptake.

Broadcasters in the UK Television Industry

The broadcast industry in the UK consists of both PSB and commercial broadcasters, which have the ability to broadcast their content on any of the available platforms. The national PSBs (the BBC, ITV, Channel 4 and Channel 5) have obligations in their broadcast licences which require the PSBs to provide DTT services covering 98.5% of the population, which the Group's DTT transmission services network provides. The purely commercial broadcasters, such as Sky and Discovery, operate free of public service obligations with regards to either content or coverage. Despite the emergence of alternate competing channels, PSB audience share (including their portfolio of services) has remained high at approximately 70% in 2017 (*Source:* Ofcom).

Sky is a large commercial broadcaster and platform operator which includes its DTH satellite service and Now TV, providing a broad range of Sky-branded channels as well its own proprietary content. However, its licence requires it to provide access to third-party broadcasters and abide by the prominence rules for the PSB channels. Sky channels are predominantly distributed on this proprietary DTH distribution platform, though most are also distributed on the Virgin Media cable platform as well as some on BT TV. Sky's Pick TV, Sky News and Challenge are also available on a FTA basis on Freeview, carried on the Group's multiplexes.

Today, the main five PSB channels retain over half of the total broadcast TV audience. Including their portfolio channels, the PSB broadcasters account for over two-thirds of total channel share.

Funding Framework

The array of television channels available in the UK has been shaped by the funding framework. There are three primary types of channel funding: television-licence funded, advertisement funded and subscription funded (e.g. pay-TV). Secondary sources of television funding are: transaction funded, sponsorship funded and other public funding sources.

BBC

The BBC, which is one of the Group's key customers for DTT transmission services and radio, was the first television broadcaster in the UK and remains a central element of the UK broadcasting environment. In the United Kingdom and its Crown Dependencies (Jersey, Guernsey and the Isle of Man), any household watching or recording live television transmissions as they are being broadcast (terrestrial, satellite, cable or internet) is required to purchase an annual television licence, except for people over the age of 75. As of 2018, fees were £150.50 for a colour TV licence and £50.50 for a black and white licence (*Source:* TV Licensing). Income from the licence is primarily used to fund the BBC's television, radio and online services. Total licence fee income was £3.8 billion in the year ending 31 March 2017 (*Source:* BBC).

As a result, the BBC has one of the most stable and established funding sources in UK media. The BBC's funding is reviewed every five to ten years by Royal Charter, giving it more certain funding than, for instance, government budget allowances, which are assessed annually. The latest review was completed in December 2016. In this review, the BBC was awarded an 11-year charter, providing the company with more certainty and allowing it to implement decisions over a longer time horizon. In return for funding from Royal Charter, the BBC must fulfil a range of obligations, including maintaining universal coverage, defined as reaching at least 98.5% of the population (*Source:* Ofcom).

TV Advertising

Demand for the Group's DTT capacity is driven, in part, by the success of commercial broadcasters, which rely on television advertising revenues. Television advertising revenues are generated by three main types of channels: PSB channels, PSB portfolio channels and commercial multi-channels.

In 2017, net TV advertising revenue in the UK was approximately £3.9 billion (*Source:* Ofcom). The net advertising revenue of commercial PSBs (including portfolio channels) comprised approximately 72% of commercial television advertising revenues in 2017, with approximately £2.8 billion (*Source:* Ofcom). The net advertising revenue for commercial multichannels (comprising all channels, excluding pay TV, publicly funded and commercial PSB portfolio channels) was approximately £1.1 billion in 2017 (*Source:* Ofcom). In 2017, TV advertising revenues fell by 5.8% compared to the prior year (*Source:* Ofcom). The Group believes this arose, in part, as a result of weakness in the economy, including a depreciation of the British pound and inflationary pressures.

While online advertising revenues grew at a CAGR of 13.9% from 2012 to 2017, TV advertising was still able to grow over the same period (*Source:* Ofcom). The Group believes that TV and online campaigns can complement each other and that TV continues to play an important role for brand advertisers, particularly those seeking to target a mass market. In addition, TV advertising has not suffered from some of the challenges of online advertising, such as the use of ad-blocking software and the risk of being placed alongside inappropriate content. Thinkbox, an industry advocacy body for commercial TV in the UK, has argued that the return on investment from TV advertising remains strong. Thinkbox found that TV generates 62% of short-term profit and has been the most efficient across all categories, compared to 22% for print, 5% for radio and 5% for online video (*Source:* Thinkbox).

These factors are expected to continue to support TV advertising expenditure over the medium to long term, reflecting the ongoing platform TV advertising provides to brands and media agencies.

Subscription

Subscription funded channels receive their revenue from viewers who purchase access to a channel (or a portfolio of channels) on top of the available FTA options. They can also generate income through advertising.

Terrestrial Television Regulation in the UK

For historical reasons relating to competition and regulation, terrestrial transmission service has two distinct parts: MTS and NA. MTS is the managed transmission service the Group offers to Multiplex operators which allows them to broadcast the transmission signal to their customers. NA is the arrangement whereby a Multiplex operator (or other MTS provider) pays the Group for wholesale access to its network of transmitter sites (such as building access including sites and antennas, power resources, and the opportunity to install their own equipment). Together these services allow delivery of broadcast media content to end consumers over the air.

The Group has a monopoly position with respect to NA and was the sole provider of DTT MTS in the UK as at 30 June 2018. For this reason, the Group's transmission services are regulated by Ofcom, and are subject to the Undertakings given to the Competition Commission (now its successor, the Competition and Markets Authority (**CMA**)) and overseen by the Office of the Adjudicator—Broadcast Transmission Services (**OTA-BTS**), appointed by and reporting to Ofcom. Under the Reference Offer framework, pricing for transmission services can be reviewed by the OTA-BTS. For further background, see "*Business—Terrestrial Broadcast Business Unit*" and "*Regulation of the Communications Industry in the United Kingdom—Competition Regulation*".

Digital Platforms Regulation in the UK

In the UK, five national DVB-T Standard Definition (**SD**) DTT national multiplexes and three national High Definition (**HD**) capable DVB-T2 multiplexes have been licensed, based on the amount of spectrum available in the Ultra High Frequency (**UHF**) television band between 470 MHz and 790 MHz (including local TV multiplexes). Increasing spectrum demand from UK mobile operators has led to a decision by Ofcom to clear the 700MHz band. Hence, DTT services in the 700MHz band are currently being reallocated to the 600MHz band.

The Group acquired the licences for COM 5 and COM 6 in 2002. At the same time, the BBC acquired the licence for PSB 3. The licences for PSB 2 and COM 4 were retained by ITV/Channel 4 and SDN (owned by ITV), respectively. On 29 July 2013, Ofcom issued to Arqiva the sole licence for the use of the 600 MHz spectrum band enabling the Group to establish DVB-T2 DTT multiplex technology, which is capable of providing HD content. The Group's current DVB-T Multiplex licences will expire in 2026, but the Group's two DVB-T2 Multiplex licences can be revoked on 24-months' notice. Ofcom has recently served notice on the DVB-T2 licences, meaning that the licence will end in June 2020. However, Ofcom may permit services to continue after that date through a new licence arrangement if there is not demand from MNOs for the use of the spectrum. When the DVB-T2 Multiplexes become unavailable, the channel streams on these Multiplexes will cease to exist. The Group's HD multiplexes cover 73% of the population, but are only available to viewers who have HD-enabled television sets or set-top boxes.

Out of the eight licensed national multiplexes, five have been allocated to commercial broadcasters (three DVB-T and two DVB-T2), and three to PSBs (two DVB-T and one DVB-T2). There is only one commercial national multiplex owned by another operator, SDN (owned by ITV). There is also a local commercial DVB-T multiplex, owned by Comux.

DTT multiplexes are set out below:

	PSB Multiplexes			Commercial Multiplexes					
Multiplex	**PSB 1**	**PSB 2**	**PSB 3**	**COM 4**	**COM 5**	**COM 6**	**COM 7**	**COM 8**	**Local**
Licence Expiry Date	2027	2022	2026	2022	2026	2026	2026(1)	2026(1)	2025
Operator	BBC	D34 (owned by ITV/4)	BBC	SDN (owned by ITV)	Arqiva	Arqiva	Arqiva	Arqiva	Comux
Technology	DVB-T	DVB-T	DVB-T2	DVB-T	DVB-T	DVB-T	DVB-T2	DVB-T2	DVB-T
Number of streams operating(2)	8	12	7	16	16	15	13(3)	13(4)	4(5)
Channel Type	BBC channels	ITV, Channel 4, Channel 5	BBC channels and ITV HD / C4 HD / C5 HD	All channels including: entertainment, multi-channels and transactional					Local television channels
Sites	1,154	1,154	1,154	85	85	85	30	30	43
Coverage	98.5%	98.5%	98.5%	91%	91%	91%	73%	73%	58%

(1) Licensed to 2026 but can be revoked with 24-months' notice by Ofcom. Due to expire in 2020 further to Ofcom notice issued on 18 June 2018.

(2) Company estimates as of June 2018.

(3) Capacity depends on the assumed HD/SD mix configuration, assumes HD/SD mix of 6HD and 7SD.

(4) Capacity depends on the assumed HD/SD mix configuration, assumes HD/SD mix of 6HD and 7SD.

(5) Company estimates as of June 2018.

The Group had a market share of approximately 63% of commercial channels in Freeview as at 30 June 2018. Licences for COM 5 and COM 6 (the two permanent commercial multiplexes owned by the Group) are due to expire in 2026, but the Group believes there is a high likelihood of retaining or renewing these licences due to: (i) a large number of DTT channels on multiplexes; (ii) continuing demand from consumers for FTA TV; (iii) the Group's strong positioning due to its existing customer relationships; (iv) the Group's investment in multiplexing equipment; and (v) the Group's track record in delivering value from the multiplexes.

In 2013, Ofcom announced a potential framework for introducing spectrum rental fees under an Administered Incentive Pricing (**AIP**) scheme to encourage efficient spectrum use (i.e. proposing to link AIP fees to the opportunity cost of the spectrum used). Ofcom has stated that it does not envisage applying AIP-based fees until 2020, at the earliest. Based on the Ofcom statement, fees could be approximately £10 million per Multiplex, and the Group expects that it will be able to pass through a portion of any AIP under existing contracts with customers. In the interim period from late 2014 to 2020, Ofcom has charged and is expected to continue to charge administrative cost-based fees to Multiplex operators, like the Group, based on Ofcom's direct costs associated with managing spectrum and the administration of broadcast licences.

For further background, see "*Regulation of the Communications Industry in the United Kingdom—Spectrum Regulation—Multiplex Licences*".

The UK Radio Industry

Radio services are typically available in the UK through analogue and digital terrestrial radio transmission, over the internet and through the transmission of audio-only streams on terrestrial and satellite TV platforms.

Compared to the television market, where broadcasters are nationally focused, local stations, whether BBC, commercial or community stations, are an important feature of the UK radio industry. Community radio licences were introduced by Ofcom in 2005 and operate on a non-profit basis.

Analogue radio works using frequency or amplitude modulation (FM and AM, respectively). An analogue radio has two main components—the transmitter and the receiver. The transmitter (the radio tower) sends out radio waves that have been modulated based on input from the content producer. The receiver picks up the signal and plays the audio. Analogue radio benefits from wide coverage areas due to its low frequency, but faces the risk of distortion and interference. By contrast, Digital Audio Broadcast (**DAB**) compresses and encodes the audio signal in a multiplex, resulting in lower rates of distortion and interference than analogue radio. The roll-out of DAB in the UK is primarily driven by its more efficient bandwidth use (which allows more stations to be broadcast) and enhanced experience through wider choice of features (including improved search functionalities).

Growth in DAB stations has been substantial, with the total number of digital radio stations increasing from 208 in 2011 to 337 in 2017, a CAGR of 8.4%, of which the number of BBC national networks has remained stable at 11. The Group intends to support its customers and the industry by continuing to develop digital DAB radio as an attractive medium for listeners and planning for the expected eventual phase-out of analogue radio at a point where this is acceptable to listeners and the industry, as determined by the UK government. The Group has been, and expects to continue, rolling out DAB to fill the remaining coverage gaps, and positioning DAB as the default replacement network for analogue services. In addition, the Group plans to continue to assess options to expand the coverage of the networks in which it is the licensed DAB Multiplex operator, as well as the range of channels available, to give listeners the best possible DAB experience.

Popularity of Radio

Absolute radio listening hours for adults (including ages 15+) in the UK has remained broadly stable over the last decade, with total weekly listening in excess of one billion hours. Per listener, the average amount of weekly radio listening hours has remained high over the last ten years at an average 21 hours per week, equating to over three hours per day (*Source:* RAJAR). This is despite the launch of disruptive internet radio and streaming services such as Spotify (2008), Deezer UK (2011), BBC iPlayer Radio (2012) and Apple Music (2015).

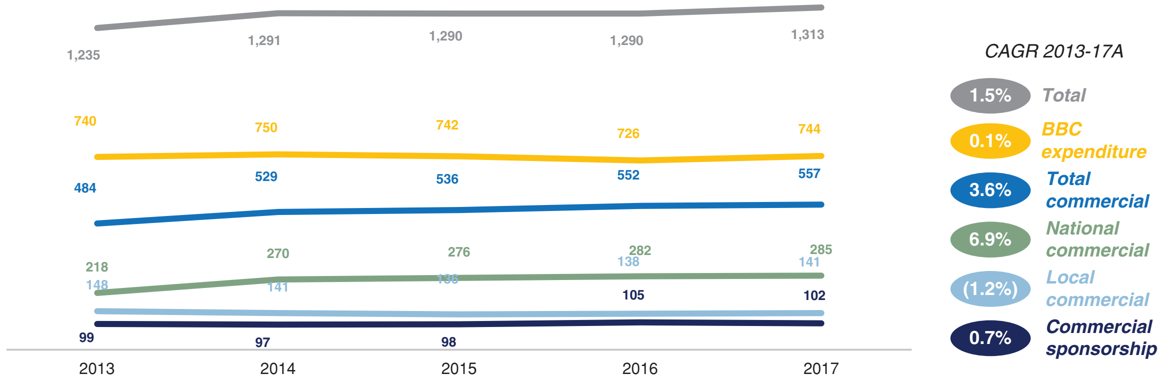
Radio has remained resilient, and the Group expects it to remain resilient for a range of reasons, including that IP delivery is presently unable to reliably serve car listeners, households with an existing radio device have limited incentive to change due to the cost involved, and the fact that there is a high installed base of domestic radios.

Radio Industry Revenues

Commercial radio is funded purely through radio advertising and sponsorship, unlike BBC radio, which is funded from the licence fee. On average, a £24.24 portion of each £145.50 annual licence fee was allocated to BBC Radio in 2016/17 (*Source:* BBC).

Since 2011, radio advertising revenue has remained stable at approximately £0.6 billion each year, and has been unaffected by the rise of online advertising (*Source:* Ofcom).

The following chart shows radio industry revenues for the period 2013 to 2017 (£ million):



Source: Ofcom "Media Nations Report 2018"

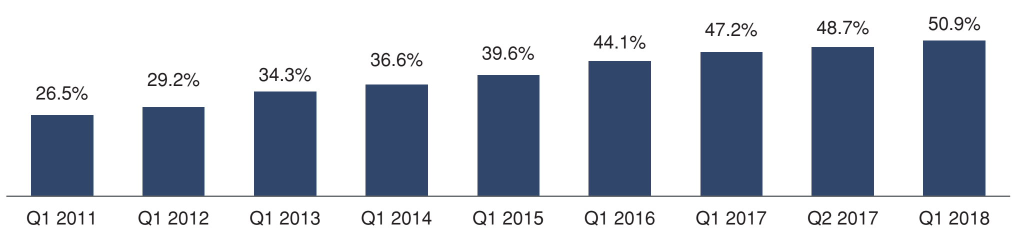
Digital Radio and DAB

Many BBC and commercial radio services broadcast using digital technology, particularly through DAB transmissions, digital television and online. Whilst total absolute radio listening hours per week have remained stable, the proportion of digital radio listening hours has increased significantly from 34% in the first quarter of 2013 to 51% in the first quarter of 2018 (*Source:* RAJAR). Of this total digital listening, 72% was over DAB radios, 9% was on digital television platforms and around 18% was delivered over the internet and mobile devices (*Source:* RAJAR). The number of DAB stations has also grown significantly in recent years, from 208 in 2011 to 337 in 2017 and, of these, 31 are national commercial stations and 11 are national BBC stations (*Source:* Ofcom). Furthermore, DAB penetration has been increasing over the past years and the percentage of the adult population claiming to have access to a DAB receiver was approximately 62% as at 31 March 2018 (*Source:* RAJAR).

Digital Radio Switchover

Uncertainty remains regarding the timing of the potential Digital Radio Switchover (**DRS**) programme, which would shift the radio broadcasting market from analogue services to DAB. The government has stated that it will consider DRS again when the DAB targets have been met. The DAB targets include: (i) national DAB coverage must be comparable to FM; (ii) local DAB must reach 90% of the population and all major roads; and (iii) 50% of all radio listening must be digital (*Source:* Ofcom). The Group has completed its roll-out of new DAB sites to improve coverage. The listening targets have now been achieved (50.9% as at 31 March 2018). As a result, the Group is awaiting details and confirmation from the Government on its plans for a review.

The following chart shows the share of all radio listening via a digital platform (comprising DAB, online, radio applications and digital TV) in the UK for the periods indicated:



Source: RAJAR

In order for the DRS to occur, further roll-out of DAB would be required, particularly to increase the BBC coverage levels to match the current levels of AM/FM coverage and to improve DAB coverage on roads.

While the timing of any switchover from analogue to digital radio remains uncertain, the Group believes that there is scope for DRS to commence before 2030, as a result of sufficient DAB uptake by that date to overcome political and listener challenges. Most stations will continue to be simultaneously broadcast on both analogue and DAB during the transition period, meaning the Group will continue to receive revenues from both analogue and DAB broadcasting.

Radio Broadcast Regulation in the UK

As with TV, radio broadcast service has two distinct parts: MTS and NA. Together these services allow delivery of broadcast media content to end consumers over the air. The Group has a monopoly position with respect to NA and provides MTS for the BBC and nearly all commercial radio broadcasters in the UK as at 30 June 2018. For this reason, the Group's radio transmission services are regulated by Ofcom, and are subject to the Undertakings given to the Competition Commission (now its successor, the CMA) and overseen by the OTA-BTS, appointed by and reporting to Ofcom. Under the Reference Offer framework, pricing for transmission services can be reviewed by the OTA-BTS. For further background, see "*Business—Terrestrial Broadcast Business Unit*" and "*Regulation of the Communications Industry in the United Kingdom—Competition Regulation*".

The UK Telecoms Industry

Mobile wireless networks in the UK are provided by four MNOs (EE, O2, Vodafone and Three) using equipment installed in physical infrastructure across the UK, including the Group's sites. Key industry topics discussed below include network coverage and data growth, as well as the industry outlook for network and spectrum developments.

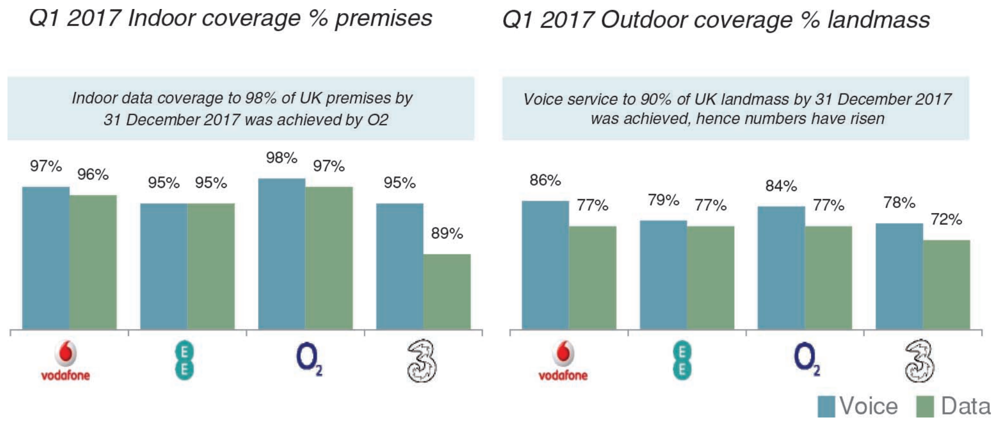
Mobile network coverage

Following an auction of 800 MHz spectrum in 2013, O2 was obliged to provide 4G indoor coverage to 98% of the UK population and 95% of the population in each nation in the UK by December 2017. Separately, all MNOs were required to cover 90% of UK landmass and had also announced their intention to match the O2 4G coverage obligation by the end of 2017. Ofcom confirmed in 2018 all MNOs have complied with these coverage obligations.

Despite these targets, the UK is currently ranked 36th globally in terms of 4G availability and 41st in terms of 4G speed (*Source:* OpenSignal reports). The coverage issue is more pronounced in rural areas. While approximately 99% of urban areas have 4G, approximately 80% of which is covered by all four MNOs, rural areas only have 89% coverage, of which only 21% is covered by all four MNOs (*Source:* Ofcom). The disparity is largely attributable to a lack of new passive infrastructure development in rural areas which is not economically viable for individual MNOs and JVs and often requires planning permission (i.e. for new sites) which is difficult to obtain. Consequently, the Group expects infrastructure providers who can offer shared economics to each MNO or JV on their own sites in rural areas to continue to see demand as MNOs install more equipment on these existing sites in order to provide coverage and capacity in rural areas.

Ofcom has proposed geographic coverage obligations on the forthcoming 700 MHz spectrum auction, expected in 2019. The proposed geographic obligations require two licence holders to provide good voice and data services across at least 92% of the UK's total landmass. The obligations also include minimum geographic coverage in each nation state: 92% in England; 92% in Northern Ireland; 83% in Wales; and 76% in Scotland. The Group believes this may allow for greater utilisation of the Group's existing sites and potential to construct new sites.

The following chart shows indoor and outdoor voice and data coverage for each of the MNOs in the UK as at 31 March 2017.



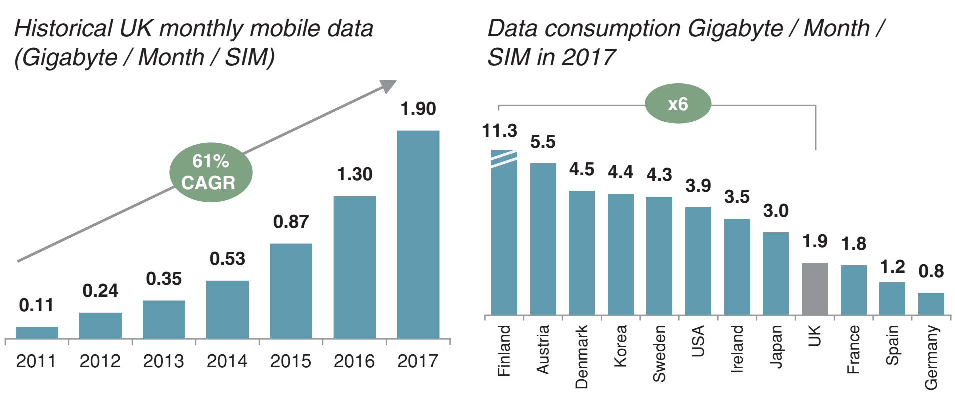
Source: Ofcom Connected Nations Report 2017

Significant data growth

Through the early 2010s, UK mobile device penetration continued to increase. In 2017, there were 92 million active mobile subscriptions, a figure which has been relatively stable over the last three years (*Source:* Ofcom). With a UK population of approximately 66 million (*Source:* ONS), the active connection penetration in the UK is approximately 139%. Growth beyond 100% penetration has been made possible due to a rise in multiple handsets or SIM cards per person, mobile broadband (e.g. data cards/dongles and integrated SIMs in laptops and tablets), M2M communication (e.g. fleet-tracking services and passenger cars with integrated SIM cards) and SIM cards in tablet devices.

As mobile device penetration has grown, so has smartphone uptake and coverage. Ofcom considers the UK to be a leading smartphone country globally, with 74% of all adults using a smartphone in 2017 (*Source:* Ofcom).

UK wireless data usage has been growing significantly in the UK, with average data use per mobile connection up 46% in June 2017 as compared to the prior year, putting pressure on existing mobile network capacity (*Source:* Ofcom). There is still believed to be significant potential for data consumption growth in the UK, based on consumption patterns in other developed economies—approximately 1.7 GB per month per SIM was consumed in the UK in 2017, compared to 1.8 GB in France, 3.5 GB in Ireland, 5.5 GB in Austria and 11.3 GB in Finland (*Source:* Tefficient). The key drivers behind this lag include the speed of technology adoption, network performance and the extent of wireless/fixed substitution (the UK has a low penetration of data-only SIMs) and the cost of data. The Group expects this growth to continue, with mobile data traffic projected to reach a total of 580 petabytes consumed per month in the UK in 2021, up from 114 petabytes per month in 2016, a CAGR of 38% over the period (*Source:* Cisco).



Source: Ofcom; Tefficient H1 2017 & Statista 2017

The growth in mobile data consumption represents a significant opportunity for the mobile infrastructure industry, and for independent infrastructure providers in particular, who will play a crucial role in providing sites for MNO networks that can cope with such a strong projected increase in data usage.

Significant investment in the UK's wireless mobile networks is still expected to be required in order for MNOs to cope with such an exponential increase in data usage. In June 2018, the CEO of Ofcom stated that it would cost up to approximately £6 billion to "provide good mobile coverage across virtually all of the UK landmass". In the Autumn Statement 2016, the UK Government announced its intent to improve data networks, committing over £1 billion toward investments in fibre broadband and 5G mobile network infrastructure.

Mobile Industry Outlook

In order to meet growing data demand and maintain service quality for bandwidth-intensive applications, MNOs will need to increase their network coverage and capacity either through macro site densification/ upgrade or through the use of small cells.

In rural areas, macro site upgrades and densification (i.e. adding macro sites, spectrum bands and technology upgrades) currently remains the most cost efficient way to do this. This can be achieved through building new sites or increasing site sharing so that more active equipment is installed on existing sites, though the scope for the former is limited by economic viability and potentially restrictive planning permission. An increase in site utilisation may ultimately translate into increased revenues for passive infrastructure providers. The Group believes that more installed equipment results in an increased stickiness of revenues for infrastructure providers as the opportunity cost faced by an MNO changing site increases with the amount of equipment installed at that site. In addition, the Group expects cell splitting (the process of dividing the radio coverage of a cell site into two or more new cell sites, whereby capacity is expanded within the region of the original cell site), will drive MNOs to use additional existing Arqiva sites.

In urban areas, given limited ability to build new macro sites, technology evolution will also play a crucial role as data usage continues to grow. Because macro sites and rooftops are congested in densely populated urban areas, macro sites can be complemented by small cells on street-level infrastructure (such as lampposts and bus shelters) and existing technology enhanced to become more efficient in coping with data demand.

Network densification—Small Cells

Small cells are fully featured, short range, mobile phone base stations that can be used to enhance MNO network capacity in high data demand locations where macro sites need support, such as city centres and other dense urban areas. For 5G networks, small cells are likely to be a key technology in urban areas due to the increased utilisation of higher frequency spectrum bands.

Street infrastructure is the most suitable option and the most attractive asset for small cells, meeting the technical requirements while also solving issues such as site access as rights to street furniture are determined by the relevant council as opposed to on a site by site basis. The Group has contracts in 14 of the 16 London boroughs that have completed auctions of access to their street furniture, with access to approximately 230,000 sites in total. The Group also has exclusivity periods for 13 of the 14 boroughs for which it has concessions, of which 11 will expire before the end of the contracted concession period (which extend through 2018 to 2022).

As with macro sites, it is generally more cost effective for MNOs to outsource the process to independent small cells service providers who provide location, installation and maintenance services, leaving the MNOs to focus on cell planning and overall network strategy. The small cells themselves are expected to be owned and accounted for by the MNO in the same way as active equipment on macro sites.

Multiple small cell deployments are already in place internationally, for example in most major cities in the US and South Korea. In the UK, the roll-out of small cells is at an early stage. Two UK MNOs have already started deployment of outdoor small cells with the Group, and the other two MNOs are expected to start trialling small cells in the near term. The expected addressable UK market for small cells includes the inner boroughs of London and the central business districts of six other major UK urban centres: Manchester, Birmingham, Leeds and Bradford, Cardiff and Edinburgh.

The highest demand for small cells is expected in London due to the city's high footfall and high population density. In addition, the nature of London's property market makes roof-top densification a costly and difficult alternative. MNOs are expected to upgrade rooftops where possible, but will also be limited by antenna capacity and loading constraints.

Network enhancement

In addition to increasing the infrastructure base via macro sites and small cells in dense urban areas, MNOs can also look to enhance existing sites, which is expected to be their primary strategy to add network capacity. Evolving mobile technology has contributed to an increase in network capacity by making spectrum use more efficient. Recent technological advances such as multi-antenna technology (Multiple In Multiple Out, (**MIMO**) and Massive MIMO (**M-MIMO**)) are key to increasing capacity supply from existing networks.

Antennas are relatively cost effective versus other components and hence represent an efficient way for MNOs to upgrade their networks. In addition, the price to host antennas is technology and frequency neutral. MIMO and M-MIMO technology is beneficial to infrastructure providers as multiple frequency band specific antennas increase residency on passive infrastructure whilst key enablers are already in place (e.g. power, transmission and landlord relationships). In addition, in many cases, there is already an existing structure capable of supporting additional capacity and, where there is not the case, it is relatively simple to strengthen or replace the structure.

Mobile spectrum availability

Another aspect of the solution to the network capacity challenge focuses on mobile spectrum availability.

Spectrum (a term which is generally understood to mean the electromagnetic frequency range from 3 kHz to 300 GHz) is the means by which all wireless devices communicate. Spectrum is a finite resource, demand for which greatly exceeds supply in many frequency bands and many geographical areas.

One way of enhancing spectrum availability is spectrum re-farming, which involves reassigning spectrum frequencies to services with higher value. Operators have already begun strategies for network decommissioning and spectrum re-locating in line with their technology-neutral licences. For example, Vodafone is re-farming several blocks of its 2.1 GHz bands from 2G/3G to 4G services.

However, spectrum re-farming has a limited ability to solve data congestion given that spectrum is a finite resource and is bounded by the amount of spectrum held by individual MNOs.

While lower frequency spectrum can provide operators with sufficient spectrum from a coverage perspective, additional spectrum in the higher bands is needed in order to support evolving data demand, and this need is being exacerbated by 5G which requires higher speeds and large blocks of spectrum that are only available in the higher spectrum bands. In April 2018, Ofcom auctioned 40 MHz of 2.3 GHz spectrum, which was won by O2, and 150 MHz of 3.4 GHz spectrum, which was won by Vodafone (50 MHz), EE (40 MHz), O2 (40 MHz) and Three (20 MHz). The 2.3 GHz spectrum band is already supported by mobile device makers such as Apple, Samsung and HTC, and can be used immediately by O2 to provide extra capacity. Spectrum in the 3.4 GHz band has been identified as important in the roll-out of 5G across Europe.

Ofcom plans to release a further 80 MHz of spectrum in the 700 MHz band and 116 MHz in the 3.6 to 3.8 GHz band. These auctions are expected to occur in 2019 or 2020.

In order to utilise new spectrum for mobile communications, mobile operators will need to install new equipment that is able to operate on that spectrum. This is expected to lead to higher demand for services offered by infrastructure providers such as the Group, and the Group believes may result in higher levels of site sharing fees in line with the increase of additional site antennas, subject to existing commercial terms with MNOs.

Wireless Telecom Infrastructure in the UK

Mobile wireless networks in the UK are provided by four MNOs: EE, O2, Vodafone and Three.

In order to operate a wireless network, MNOs use active equipment installed on a passive underlying physical infrastructure network. The passive infrastructure network in the UK is largely comprised of macro sites (i.e. towers) and rooftops. This infrastructure can be owned by the MNOs themselves or typically licensed from independent infrastructure providers. The industry has experienced significant consolidation of passive infrastructure in recent years as operators have attempted to control costs and utilise resources more efficiently.

MNOs are expected to continue to require independent tower companies to provide infrastructure to meet future data demands and coverage obligations (such as the 92% coverage proposed for future 700 MHz spectrum auction). Shared assets are more cost effective than self-build solutions, and MNOs' operating expenditure and capital expenditure budgets are typically constrained in light of the competitive mobile market with flat average revenue per user.

In 2007, T-Mobile and Three created the first network sharing JV in the UK called MBNL, to deliver and operate a 3G network. Two years later, following the merger with T-Mobile (to form EE), Orange joined MBNL and also integrated its assets.

In 2012, Vodafone and Telefónica formed a corporate JV called CTIL that expanded upon an earlier site sharing agreement between Vodafone and O2 (a Telefónica subsidiary). CTIL manages the network sites for both companies, including the consolidation of sites to create a unified network outside of London.

As a result, there are now just two infrastructure-sharing JVs in operation in the UK, leaving limited scope for further consolidation amongst the MNOs. This view was supported in 2015 when the EU blocked the proposed acquisition of O2 by Three due to concerns around a reduction in customer choice and a rise in prices. Recent government and regulatory publications have described at a high level the potential for further consolidation to be permitted between MNOs to achieve specific objectives (e.g. expanded rural coverage and improved coverage on rail and road networks). This may present opportunities for independent infrastructure providers (such as Arqiva, WIG and Shere (Cellnex)) to facilitate this higher level of sharing.

Network sharing has redefined the market, allowing independent infrastructure providers to become increasingly important in the telecoms ecosystem due to the cost advantage associated with their ability to host multiple occupants on their sites. Independent providers can host equipment from multiple occupants (for example one independent site could carry equipment for all four MNOs) while incurring just one set of maintenance costs and are therefore able to pass on economies of scale. This means that the MNOs benefit from a decrease in their cost base, while independent providers see an increase in their revenues at limited additional cost as more equipment is installed on their sites.

As MNOs continue to focus on cost efficiency, site sharing and infrastructure outsourcing is expected to present a significant opportunity for independent infrastructure providers. Accordingly, the Group believes that this will result in additional points of presence (**POP**).

In line with this trend, while the total number of wireless active sites has declined due to network consolidation, the proportion of independent sites as a share of the market has increased, as network JVs have consolidated onto these sites. According to the Group's estimates, the number of macro sites in the wireless market has declined from approximately 41,000 in 2009 to 35,000 in 2018. Of the 35,000 remaining sites, approximately 54% are now operated by MNOs, 12% by other networks (Airwave & Network Rail) and approximately 34% by independent providers. While the overall number of active sites has decreased, the Group has grown its share by migrating MNO sites to Arqiva sites.

Scale offers a significant advantage in the independent market as it improves the ability to offer competitive pricing and optimal locations. The Group is the largest independent provider with approximately 8,000 active licensed sites (including contractual options) as at 30 June 2018, followed by the Wireless Infrastructure Group (**WIG**) with approximately 1,800 active sites, Shere (Cellnex) with approximately 500 active sites and BT with approximately 300 active sites. In addition, there are approximately 2,000 active sites owned by small organisations (companies with 10 to 50 sites). MNOs and JVs remain the largest owner of sites—CTIL has approximately 11,000 sites and MBNL has approximately 7,500 (though the assets/ownership of MBNL's sites remain with the parent MNOs). Airwave also owns approximately 2,000 sites and Network Rail owns approximately 2,000 sites, but these are not utilised by MNOs or other users at the present time.

Internet of Things, Machine-to-Machine and Smart metering

The IoT is a "network of networks" of uniquely identifiable endpoints (or 'things') that communicate without human interaction using a common connectivity platform. It involves multiple devices communicating with each other through sensors and digital connectivity to form a combined network of services.

The IoT industry is still nascent in terms of its commercial development. However, some of the world's largest technology companies, such as Microsoft, Siemens and Intel are actively pursuing the market opportunity. Alongside technology companies, telecoms infrastructure providers are a key enabler of any type of IoT use given the reliance of IoT on the ability to communicate data across a cellular or radio wireless network. Generally, the five key groupings of companies active in the IoT business are: (i) enterprise software & service providers; (ii) internet companies; (iii) specialised start-ups; (iv) industry & technology providers; and (v) telcos, though overlaps exist between the five groups.

Current IoT applications in the UK—Smart metering

Gas and electricity smart metering in the UK

Smart meters provide real time data on energy use across premises which can be used to help customers to lower their energy consumption. This, in turn, can generate significant economic benefits for utility companies and consumers.

In the UK, the government has mandated the roll-out of smart metering, committing to install 53 million smart meters in homes and small businesses by the end of 2020.

The programme will be retail energy supplier led, with utility companies being required to install smart meters for their customers. These meters are then linked to a communications network via a communications hub linked to the electricity and gas meters. The contracts for the provision of these communication services, including the provision of the communications hubs, were tendered by the government at the start of the smart metering roll-out process in 2013. Telefónica won the contracts for South and Central England and the Group won the contract for the north of England and Scotland, a region containing approximately ten million households.

Water smart metering in the UK

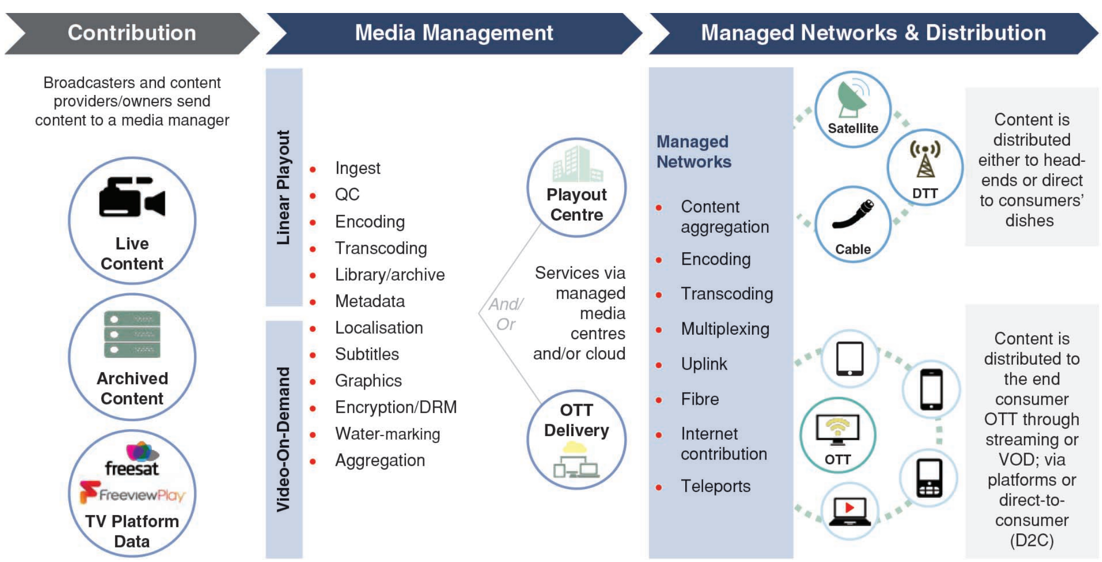
While suppliers in water stressed areas are obliged to offer meters to customers to limit the number of reservoirs and desalination plants, there are no nationally set targets by the government or the regulator for the installation of water meters in homes in the UK.

Given the lack of national mandates for water smart metering, the main driver of their development is the economic benefit of smart meters such as faster leak detection, enhanced supply/demand planning, better capital investment targeting and lower consumption, all of which can lead to significant cost savings.

As with gas and electricity smart metering, communications technology is crucial in allowing the two way communication of data between smart water meters in the home and utility providers. The Group currently provides these communications services to Thames Water and Anglian Water, the #1 and #6 water suppliers, respectively.

Satellite and Media Industry

Within the broader Satellite and Media industry that encompasses the various steps from content creation by broadcasters or independent producers to viewer consumption, the Group operates across the following steps of the value chain:



Source: Company information

Once video content is produced, it is then processed through the media management part of the value chain and value is added through services such as metadata creation, localisation, etc. Prepared content is made ready for delivery as linear channels or VoD via multiple distribution paths, such as satellite (DTH), DTT, cable or OTT. For satellite distribution, scale providers "multiplex" a number of channels that are then uplinked to satellites before transmitting down to end consumers to receive via their satellite dishes. For OTT distribution, providers supply services such as transcoding and watermarking before content is delivered as linear streams or as VoD, either direct-to-consumers or via third party platforms.

Typically, various parts of the media value chain have been capital expenditure heavy, requiring investment in physical kit and facilities (such as play out centres or teleports), but the market is evolving towards virtualisation of media management and distribution capabilities, which enables delivery of less capital-intensive services.

The competitive landscape is fragmented along the media management and distribution value chain. Broadcasters (and rightsholders who do not distribute via broadcast) may insource or outsource all or part of that value chain, though there is a growing trend to outsource given the advantages of a unified, seamless service across media management and (increasingly) multiple paths to distribute content, as well as the trend to virtualisation. The global market for outsourced content and media delivery services was \$3.5 billion in 2013 and is expected to grow at a 10-year CAGR of 4.5%, reaching \$5.4 billion in 2023 (*Source:* Euroconsult). The Group believes it has the opportunity to grow on the back of increased outsourcing. There are few providers that operate across the entire media management and distribution value chain. The Group is one of these, and has a reputation for managed service excellence that gives it a distinct competitive advantage. Satellite & Media's services are complementary to those of Terrestrial Broadcast, and the two business units have a number of customers who buy multiple service lines (including media management, OTT, DTH and DTT).

A number of trends are currently affecting the video market. First, consumer behaviour is becoming increasingly "hybrid", with growing demand for viewing of video-on-demand anytime, anywhere, and a parallel growing demand for second screen viewing, for both video-on-demand and linear content.

Second, the video distribution industry is facing a number of changes, which include:

- A growing number of distribution platforms (DTH, DTT, cable, IPTV and OTT);
- Improvements in compression technology, enabling more efficient distribution of high quality video at lower cost;
- Globalisation of content, providing better monetisation of valuable content rights
- Increasing volumes of HD content, in both linear and VoD formats; and
- A slow growth in demand for UHD content, primarily focused on sport content on DTH, but more widely available on IPTV.

These video distribution trends have resulted in increased operational complexity for broadcasters, impacting business models.

As a result, broadcasters have been investing more in securing exclusive content rights, which in turn creates an incentive to monetise expensive content globally, and to monetise OTT as well as through traditional distribution. In addition, rightsholders (who do not broadcast) seek to monetise content OTT (via streaming or VoD, and either through third party platforms or direct-to-consumer). In addition, these trends have resulted in increasing virtualisation of media management and distribution capabilities,

These developments have encouraged operational and commercial flexibility, rather than a rigid focus on one business model that has been prevalent previously.

Media Management

The media management part of the value chain begins with ingest of content (live or pre-recorded) sent by broadcasters, production companies and other content/service providers to the media management service provider. The provider then adds value by processing and enhancing content through, for example, services such as quality control, encoding, adding metadata, localisation services and encryption/DRM. Prepared content is then made ready for different viewing methods, such as linear channels (with services such as scheduling, ad insertion and playout), or VoD (with services such as transcoding and watermarking), before being distributed through multiple pathways (such as DTH, DTT, cable or OTT) either direct-to-the-consumer or via head-ends.

The Group is an established player with a strong focus on the UK and EMEA markets, providing an advanced offering from the standard 24/7 monitoring of operations to the direct access to its distribution network, content storage/ transmission and content preparation.

Media management historically focussed on preparing linear content for broadcast on TV through DTT, satellite or cable. However, this line of business has been gradually declining, driven by a reduction in the number of lower tier channels (moving to OTT distribution), a reduction in +1 channels at the major broadcasters (whose utility can be better served by VoD) and an expected reduction in simulcast channels (those that currently broadcast in both SD and HD variants) as a result of compression technology advances and an ongoing switch from SD to HD broadcasting. By contrast, non-linear content (i.e. video-on-demand) distributed via traditional and OTT platforms has been growing rapidly, driven by the increasing preference of (in particular) younger audiences for anytime, anywhere viewing of content. OTT delivery also enables rightsholders (who do not broadcast) to monetise content direct-to-consumers. Altogether the growing OTT segment offers significant opportunities for the Group; for example, Satellite & Media recently-launched a pay-per-view OTT service for live sports and other events.

The Group is also catering for the needs of broadcasters and rightsholders for greater commercial and operational flexibility through a programme to gradually virtualise its media management and distribution capabilities. Virtualisation refers to the transformation of capabilities from a largely hardware-based model to one based on software stacks distributed on public and/or private servers.

Satellite distribution services: the UK DTH Distribution Market

There are two main routes through which broadcasters can access DTH. Broadcasters can either self-manage their DTH capacity (i.e. lease satellite capacity directly from satellite operators) or access a fully managed proposition by outsourcing to a third party intermediary. The majority of satellite channels in the UK have adopted an outsourced proposition, at approximately 60% of the 697 total satellite channels in the UK as of June 2018 according to Group estimates.

Services provided can be divided into multiplexing, distribution and the provision of satellite capacity which in turn can be owned or leased from a satellite operator. Distribution is enabled via media teleports, making technology an essential part of the satellite broadcasting value chain. Satellite service providers who also own the infrastructure (e.g. the Group in the UK) have a competitive advantage as they are able to generate higher margins resulting in higher profitability. Furthermore, they can ensure that quality standards are maintained which is important given the emphasis that customers place on the quality of the service delivered.

In the UK, five main operators provide DTH services to satellite platforms: Arqiva, Sky, Globecast, SES and Babcock. The Group is the market leader in the managed proposition market, with an estimated outsourced market share of approximately 48% of fully managed channels as of June 2018. As of June 2018, the Group estimates Sky had a market share of approximately 27% of the managed channels (excluding self-managed proprietary channels), Globecast has approximately 20% of the market share, and SES and Babcock had together a market share of approximately 5%.

Demand for satellite capacity for UK DTH is impacted by three major trends: (i) increased uptake of HD/UHD; (ii) improved compression (MPEG-4 vs. MPEG-2); and (iii) switch off of +1 channels.

In aggregate, the overall demand for UK DTH satellite capacity is expected to remain relatively stable, with a reduction in the short-term driven by the expected switch-off of simulcast SD channels, followed by an increase in the medium-term, due to the expected growth in higher-capacity (in terms of Mbit/s) HD and UHD channels. As of 30 June 2018, only 19% of channels on Sky UK were HD.

Managed Networks and Solutions for Occasional Use Events

Managed networks consist of the distribution of video content either via satellite or fibre to broadcasters across the globe. Content is received from broadcasters and content owners and then distributed via leased satellite and fibre to a specific coverage area (e.g. Europe or a part of Asia). The broadcasters then receive the video content and distribute it further to end consumers.

Key players in the market include SES, Globecast, Babcock and Arqiva. SES and Globecast are global players in relation to both contribution and distribution whilst Babcock and Arqiva offer a predominantly

UK/EMEA focused contribution service with global distribution. The Group is able to provide an attractive and fully managed customer proposition by leveraging on its strong global client relationships.

Key trends for Managed Networks

There are three major trends that are expected to drive change in the managed network industry over the next 15 years:

(a) Customer needs: customers are primarily concerned about receiving a reliable service that meets their needs. Broadcasters are looking for reliable managed networks, typically achieved by using a minimum of two transmission systems (either two working systems or one primary/one back-up) and up to four systems for larger channels, combined with the mix of different transmission mediums and providers.

(b) Data volumes: overall content transmitted across networks has been growing significantly in recent years, mainly driven by strong demand for occasional use and OTT. In addition to increased demand for Tier 1 sports, there is growing demand for Tier 2 live sports events (e.g. e-sports) and better geographic coverage as well as increased demand for OTT content and remote production.

(c) Technology: High Throughput Satellite for point-to-point distribution provides higher bandwidth at lower costs. Furthermore, new IP-based (open internet) distribution networks are an emerging alternative to established point to point solutions from the live event or content owner to the data centres, which, while offering geographic opportunities, could result in additional pressure on prices. In 2015, the Group launched its own IP-based contribution service and has plans to expand into IP-based distribution.

While customer needs will have a neutral effect on the managed networks market, data volumes and technology will have a positive effect on managed networks developments.

Events and Occasional Use

Solutions for Events and Occasional Use provide a similar type of service to managed networks as it distributes content to broadcasters across the globe. As the business denomination states, this unit is characterised by being an ad-hoc service available for special seasonal events, mostly for organised sports competitions (e.g. the Olympics, Tour de France, World Cup, etc.) or events with a particular global impact that need a wider temporary coverage, such as US Presidential elections. Therefore, increased global connectivity has continued to drive demand for content transmission.

Satellite Data Communication

Satellite Data Communication (**SDC**) provides data services for those that cannot easily access 'normal' internet connections (e.g. oil rigs). The customer has a modem or router that links its workstations to a satellite receiver or transmitter. Then, the data is transmitted from the customer's location to the satellite transponder, which has dedicated capacity to receive and transmit data. Finally, data is transmitted from teleport locations and linked to the internet backbone. The Group has leased dedicated capacity on satellite to receive and transmit data, it receives data from its own teleport locations and links this to the internet backbone or dedicated circuits.

In the medium-to-long term, demand for SDC services is expected to grow, driven by the increased transmission of data. However, the likely impact on revenues of this increased demand is expected to be partly offset by price deflation driven by the introduction of new technologies (e.g. High Throughput Satellites).

BUSINESS

The following should be read in conjunction with the other information regarding the Group in this Offering Memorandum, including "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Group's consolidated historical financial information and the related notes included elsewhere in this Offering Memorandum. Unless otherwise stated, the financial information relating to the Group set out in this part of the document has been extracted without material adjustment from the Group's consolidated historical financial information and the related notes included elsewhere in this Offering Memorandum.

This section includes forward-looking statements that reflect the current view of the Group and involve risks and uncertainties. The actual results of the Group could differ materially from those contained in any forward-looking statements as a result of factors discussed below and elsewhere in this Offering Memorandum. See "Forward Looking Statements".

Overview

The Group is the UK's pre-eminent national provider of television and radio broadcast infrastructure and the leading independent provider of communications infrastructure to mobile network operators (**MNOs**) in the UK. In addition, the Group has been an early participant in the development of Machine-to-Machine (**M2M**) infrastructure in the UK through its smart water and energy metering services and through other Internet-of-Things (**IoT**) solutions. The Group is also a leading provider of satellite uplink infrastructure and satellite distribution services in the UK in terms of the number of channels available for UK DTH satellite broadcast. The Group's unique and long-life asset base enables it to generate revenues underpinned by long-term inflation-linked contracts, as demonstrated by a strong orderbook of £5.0 billion as at 30 June 2018, with significant revenue visibility. Approximately 85.6% of the Group's actual revenues realised in the year ended 30 June 2018 were already contracted as at 30 June 2017.

The Group operates through three main business units, which correspond to its three reporting segments, except for its Other reporting segment, which includes non-revenue generating central corporate functions.

- *Terrestrial Broadcast*—The Group benefits from a regulated position as the sole UK national provider of transmission services for digital terrestrial television (**DTT**) broadcasting, the most popular television broadcast platform in the UK in terms of the number of homes served. The Group operates all television transmission sites used for DTT broadcasting in the UK, with over 1,100 sites covering 98.5% of the UK population. Through its Digital Platforms division, the Group is also the UK market leader for the provision of access to the DTT platform for broadcast channels, owning two national commercial DVB-T Multiplexes and a further two High Definition (**HD**) capable DVB-T2 Multiplexes (**DVB-T2 Multiplexes**) used for transmission of DTT services in the UK. The Group's DTT Multiplexes carried 62 out of a total of 113 DTT channels in the UK as at 30 June 2018. DTT, through the subscription-free platform, Freeview, enables the public service broadcasters (**PSBs**) to meet the obligation under their licences to extend coverage to 98.5% of the UK population. The Group believes that DTT has a long-term future as the most economic model to provide free-to-air (**FTA**) television providing near-universal coverage in the UK, which it expects will be complemented, but not replaced by, certain "over-the-top" (**OTT**) services. The Group believes that there will remain a long-term need for a highly economic source of FTA linear TV available to the UK population and believes that the DTT platform, as complemented by OTT services, is best placed to deliver this.

  The Group also benefits from its regulated position as the leading UK national provider of radio broadcast transmission services, covering both analogue and digital services through Digital Audio Broadcast (**DAB**). The Group had radio network infrastructure comprising approximately 1,735 analogue transmitters and 990 DAB transmitters on 741 radio sites in the UK as at 30 June 2018. The Group is also the operator of the two national commercial digital radio multiplexes (including through JVs) and held 25 of the UK's 57 local DAB radio licences as at 30 June 2018. Further, the Group is the service provider for the BBC national digital radio Multiplex. The Group intends to support its customers and the industry by continuing to develop digital DAB radio as an attractive medium for listeners and planning for the expected eventual phase-out of analogue radio, rolling out DAB to fill the remaining coverage gaps, and positioning DAB as the default replacement network for analogue services.

- *Telecoms & M2M*—Through its Telecoms & M2M business unit, the Group holds the largest independent (i.e. not directly or indirectly owned by an MNO) portfolio of wireless infrastructure sites in the UK, which the Group licenses to national MNOs and other wireless network operators to allow them to provide services and coverage to their customers. The Group had approximately 8,000 active licensed wireless sites (including contractual options) as at 30 June 2018. A significant proportion of the Group's active licensed wireless sites carried MNO equipment, which the Group estimates represented approximately 21% of the total active licensed MNO macrocell site market as at 30 June 2018. It holds a strong and difficult-to-replicate position in rural and suburban regions where cost, economies of scale, planning permission restrictions, application regimes with local authorities and the secure nature of site leases (given the landlord's limited ability to terminate the lease) would make it difficult for competitors and MNO customers to replicate the Group's infrastructure and footprint. In addition, the Group provides installation services for the passive components (such as antennas and feeders) of network upgrades and roll-outs on its own wireless infrastructure sites. The Group is also positioning itself to be a leading provider of outdoor small cells infrastructure, having obtained access to street infrastructure in 14 London boroughs. In addition, the Group provides indoor and outdoor Distributed Antenna Systems (**DAS**) in the UK, with 46 in-building systems installed in UK locations as at 30 June 2018. The Group is also a leading provider of smart metering and M2M networks, with a long-term contract to provide smart metering communication services in northern England and Scotland for electricity and gas to approximately 7.0 million premises with SMETS2 (the second generation of Smart Metering Equipment Technical Specifications) devices by 2020. In addition, the Group provides a smart metering network for Thames Water that is expected to cover three million homes once fully deployed and has entered into a trial contract with Anglian Water for smart metering deployment.
- *Satellite & Media*—The Group's Satellite & Media business unit is a leading provider of satellite uplink infrastructure and satellite distribution services in the UK in terms of the number of channels uplinked for UK Direct-to-Home (**DTH**) satellite broadcast. The Satellite & Media business unit serves as an alternative for customers who do not wish to self-manage access, with an estimated outsourced market share of approximately 48% of fully managed channels as at 30 June 2018. The Group operates more than 80 uplink dishes in five teleports (ground stations that act as a hub to connect a satellite network to a terrestrial telecommunications network), accessing more than 30 satellites and delivering media content to five continents. The Group also procures third party ground-based teleport services where a line of sight to a satellite cannot be achieved from its UK assets. This infrastructure enables the Group to provide customers with a comprehensive range of services to deliver their data, broadcasts and media services internationally, focusing on the UK utility sector, oil & gas sector, and aviation & maritime sectors. In addition, the Group provides encryption, multiplexing, uplinking and satellite space to channel operators through its media distribution offering. The Group also provides media management services, including linear playout (preparing and transmitting content to distribution centres), video-on-demand, streaming, metadata management and other OTT services. The Group also provides over 100,000 miles of cable for leased fibre connectivity.

The Group has demonstrated revenue and EBITDA growth over the past three years with revenue of £884.0 million, £941.3 million and £962.4 million, and EBITDA of £428.4 million, £473.5 million and £517.5 million, for the years ended 30 June 2016, 2017 and 2018, respectively.

Competitive Strengths

Arqiva believes that its success to date and its potential for future cash generation and growth are primarily attributable to the following strengths:

Unique and long-life asset base underpinning defensible market leading positions in all business areas

The Group has an unrivalled Terrestrial Broadcast asset base, which Arqiva believes is not economically feasible to replicate. The Group benefits from a regulated position as the sole UK national provider of transmission services for DTT broadcasting, the most popular television broadcast platform in the UK in terms of the number of homes served. It operates all television transmission towers used for DTT broadcasting in the UK, with over 1,100 transmission sites covering 98.5% of the UK population. Through its Digital Platforms division, the Group is also the UK market leader for the provision of access to the DTT platform for broadcast channels, owning two national commercial DVB-T Multiplexes and a further two HD capable DVB-T2 Multiplexes (out of a total of five main national commercial DTT Multiplexes).

The Group is a leading national provider of radio broadcasting transmission services, operating approximately 1,735 analogue transmitters and 990 DAB transmitters on 741 radio sites, providing coverage of up to 99% of the UK population as at 30 June 2018.

Within its Telecoms & M2M business unit, the Group holds the UK's largest independent (i.e. not directly or indirectly owned by an MNO) portfolio of wireless infrastructure sites, with approximately 8,000 active licensed wireless sites (including contractual options) as at 30 June 2018. The Group's portfolio accounts for approximately 60% of independent sites in the UK, approximately four times bigger than its nearest competitor, and 21% of the total active licensed MNO macrocell site market. The Group's long standing history in the communications industry has enabled it to build a unique portfolio of prime position wireless sites. As at 30 June 2018, approximately 65% of the Group's active licensed sites had no near MNO competitor, meaning no competitor site within 250 metres in urban areas, 500 metres in suburban areas or 750 metres in rural areas. The Group's sites are critical to MNOs, enabling them to meet current and future network coverage targets as imposed by Ofcom. The Group believes it has a highly defensible position in rural areas, since economic feasibility and restrictive planning rules for new sites make it challenging, but not impossible if a long-term investment horizon and business risk is taken for competitors to enter the market. In terms of urban infrastructure, which is evolving through new technology such as small cells, the Group has also built up a leading position, winning access to street infrastructure in 14 of the 16 London boroughs in which contracts have been tendered, with access to approximately 230,000 sites. The Group also holds a nationwide licence in perpetuity in the UK's largest contiguous block of 2x224 MHz of 28 GHz spectrum, as well as a licence in perpetuity for a further 2x122 MHz of 28 GHz spectrum across London, acquired from Luminet in July 2017. The Group believes this spectrum holding, and the Group's compatible telecoms infrastructure, will be an increasingly valuable asset. The Group has also positioned itself as a market leader in the UK for smart meter networks. It is one of only two communication service providers for smart energy meter connectivity in the UK and a leading provider for smart water meter connectivity. The Group believes its long-range radio solution provides a more resilient solution and better penetration for smart metering, compared to cellular.

The Group's Satellite & Media business unit is a leading operator in the fragmented satellite and media market in the UK. The Group owns a significant asset base with 80 uplink dishes providing access to more than 30 satellites owned by third parties and five teleports delivering media content to five continents, supported by access to over 100,000 miles of leased fibre connectivity that enable the Group to deliver reach to key media and broadcasting hubs in UK and around the world.

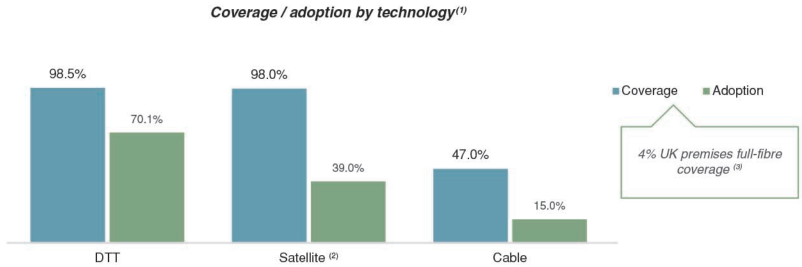
Structurally stable underlying dynamics in the Group's core markets

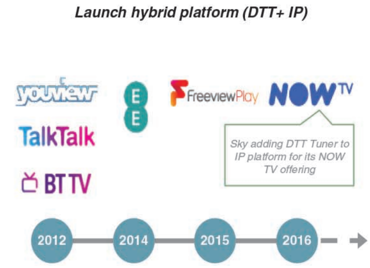
The UK TV market is large and stable. Within this market, the Group serves the FTA segment via the DTT platform. DTT, through Freeview, remains the most popular TV viewing platform in the UK, with the highest adoption rate of all platforms at 70% of all households with at least one TV set (*Source:* BARB; Ofcom). The UK DTT platform is supported by a number of important favourable structural drivers, including the cultural role it plays in delivering live TV to viewers and its high relevance to broadcasters and advertisers given the platform's wide reach and strong political support (FTA viewing is popular amongst the key voting demographics), as well as the difficulty of replicating coverage and access by other means. The Group has the most efficient platform in the UK capable of enabling the PSB to meet their 98.5% universal coverage obligations imposed by Ofcom, making its infrastructure "mission critical" to the PSBs. Shows on PSB stations continue to attract the highest viewing in the UK. In the week commencing 23 July 2018, all 50 of the UK's 50 most watched programmes were on FTA DTT channels (*Source:* Thinkbox). The Group believes there is also presently no credible replacement technology to DTT which would rival DTT's ability to provide universal coverage, its reach and installed base, and its ability to deliver content free at the point of access. The role of DTT is not expected to change in the medium term, as demonstrated by the UK Government's renewal of the Royal Charter until at least 2028 and its commitment to continue providing free broadcasting, and Ofcom has publicly stated its commitment to DTT until at least 2030.

In recent years, the UK has seen the emergence of alternative viewing platforms such as hybrid DTT/IPTV and OTT platforms. These platforms can be complementary with DTT, while offering competition to traditional pay platforms which are broadcast through Satellite or Cable. The proportion of homes with pay-digital satellite has fallen from 35% in 2011 to 31% in the first quarter of 2018, after peak uptake in 2010 (*Source:* BARB). Hybrid platforms leverage the reach and cost effectiveness of DTT to deliver the FTA services with interactive services typical of IP, such as catch-up and on-demand. The increase in "pay lite" services (e.g. Netflix, Amazon) gives consumers further optionality to combine DTT with a cheaper

OTT offering. This trend also supports the Satellite & Media division, which has been providing IP streams and VoD processing services since 2015 and has over the past two years invested in cloud-based delivery services.

The left-hand chart below shows the percentage of households in the UK which are covered by and have adopted DTT, satellite and cable as at 31 March 2018. The right-hand chart below shows the historical timeline for the launch of hybrid DTT/IPTV platforms in the UK.





(1) Adoption as per BARB establishment survey, Annual Q1 Report 2018. Share of households with at least one TV set using a given platform. Household may use more than one technology platform to watch TV.

(2) 36% pay (Sky) coverage; 4% free (Freesat) coverage.

(3) *Source:* Ofcom.

The Group is also the leading independent provider of passive telecoms infrastructure, a position which the Group expects to strengthen as MNOs continue to extend their networks. The UK is currently ranked 36th globally in terms of 4G availability and 41st in terms of 4G speed. The Group plays a key role in the MNOs' coverage solution due to its unique site portfolio. In addition, exponential mobile data traffic growth is forecasted to continue, which will require a significant increase in network capacity. In order to increase coverage and capacity, in particular for 5G where small cells are likely to be a key technology, MNOs will have to invest in their networks benefiting infrastructure providers such as Arqiva.

Highly secure revenue underpinned by long term inflation-linked contracts

The Group has significant revenue visibility with an orderbook of £5.0 billion as at 30 June 2018, representing more than five times coverage of revenues for the year ended 30 June 2018. The orderbook is underpinned by the Group's established relationships with its high-quality customers. Long-term contracts provide the Group with a high degree of visibility over a significant portion of its expected annual revenue at the commencement of each financial year. Approximately 85.6% of the Group's actual revenues realised in the year ended 30 June 2018 were already contracted as at 30 June 2017.

The Group has a diverse, blue-chip customer base across all business units, including all the UK's PSBs (BBC, ITV, Channel 4, Channel 5), and major international broadcasters (e.g. Discovery, Turner, ESPN), major radio groups (BBC, Global Radio, Bauer Media), major smart metering customers (Data Communications Company (the **DCC**) and Thames Water) and all the UK's MNOs (EE, Three, O2, Vodafone and their JVs, Mobile Broadband Network Limited (**MBNL**) and Cornerstone Telecommunications Infrastructure Limited (**CTIL**)). These established long-term relationships demonstrate the importance of Arqiva's assets and infrastructure to its customers. Certainty over contract renewals is supported by limited viable alternatives, as well as the 'mission critical' nature of the services that Arqiva provides, leading to significant switching costs and operational risks for customers.

Within the Terrestrial Broadcast business unit, DTT transmission contracts are typically over 20 years in original duration. Moreover, the Group's DTT transmission contracts are inflation-linked, and otherwise set so as to deliver a fixed rate of return relative to the underlying asset base. The PSBs have been willing to sign long-term agreements with the Group for DTT broadcast, given the Group's position as the only provider capable of meeting PSB coverage obligations and the PSB licences, which obligate them to use the Group's DTT network. As a result of these features of the contractual terms and the fact that there are no scheduled regulatory reviews of customer contracts once contractually agreed, the Group benefits from a degree of long-term revenue visibility. Digital Platforms contracts are typically three to six years in duration. Radio contracts within the Terrestrial Broadcast business unit are typically eight to 12 years in original duration and are often inflation-linked. Within the Satellite & Media business unit, contracts are typically three to five years in duration and are partially inflation-linked. Within the Telecoms & M2M business unit, telecoms contracts are typically seven to ten years in original duration and inflation-linked, and smart metering contracts can be up to 15 years in original duration and inflation-linked. The commercial terms of the Group's Telecoms contracts are structured to encourage MNOs to add more equipment to sites. As MNOs increase the amount of equipment in place on Arqiva sites, the total rental fee per site increases, subject to MNO-specific contract terms, as does the opportunity cost of moving sites, making these contracts and subsequent revenues increasingly "sticky".

Established Relationships with Blue-Chip Customers

Business Unit	Customers	Avg. Contract Length[1]	Inflation Linkage
Terrestrial Broadcast	BBC, itv, 4, global, BAUER	TV: 20+ years Radio: 8 – 12 years	✓
Digital Platforms	4, SONY, iDEAL, Discovery Channel	3 – 6 years	✓
Telecoms	MBNL, EE, 3, CTIL, vodafone, O2	7 – 10 years	✓
M2M	Data Communications Company, love every drop anglianwater, Thames Water	4 – 15 years	✓
Satellite	turner, Discovery Channel, BT	3 – 5 years	Partial

– Public Service Broadcasters

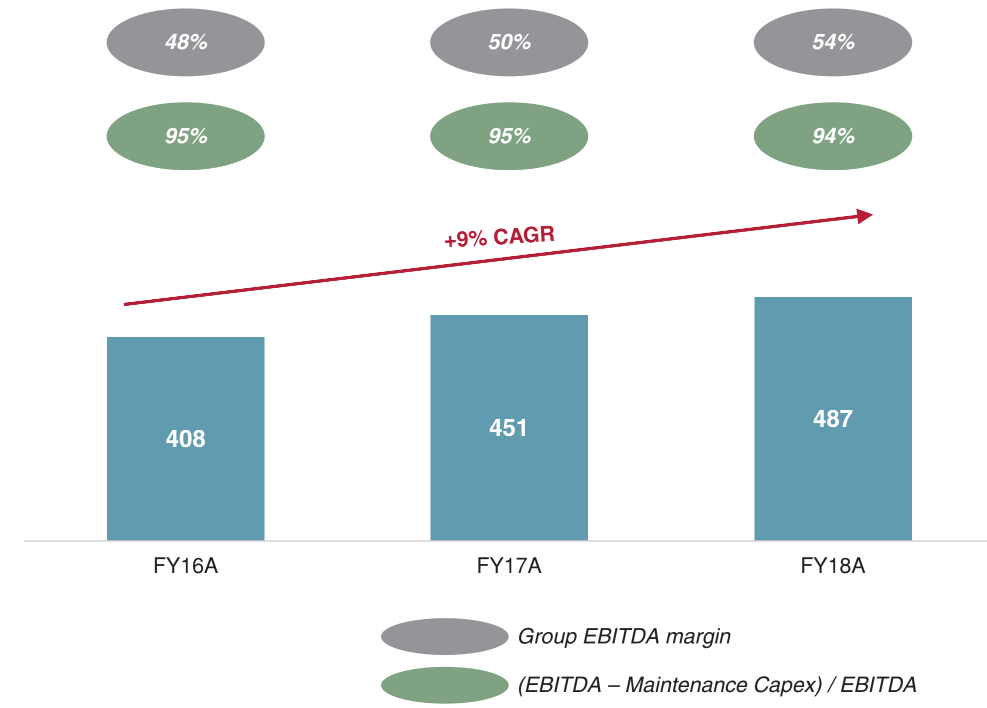
✓ *Tick indicates inflation linkage is a typical feature of contracts in this division*

Strong cash conversion combined with a resilient business provides sustainable cashflows

The Group is able to convert its stable contracted revenues into cash, achieving strong cash flow conversion throughout 2016 to 2018, despite reaching a peak in its investment cycle over the same period. In addition, EBITDA margins have improved over the same period as the Group has made progress on its efficiency programmes.

Capital expenditure is expected to decline after 2018 as the major capital expenditure requirements relating to the roll out of projects such as smart metering and the current phase of DAB roll-out projects are completed, significantly enhancing cash conversion. The majority of the capital expenditures for the Group's smart metering contracts with the DCC and Thames Water have been completed, as the networks have been mostly built. In addition, the commercial terms of these contracts mostly allow for capital expenditures to be paid upfront, and any change request payments are mostly pre-paid against delivery milestones. All major capital expenditure programmes are directly linked to contracts in place, keeping speculative capital expenditure to a minimum. The Group has achieved tight control over its maintenance capital expenditure, contributing to cash conversion on an EBITDA less maintenance capital expenditure basis of approximately 95% over recent years.

EBITDA – Maintenance Capex (£m)



The Group's underlying business and long-term nature of its contracts as well as its cash earning track record is evidenced by the Group's investment grade rating at the senior level.

The Group is currently implementing a company-wide transformation programme to streamline processes, modernise IT systems and achieve third-party cost efficiencies. The Group believes this programme, aimed at achieving efficiencies and reducing costs by optimising the Group's cost base and driving margin improvements by reducing overhead, consolidating business units into a more efficient structure and other initiatives, will continue to result in improvements in the efficiency of Group operations and further headcount efficiencies as major projects complete.

Experienced management team and workforce partnered with a supportive shareholder base comprised of key experienced infrastructure players

The Group is managed by a highly experienced senior management team with a breadth of Telecoms experience including tenures at Nokia, ICL, GEC, BT, KCOM and Cable & Wireless. The Group's divisional heads have an average of 25 years' industry experience and a proven track record in their respective areas. The Group also benefits from a highly talented workforce with approximately 700 skilled engineers. Further, management have brought significant operating experience to the Group, focusing on driving margin improvement through implementing a comprehensive cost transformation programme. Their increased and continuing focus on efficiency initiatives has already seen impressive results, contributing to EBITDA growth.

The Group is owned by a consortium of seven shareholder groups. The Group's largest shareholders are Frequency Infrastructure Communications Assets Limited (of which CPP Investment Board is an 86% shareholder), Macquarie European Infrastructure Fund II, Conyers Trust Company (Cayman) Limited in its capacity as trustee of the IFM Global Infrastructure Fund, First State Super, Motor Trades Association of Australia Superannuation Fund (advised by Whitehelm Capital) and two Macquarie-affiliated minorities (Macquarie Global Infrastructure Funds 2 S.à r.l. and Macquarie Prism Proprietary Limited).

Business Strategies

The key components of the Group's strategy are as follows:

Maximise value of strong core business and infrastructure

(a) Terrestrial Broadcast

The Group's DTT platform and radio networks are the UK's leading platforms for delivery of TV and radio in the UK. The Group works closely with customers and is a member/shareholder in industry organisations (such as Digital UK, Freeview, YouView and Digital Radio UK) which influence the strategy and product development of the networks.

The Group's strategy is to reinforce DTT's long-term position as the most popular TV platform in the UK by continuing to support the development of the hybrid DTT/IPTV platform (which can be accessed through DTT sets capable of connecting to the internet or through a set top box), which is expanding the range of catch-up services available as well as serving the needs of a pay-lite audience base. By continuing to work with industry organisations, the Group aims to support the uptake of platforms that utilise DTT as a core FTA delivery mechanism and improve the viewer experience through improved content discovery and seamless integration of new types of content. The Group also aims to expand HD and SD channel choice, thereby maximising Arqiva-owned DTT Multiplex utilisation, and work with the TV manufacturing market through Digital UK and Freeview to ensure that the hybrid DTT/IP services remain the default technology.

The Group's radio networks are utilised by more than 49 million adults in the UK every week. Where the Group is the licensed DAB multiplex operator, the Group intends to continue to assess options to expand the coverage of its networks as well as the range of channels available to give listeners the best possible DAB experience. The Group intends to support its customers and the industry by continuing to develop digital DAB radio as an attractive medium for listeners and planning for the expected eventual phase-out of analogue radio, rolling out DAB to fill the remaining coverage gaps, and positioning DAB as the default replacement network for analogue services. The Group expects that it would be able to reduce its costs following any eventual Digital Radio Switchover (**DRS**), given that DAB transmission equipment is more reliable than analogue and will require fewer maintenance visits, and DAB transmission uses less power than analogue.

(b) Telecoms & M2M

The Group intends to continue to pursue its current strategy, seeking to strengthen its position as the UK's leading independent telecom sites provider by increasing the Group's site portfolio. The Group's strategic sites transfer programme is on track, with a number of sites already assigned and a number of site transfers in process. See "*—Telecoms—Licensed sites portfolio*". The Group is actively pursuing the legal assignment of the remaining sites and expects to complete the majority of transfers prior to the deadlines. The Group's strategy is also to increase each site's tenancy by number of points of presence (**POP**) (i.e. any separate MNO relationship on a single site) to heighten tenant retention and achieve higher site share fees. Taking into account the sites and POP being transferred, the Group's MNO site count has increased by 12% to approximately 6,668 for year ended 30 June 2018 (compared to 5,929 in the year ended 30 June 2016), and the Group has increased its MNO POP by 10% to 16,311 as at 30 June 2018 (compared to 14,814 in the year ended 30 June 2016). In parallel, the Group will continue to focus on commercial relationships and remain the trusted partner for its blue-chip customers (such as Vodafone and the other MNOs, as well as BT and Airwave). The Group intends to build on its existing urban macro site portfolio and establish Arqiva as the predominant UK provider of urban wireless telecom infrastructure by also installing MNO equipment on Arqiva street infrastructure from exclusive concessions in prime locations. The Group also intends to explore the potential to provide additional value-add services on its existing sites.

In the M2M space, the Group plans to leverage its existing communications technology (from the DCC and Thames Water contracts) for the potential roll-out of new smart metering contracts (such as the trials with Anglian Water) and additional M2M applications.

(c) Satellite & Media

The Group plans to continue to improve operational efficiency and service excellence within the Satellite & Media business unit, and intends to take advantage of international growth opportunities served by its UK infrastructure and virtualised capabilities. The Group aims to help broadcasters and rightsholders navigate and exploit the trends underlying the video market, including "hybrid" consumer behaviour, increasing operational complexity and the need for operational and commercial flexibility. The Group plans to do this through the expansion and development of its media management services and distribution capabilities. The Group will also continue to focus on providing high levels of operational efficiency and service excellence, including through its InSite e-service capability which was launched in 2018 and provides real-time service interaction and data to customers via electronic interfaces.

Continue to leverage investment in wireless sites and explore small cells opportunities through active engagement with mobile network operators to increase revenue sources

The Group believes it is positioned to be a key beneficiary of the forecast increase in mobile data and from the associated roll-out of 4G upgrades (4.5G and 4.9G) and ultimately 5G. As 5G is rolled out and demand increases, higher frequency spectrum, such as 3.5 to 3.8 GHz, will need to be used resulting in a focus on street level deployment to bring the network closer to the end user. The Group expects its passive infrastructure to play a key role in providing solutions for coverage and capacity. For example, small cells will be needed to densify the network in urban areas where new macro sites cannot easily be built. The Group intends to continue to position itself at the forefront of the small cells roll-out, securing exclusive long-term concessions for the use of street level infrastructure for small cell installation and is currently undertaking initial MNO deployments. The Group has already contracted with two MNOs for initial low-volume small cells roll-out, which are currently in progress.

The Group believes it is well positioned to capitalise on additional growth opportunities, including with regards to its tower portfolio and potentially as a partner with alternative fixed network operators for fibre backhaul to support outdoor small cells and 5G FWA solutions in the longer-term.

Simplify and standardise business in order to optimise operational costs and efficiency

The Group intends to maintain its focus on delivering comprehensive cost transformation, building on its progress since 2014 and driving efficiencies and operational excellence across the organisation. The cost savings programme is largely underpinned by detailed execution programmes and headcount efficiencies are expected to be realised as the large delivery programmes reach completion and headcount delivery programmes are realised. Delivery of savings is overseen by the FutureFit project management office and the Group's senior management team.

In addition, the Group may from time to time undertake disposals of assets in line with its strategy to exit sub-scale businesses and focus on core offerings.

Maintain a stable long term capital structure

The Group has de-leveraged significantly since the 2013 bond issuance. Senior leverage (calculated using an EBITDA of £525 million, which is used for covenant purposes) has been reduced from 5.6x to 4.4x between 31 December 2012 and 30 June 2018, and total leverage has been reduced from 7.0x to 5.5x over the same period. This reduction in leverage reflects the decision by shareholders to prioritise re-investing in the company over making distributions. For example, the Group has successfully completed a number of major capital programmes over the past five years, including smart metering and DAB roll-out, which are now generating significant recurring cashflows. Shareholders have not taken any distributions over this period. With the level of capital expenditure investment expected to fall over the coming years, shareholders may consider regular distributions consistent with maintaining a stable long term capital structure and investment grade senior debt ratings.

History and Development

The existing Group was formed following the acquisition of NTL Broadcast by Macquarie Communications Infrastructure Group (**MCG**) in January 2005 and its merger with National Grid Wireless (**NGW**) in April 2007. The Group's origins can be traced to the transmission functions of the BBC, which was established in 1922, and the Independent Television Authority, which was established in 1954 (later the Independent Broadcasting Authority (**IBA**)). In 1993 the engineering division of the IBA entered the private sector as National Transcommunications Ltd (**NTL**), which after MCG's acquisition was rebranded as Arqiva. In 1997, the home broadcast transmission division of the BBC was acquired by Castle Transmission International, which was in turn acquired in 2004 by National Grid Transco, later named NGW, and which was acquired by Arqiva in April 2007. The Group's significant acquisitions include Inmedia Communications Ltd in 2005 and BT's Satellite Services businesses in 2007. The Group has also disposed of significant non-core and subscale businesses, including the 2015 sales of its Secure Solutions assets and its payphone assets/business (NWP Street Limited) and the 2016 sale of the Group's WiFi business to Virgin Media.

The Group, through its predecessors, has been a provider of FTA television and radio transmission in the UK since the inception of broadcasting in the UK. For example, the Group's predecessors broadcast the world's first national radio service in 1922 and carried the BBC's first television broadcast in 1936.

Between 2007 and 2008, the Group signed contracts with the national TV broadcasters and DTT multiplex operators to carry out the UK government's digital switchover programme. The digital switchover programme consisted of the nationwide replacement of existing analogue and low-power DTT transmitters with high-power DTT equipment. The digital switchover process commenced in 2007 and was completed on schedule and under budget on October 2012. Following the completion of the digital switchover, DTT now reaches 98.5% of the population.

The Group entered into a 15 year contract to provide a smart metering network for gas and electricity providers in 2013, and won contracts to provide smart water metering for Thames Water and Anglian Water in 2015 and 2016, respectively. The Group was also recently awarded a significant contract with Ofcom and the major UK broadcasters to clear the 700 MHz spectrum. In 2017, the Group partnered with Samsung to run the first UK 5G field trials using FWA in the 28 GHz spectrum owned by the Group. The Group also acquired an additional 28 GHz spectrum licence from intelligent managed services provider, Luminet, in July 2017. The Group has contracted with two MNOs for the deployment of small cells and is currently conducting a trial of small cells with the other two MNOs. In 2017, the Group partnered with a fibre company to deploy fibre to approximately 100 street locations during 2018 in Hammersmith & Fulham to offer a shared antenna, cabinet and backhaul solutions to further stimulate small cell growth.

Business Units

Terrestrial Broadcast Business Unit

The Group's Terrestrial Broadcast business unit operates as the sole UK national provider of end-to-end broadcast services for national television and radio through its national infrastructure of sites and transmitters. For historical reasons related to competition and regulation, the Terrestrial Broadcast business unit consists of two further divisions:

- Terrestrial Broadcast, which provides DTT and radio transmission, DTT and radio Multiplexing services and ongoing services; and
- Digital Platforms, which provides access to the DTT platform for channel broadcasters.

Within the Terrestrial Broadcast division, radio and TV terrestrial transmission services are offered in two parts, Network Access (**NA**) and Managed Transmission Services (**MTS**). MTS is the managed transmission service the Group offers to its customers to design, install, maintain and monitor the transmitter equipment. NA is the arrangement whereby the Group provides access to its network of broadcast sites (such as building access including towers, combiners, feeders and antennas, power resources, and the opportunity to install their own transmitter equipment, if required). Together these services allow delivery of broadcast media content to end consumers over the air.

The Group's transmission services are regulated by Ofcom, and are subject to the Undertakings given to the Competition Commission (now its successor, the Competition and Markets Authority (**CMA**)) and overseen by the Office of the Adjudicator—Broadcast Transmission Services (**OTA-BTS**), appointed by and reporting to Ofcom. Under the Reference Offer framework, pricing for transmission services can be reviewed by the OTA-BTS. See "*Regulation of the Communications Industry in the United Kingdom—Competition Regulation*". The Group's broadcast transmission services contracts are long-term, with third-party television broadcast transmission contracts currently in place extending to between 2030 and 2034, while radio contracts typically have initial contract terms of 8 to 12 years, some with customer break clauses. The Group's terrestrial broadcast contracts usually pass through the costs of certain expenses such as rent, rates, taxes and electricity directly to customers and are linked to inflation, as well as setting a guaranteed return on capital from the asset base. The Group also provides transmission services to itself (in its capacity as a Multiplex operator), and significant intercompany revenue is derived from the Digital Platforms division.

The Group's Digital Platforms division owns two of the three main commercial DVB-T Multiplex licences and two DVB-T2 Multiplex licences used for DTT and Freeview, which is subscription-free (other than a TV licence fee) and the leading UK TV platform, as well as other DTT-reliant platforms, such as BT TV, TalkTalk TV, YouView and EE TV. The Group's Multiplex licences provide the Group access to spectrum and the Group sells individual channel capacity to commercial broadcasters.

Revenue from the Terrestrial Broadcast business unit was £422.4 million, £449.0 million and £487.6 million, which represented 47.8%, 47.7% and 50.7% of the Group's total revenue for the years ended 30 June 2016, 2017 and 2018, respectively. The table below shows the Terrestrial Broadcast business unit's revenue by market segment for the periods indicated:

	Year Ended 30 June		
	2016	**2017**	**2018**
		(£ millions)	
Terrestrial Broadcast	254.1	273.2	314.4
Digital Platforms	168.3	175.8	173.2
Total	**422.4**	**449.0**	**487.6**

Terrestrial Broadcast

Television

The Group provides critical national infrastructure for DTT, the leading TV platform in the UK, with installed user base of approximately 18.9 million households as at 30 June 2018, with approximately 11.6 million primary TV sets using DTT or hybrid DTT/IPTV (*Source:* Ofcom). See "*Industry—The Television and Broadcast Industry in the UK—UK Television Delivery Platforms—Digital Terrestrial Television—Freeview*".

(i) Network access services

The Group provides NA services to Multiplex operators (including to Arqiva in its capacity as Multiplex Operator through its Digital Platforms division) through a nationwide portfolio of sites, consisting of physical infrastructure, support such as maintenance and on-site entry to facilities. Physical infrastructure owned by the Group comprises the antennas, masts and sites, power sources, feeders, combiners and remote monitoring devices necessary to broadcast terrestrial signals. It also includes the buildings for utilities and maintenance. As at 30 June 2018, the Group operated over 1,100 television transmission sites and masts throughout the UK. See "*—Properties—Communications Sites*" for a description of the Group's sites.

(ii) Managed transmission services

The Group offers MTS to Multiplex operators (including to Arqiva in its capacity as Multiplex Operator through its Digital Platforms division), which allows the Multiplex operators to compile, sequence and broadcast the transmission signal from their customers, DTT broadcasters. Through its MTS offering, the Group facilitates use of the infrastructure provided through NA by managing dedicated transmitter equipment and infrastructure and provides an end-to-end service and administers content distribution for DTT. This consists of collecting television channel signals from broadcasters' studios, distributing them to over 1,100 Arqiva transmitter sites across the country, ensuring the transmission signals can be received by television sets nationwide.

(iii) Regulatory framework and contracting

As the sole provider of DTT broadcast transmission services in the UK, the Group's activities are regulated by Ofcom, and are subject to the Undertakings given to the Competition Commission and overseen by the OTA-BTS, appointed by and reporting to Ofcom. The Undertakings and procedures established by Ofcom require the Group to publish Reference Offers for NA and MTS (a **NA Reference Offer** and **MTS Reference Offer**, respectively) setting out terms for wholesale access to its network infrastructure and management of the broadcast of the transmission signal whenever any relevant new spectrum becomes available for broadcast purposes or when an existing contract for transmission services is renewed. In view of its monopoly position with respect to NA, the Weighted Average Cost of Capital (**WACC**) the Group is permitted to make on NA contracts are set by the OTA-BTS.

Under the NA Reference Offer pricing framework, the Group is allowed to make a fixed rate of return of 7.71% WACC (real pre-tax) on a pre-2015 regulated asset base and 7.5% WACC (real pre-tax) on post-2015 new capital assets. The Group is also permitted to make a regulated return on certain capital expenditure projects which will result in higher revenue. In the year ended 30 June 2015, OTA-BTS reviewed the Group's regulatory pricing framework, resulting in a minor adjustment to the regulated return allowed on new capital investments. In its decision, OTA-BTS indicated that the revised return allowed on new capital investments would remain valid until 2025, but that it retains the ability to conduct an intermediate review prior to such date. While the Group has not received any indication of an intermediate review of the return allowed on new capital investments, the Group believes that any such review could be triggered if there is a material change in circumstances relating to Arqiva's markets or its financial position. The relevant circumstances or criteria which may prompt an intermediate review of the return allowed on new capital investments are not defined by OTA-BTS, but the Group believes that they would include a change in the broadcast transmission market, a significant alteration to the Group's capital structure or a deviation in the pricing methodology used by OTA-BTS in connection with the WACC.

Unlike the NA pricing framework, pricing for MTS services under the MTS Reference Offer framework is set in accordance with market prices. However, the MTS Reference Offer framework requires the Group to provide MTS services upon reasonable request and upon terms which are fair, reasonable and non-discriminatory. While another MTS provider could request a NA reference offer and install its transmitter equipment on the Group's sites to provide MTS services to end customers, no such competitor is currently active in the UK market for the provision of DTT MTS.

The NA and MTS Reference Offer framework permit the Group to pass through costs for elements such as rent, rates, taxes, electricity and operating costs and its transmission services contracts are inflation-linked.

The Group's current third party television transmission contracts have expiry dates between 2030 and 2034. Unlike contracts for other public services such as utilities, there is no periodic regulatory review of DTT contracts, which the Group believes leads to long-term revenue visibility. However, a review process with the OTA-BTS, based on the Group's Competition Commission undertakings, can be carried out by the OTA-BTS for new contract pricing. For further detail on the regulatory transmission services framework, see "*Regulation of the Communications Industry in the United Kingdom—Competition Regulation—The Undertakings*".

(iv) Customers and contracts

Given that the Group is the exclusive provider of transmission services for DTT, its customers include all DTT Multiplex operators in the UK, including the Group's Digital Platforms division. The Group's commercial agreements cover the provision of both NA and MTS. Fees are generated by broadcasting a signal according to agreed criteria that meets a specified level of service availability as formalised in a service level agreement (**SLA**). Customers have the right to terminate a contract if there are persistent material breaches of the SLA requirements. Should the Group be responsible for persistent major failures on a network, the Group may be required to return up to 10% of payments received in respect of that agreement in any one year or provide service credits for future work. However, as at the date of this Prospectus, the Group has consistently met its contracted service level requirements overall. For the year ended 30 June 2018, the Group's top three DTT contracts were with the BBC, Digital 3&4 (a PSB DTT Multiplex operator owned by ITV and Channel 4) (**D3&4**) and S4C Digital Networks (a commercial DTT Multiplex operator owned by ITV) (**SDN**).

(v) Competition

In the DTT business, the Group currently has 100% UK market share of NA and MTS, as well as sole ownership of its physical coverage network in the UK. Accordingly, the Group's DTT activities are regulated by Ofcom and the establishment of its market position was cleared (remaining subject to the Undertakings) by the Competition Commission (currently, the CMA) in 2008. As a result of the Group's market position, there are significant financial, infrastructural, contractual, regulatory and reputational barriers facing any competitor. See "*Regulation of the Communications Industry in the United Kingdom—Ofcom—Significant Market Power*". An MTS provider could enter the market by requesting a NA Reference Offer and installing its equipment in the broadcast sites. However, all existing contracts run until 2030 and 2034, and any new competitor must be capable of providing specialist broadcast skills with a national maintenance field force and be able to win the contract renewals from the Group, who is the incumbent provider.

The Group's DTT platform faces competition from other platforms for delivery of television services, such as satellite, cable, IPTV and OTT, which provide alternative means of delivering content, which competes for the Group's customers and serves as an alternative platform for delivery of television services to which the Group's customers could switch. See "*Industry—The Television and Broadcast Industry in the UK*".

Radio

The Group benefits from its regulated position as the leading UK national provider of transmission services for radio broadcasting. The Group provides NA and MTS for nearly 100% of the analogue and DAB digital radio transmission market in the UK, serving the BBC and commercial radio broadcasters. The Group is also the service provider of the two national commercial digital radio multiplexes and held 25 of the UK's 57 local radio licences (including through JVs) as at 30 June 2018

(i) Network access services

As with television, the Group provides NA services to radio Multiplex operators (including Arqiva in its capacity as Multiplex operator) through a nationwide portfolio of radio transmission sites, consisting of physical infrastructure, support such as maintenance and on-site entry to facilities. Physical infrastructure owned by the Group comprises the antennas, masts and sites, power sources, feeders, combiners and remote monitoring devices necessary to broadcast radio signals. It also includes the buildings for utilities and maintenance. As at 30 June 2018, the Group operated approximately 1,735 analogue transmitters and 990 DAB transmitters on 741 radio sites throughout the UK. See "*—Properties—Terrestrial Broadcast*" for a description of the Group's radio sites.

(ii) Managed transmission services

The Group provides MTS to Multiplex operators and analogue broadcasters, allowing them to broadcast radio transmission signals through to the listener. There are three national DAB Multiplexes. The Group wholly owns and operates one of the two commercial national DAB Multiplexes, Digital One (**D1**). D1 covers 92% of the UK population and currently carries 14 streams based on mutually agreed commercial terms. D1's current licence runs until November 2023. The second commercial national DAB Multiplex is owned by Sound Digital (**SDL**), a consortium of Arqiva, Bauer Media and Wireless Group (part of News International). Its licence extends through February 2028. SDL provides coverage to 77% of the UK population and carries 19 streams. The consortium operate this DAB Multiplex through a joint venture, under which each partner has rights to capacity and has committed to capacity in proportion to its shareholding. The Group has a 40% share in SDL and is the sales agent for all capacity on SDL. The third national DAB Multiplex is owned and used exclusively by the BBC and currently provides 11 streams accessible to 97% of the UK population, and the Group provides MTS to the BBC for this DAB Multiplex. In addition to its national DAB Multiplexes, the Group owns 25 of the 57 local DAB Multiplexes in the UK (including through JVs), primarily in the South and Midlands regions, and 30 of the remaining local DAB Multiplexes utilise NA and MTS infrastructure owned by the Group. One local DAB multiplex operator has an MTS contract with a third party provider. Some small local analogue radio customers (typically local charities or small commercial radio stations) choose to install their own equipment on the Group's sites and self-provide the MTS service in order to keep costs down or work with other small service providers, taking a risk with the availability of the service in the event the service goes off air.

(iii) Regulatory framework and contracting

As the Group is the leading provider of DAB and analogue radio infrastructure in the UK, the Group's radio broadcast activities are regulated by Ofcom, and are subject to the Undertakings given to the Competition Commission (now its successor, the CMA) and overseen by the OTA-BTS, appointed by and reporting to Ofcom. The Undertakings and procedures established by Ofcom require the Group to publish NA and MTS Reference Offers setting out terms for wholesale access to its network infrastructure and management of the broadcast of the transmission signal whenever any relevant new spectrum becomes available for broadcast purposes or when an existing contract for transmission services is renewed. In view of its monopoly position with respect to NA, the Group's return on NA contracts is set by the OTA-BTS.

Under the NA Reference Offer pricing framework, the Group is allowed to make a fixed rate of return of 7.71% WACC (real pre-tax) on a pre-2015 regulated asset base used for NA services and 7.5% WACC (real pre-tax) on post-2015 new capital assets. The Group makes a regulated return on certain capital expenditure projects such as building out DAB coverage in advance of the expected DRS. See "*—Digital Radio Switchover*". In the year ended 30 June 2015, OTA-BTS reviewed the Group's regulatory pricing framework, resulting in a minor adjustment to the regulated return allowed on new capital investments. In its decision, OTA-BTS indicated that the revised return allowed on new capital investments would remain valid until 2025, but that it retains the ability to conduct an intermediate review prior to such date. While the Group has not received any indication of an intermediate review of the return allowed on new capital investments, the Group believes that any such review could be triggered if there is a material change in circumstances relating to Arqiva's markets or its financial position. The relevant circumstances or criteria which may prompt an intermediate review of the return allowed on new capital investments are not defined by OTA-BTS, but the Group believes that they would include a change in the broadcast transmission market, a significant alteration to the Group's capital structure or a deviation in the pricing methodology used by OTA-BTS in connection with the WACC.

Pricing for MTS services under the MTS Reference Offer framework is set in accordance with market prices. However, the MTS Reference Offer framework requires the Group to provide MTS services upon reasonable request and upon terms which are fair, reasonable and non-discriminatory.

The NA and MTS Reference Offer framework permit the Group to pass through costs for elements such as rent, rates, taxes, electricity and operating costs and its transmission services contracts are inflation-linked.

Unlike contracts for other public services such as utilities, there is no periodic regulatory review of radio contracts, which the Group believes leads to long-term revenue visibility. However, a review process with the OTA-BTS, based on the Group's Competition Commission undertakings, can be carried out by the OTA-BTS for new contract pricing. For further detail on the regulatory transmission services framework, see "*Regulation of the Communications Industry in the United Kingdom—Competition Regulation—The Undertakings*".

The Group's radio contracts extend to between 2020 and 2030, and some include provisions for price adjustments if additional DAB Multiplexes are licensed by Ofcom.

(iv) Customers and contracts

The Group's customers include the majority of radio broadcasters in the UK. The Group's transmission services contracts are with the Multiplex operators (including Arqiva in its capacity as Multiplex operator) for DAB and individual broadcasters for analogue radio. The Group's radio contracts, both analogue and DAB, typically have initial contract terms of eight to 12 years, some with break clauses. The Group's radio contracts are also inflation-linked. The Group's key contracts expire between 2020 and 2030, including the BBC analogue contract which is subject to renewal by the BBC in 2020. Management expects that the BBC is likely to renew this contract, given the anticipated timeline for DRS, which will see analogue services extending beyond that date.

In addition to charging a recurring fee to radio broadcasters, the Group also charges radio stations for the cost of providing a link from the studio to transmission sites. The Group's analogue contracts that are subject to periodic renewal generally contain provisions that contemplate the possibility of analogue signals in the UK being switched off during the term of the contract. The top three radio contracts, with the BBC, Global Radio and Bauer, represented 70.3% of the Group's radio revenue and 15.3% of the Group's Terrestrial Broadcasting business unit's revenue for the year ended 30 June 2018.

The Group's DAB multiplexes show high utilisation levels driven by strong market demand. This has been supported by the launch of an additional channel, Hits Radio from Bauer Media, which has launched across all of the Group's local multiplexes to deliver a network providing quasi-national coverage.

(v) Digital Radio Switchover

In December 2013, the Department for Culture, Media and Sport (**DCMS**) announced a package of measures aimed at improving the service delivered by digital radio prior to confirming the timing of DRS, the process whereby analogue radio broadcasters will eventually be required to switch to digital broadcasting. The Group expects conditions for DRS to be ready from 2026 onwards, based on industry and listener interest. See "*Industry—The UK Radio Industry—Digital Radio Switchover*".

Since winning the DAB phase four roll-out contract from the BBC in 2015, the Group has completed the latest phase of the delivery of the DAB roll-out programme for the BBC, and upgrades to the analogue radio network as part of the contract. As at 30 June 2018, the Group had added 162 new transmitters on air, increasing the national UK BBC DAB network coverage beyond 97% of the population. The Group has also completed the network roll-out for the delivery of commercial local DAB. The programme is part of an initiative to meet the local DAB coverage threshold of 90% as set by the UK Government in 2010. This contract requires the Group to deliver new transmitters or upgrades at 221 sites and all work had been completed as at 30 June 2018, achieving over 90% coverage.

Following the award of the second national DAB Multiplex licence in March 2015 to SDL, construction by the Group of the transmission network was completed ahead of schedule. The network was officially launched by the DCMS on 1 March 2016. The service carries 17 commercial radio stations. SDL is the first national DAB Multiplex in the UK to use DAB+ technology for some of the services. DAB+ uses less bandwidth than traditional DAB, allowing SDL to carry more stations and expand listener choice. In the first quarter of 2018, an expansion programme of the SDL network was announced, which is expected to add 19 new transmitters to the network thereby increasing the coverage by approximately 4 million new listeners by the end of 2018.

In the longer term, the Group expects that approximately 400 more sites would be required to support a full switch-off of analogue radio.

(vi) Competition

In the radio broadcast business, the Group has a leading market position and has been subject to competition and economic regulation since 2005. See "*Regulation of the Communications Industry in the United Kingdom—Competition Regulation—The Undertakings*".

The Group's radio platform faces competition from other forms of media and audio content, including CDs and IP listening services, such as Spotify, Deezer, Apple Music and Tidal. See "*Industry—The UK Radio Industry*".

Digital Platforms

Overview

Through its Digital Platforms division, the Group is also the UK market leader for the provision of access to the DTT platform for broadcast channels. The Group owns two of the three main commercial DVB-T Multiplexes and two further DVB-T2 Multiplexes used for Freeview broadcasts, the leading UK TV platform. A DTT Multiplex licence grants a company the right to manage certain spectrum frequencies over which it can broadcast combined digital transmission signals. These streams are organised for viewers through an electronic program guide channel number assignment that is coordinated by Digital UK (a non-profit organisation that facilitates Freeview use and sets the strategy for DTT, owned by the BBC, ITV, Channel 4 and the Group), with low channel numberings typically considered more attractive.

As the Group is the sole UK provider of national terrestrial broadcast infrastructure necessary for DTT and the leading national provider of terrestrial broadcast infrastructure necessary for radio transmission in the UK and since the Group's Digital Platforms division is a customer of the Group's Terrestrial Broadcast division, the Undertakings also require the Group to impose strict information barriers between the Terrestrial Broadcast division and the Digital Platforms division, and subject the Group to regular audit. See "*Risk Factors—Risks relating to the Group's business and industry—The Group is subject to UK government and other regulations that govern the way it conducts its businesses, and the effects of, or changes in, regulations and government policy could have a material adverse impact on the Group's business, financial condition and results of operations*".

Revenue for the Digital Platforms division was £168.3 million, £175.8 million and £173.2 million, which represented 19.0%, 18.7% and 18.0% of the Group's total revenue for the years ended 30 June 2016, 2017 and 2018, respectively.

Multiplex Regulation

In the UK, eight national DTT Multiplexes (commercial and PSB-owned) have now been licensed based on the amount of spectrum currently available in the UHF television band between 470 and 854 MHz.

Of the eight national DTT Multiplex licences, three DTT Multiplex licences are owned by PSBs, while the remaining five are commercially owned. The Group owns two of the three national commercial DVB-T Multiplex licences in the UK. The Group also owns two DVB-T2 Multiplex licences (which will expire in 2020 in accordance with the notice recently served by Ofcom), the only commercial DVB-T2 Multiplex licences in the country, with the BBC's PSB 3 being the single non-commercial DVB-T2 Multiplex in the UK. The DVB-T2 Multiplexes broadcast from the top 30 sites by population coverage, providing coverage for up to approximately 73% of the UK population, and HD services are only available to viewers with HD television (DVB-T2/MPEG-4) sets or set-top boxes. See "*Industry—The Television and Broadcast Industry* *in the UK—Digital Platforms Regulation in the UK*" and "*Regulation of the Communications Industry in the United Kingdom—Spectrum Regulation—Multiplex Licences*".

700 MHz Clearance

The DTT platform currently uses spectrum in the 470 – 790 MHz bands. Following a November 2015 decision at the World Radiocommunication Conference, Ofcom decided to clear the 700 MHz band of spectrum and auction it for mobile data usage. Consequently, the Group's DTT Multiplexes that are currently utilising the 700 MHz spectrum range will be reallocated to the 600 MHz band and below by 2020. This requires realignment of the current physical infrastructure of all DTT transmission to some extent, with associated capital expenditures. The Group has completed a capability assessment for Ofcom to identify the work required for the 700 MHz clearance. The Group has contracted with the major broadcasters and Ofcom for the delivery of the programme on a cost plus basis. The Group is responsible for the spectrum planning, network design, programme management, infrastructure changes, service continuity, structural work, asset replacement and retuning of broadcast transmitters to enable broadcasters to move into a lower frequency. The Group has agreed the commercial terms relating to the clearance programme, including that the receipts are contracted until the end of the roll-out of the project and are recognised on a time and cost basis. The Group receives cash under the contract through grant claims that are submitted and invoiced as costs for goods and services are incurred. All 700 MHz clearance events scheduled to the end of August 2018 have been completed successfully in line with the programme requirements, and the programme rollout is planned to continue to May 2020. See "*Regulation of the Communications Industry in the United Kingdom—Spectrum Regulation—Multiplex Licences—700 MHz Clearance Project and DVB-T2 Multiplex licences*".

Customers and contracts

As a DTT Multiplex owner and licence holder, the Group generates revenue by charging customers, who purchase capacity on its streams to broadcast on its DTT Multiplexes. Demand has recently been driven by a combination of limited DTT Multiplex capacity and high demand for channel capacity given the attractiveness of DTT to content providers and advertisers as a result of its broad geographic reach and levels of uptake in the UK. Improvements in technology, such as improved compression and modulation technologies have recently increased the number of streams available per DTT Multiplex. Across all DTT Multiplexes in the UK, the total number of DTT channels has increased from 25 in 2002 to 113 as at 30 June 2018, and the total number of streams available on the Group's Multiplexes has increased from 48 as at 30 June 2014 to 57 as at 30 June 2018. The Group has experienced 95% to 100% utilisation of its DVB-T Multiplexes since July 2016, and the Group has historically been successful in creating additional capacity through technological improvements. Further, the Group has a strong track record of rapidly filling new available capacity, resulting in an increased number of available streams with limited churn, given that a Multiplex switch requires a channel re-scan and risks the loss of audience during the resulting down time. The Group expects there to be ongoing demand for DTT Multiplex capacity in line with historical and current demand.

Customers for use of the Group's DTT Multiplex spectrum include commercial broadcasters such as UKTV, Channel 4, Sky, Ideal World, Sony Movie Channel and specialty shopping and news channels, all of which purchase digital channel space on the Group's DTT Multiplexes for fixed-term contracts typically of three to six year durations, sometimes with customer renewal options of similar terms. Some of the Group's Digital Platforms contracts are inflation-linked. The top three customers of the Group's Digital Platforms division as at 30 June 2018 were UKTV, Channel 4 and Sky, together representing approximately 32% of the revenue of the Digital Platforms division in the year ended 30 June 2018. Other customers of the Group's Digital Platforms division include Ideal Shopping, Sony Pictures, Discovery, QVC, CBS and Fox. The Group considers its Digital Platforms customers to have generally high levels of creditworthiness, reflecting independently strong credit ratings.

In recent years, the Group has diversified its DTT Multiplex customer base so as to reduce heavy dependency on advertising-funded channels. In the year ended 30 June 2008, 84% of the Group's DTT Multiplex streams were used by advertising-funded channels, while in the year ended 30 June 2018, approximately 75% of the Group's streams were used by advertising-funded channels, approximately 14% were used by transactional-funded channels (such as shopping channels), or by pay/subscriber-funded channels, approximately 9% were used by news-funded channels (such as Al Jazeera and Russia Today, which are subsidised by overseas parent news organisations who wish to build brand presence in the UK) and approximately 2% were used by other types of channels. Although the absolute amount of revenue from advertising-funded channels has increased over the period, the Group believes this diversity of the revenue base gives the Digital Platforms business more flexibility in light of market or macroeconomic changes, including a global downturn. The Group has also introduced partial day slots that allow broadcasters to use a stream for particular hours at a lower cost than fully dedicated channel usage. Examples of this include Al Jazeera, which began broadcasting on DTT in 2013 with a five hour channel slot before adopting a full 24-hour video stream.

Competition

The DTT competitive landscape is highly consolidated in the UK. Apart from the Group, other owners of national spectrum for DTT broadcasting are the BBC, D3&4 and SDN. SDN owns the only other national commercial DTT Multiplex licence (as compared with the Group's four national licences), and is therefore the main commercial competitor to the Group's Digital Platforms division, although the other Multiplex operators (the BBC and D3&4) have allowed a small number of channels to purchase spare capacity on their Multiplexes. SDN's primary broadcast clients include Five, ITV and QVC. On a local level, Comux UK owns and operates the multiplex for local TV channels but does provide limited channel capacity to other channels and covers less than 60% of the UK population.

Telecoms & M2M Business Unit

Through the Telecoms & M2M business unit, the Group holds the largest independent (i.e. not directly or indirectly owned by an MNO) portfolio of wireless infrastructure sites in the UK, which the Group licenses to MNOs and other wireless network operators to allow them to provide services and coverage to their customers. The Group had approximately 8,000 active licensed wireless sites (including contractual options) as at 30 June 2018. A significant proportion of the Group's active licensed wireless sites carried MNO equipment, which the Group estimates represented approximately 21% of the total active licensed MNO macrocell site market as at 30 June 2018. It holds a strong and difficult-to-replicate position in rural and suburban regions where cost, economies of scale, planning permission restrictions, application regimes with local authorities and the secure nature of site leases (given the landlord's limited ability to terminate the lease) would make it difficult for competitors and MNO customers to replicate the Group's infrastructure and footprint. In addition, the Group provides installation services for the passive components (such as antennas and feeders) of network upgrades and roll-out on its own wireless infrastructure sites. The Group is also positioning itself to be a leading provider of outdoor small cells infrastructure, with access to street infrastructure in 14 London boroughs. In addition, the Group provides indoor and outdoor DAS in the UK, with 46 live in-building systems installed in UK locations as at 30 June 2018. The Group is a leading provider of smart metering and M2M networks, with a long-term contract to provide smart metering communication services to approximately to approximately 7 million premises with SMETS2 devices (the remaining approximately 2.3 million homes will continue on legacy SMETS1 devices) in northern England and Scotland for electricity and gas by 2020, and a smart metering network for Thames Water covering 3 million homes once fully deployed. A trial contract is also in place with Anglian Water for smart metering deployment.

Revenue for the Telecoms & M2M business unit was, £317.0 million, £345.4 million and £341.3 million, which represented, 35.9%, 36.7% and 35.5% of the Group's total revenue for the years ended 30 June, 2016 and 2017, and 2018 respectively. The table below shows the Telecoms & M2M business unit's revenue by market segment for the periods indicated:

	Year Ended 30 June		
	2016	**2017**	**2018**
		(£ millions)	
Site sharing and other	231.6	226.9	226.6
Installation services	51.0	68.1	51.6
M2M	34.4	50.4	63.2
Total	**317.0**	**345.4**	**341.3**

Telecoms

The Group's Telecoms division owns and operates a portfolio of wireless sites, which it licenses to UK MNOs and other wireless network operators. These sites provide MNOs with elevated structures in geographically favourable locations and in particular in rural areas, enabling their wireless customers to benefit from both voice and data cellular services. As a result, the Group believes its site portfolio enjoys significant advantages from a planning perspective because the Group believes planning consent is less likely to be granted for competing sites where there are existing large rurally located structures in the vicinity, as a result there is limited risk of near neighbour sites, which do not exist today, and associated churn potential emerging.

Licensed sites portfolio

The Telecoms division owns the physical infrastructure and offers site sharing, site operation and maintenance and installation and decommissioning services of passive equipment for its customers. As at 30 June 2018, in the UK the Group had approximately 8,000 active licensed sites (including contractual options), with an average occupancy ratio of 2.4 MNOs per site. The Group's site count includes sites with respect to which the Group has contractual options, pursuant to which it can seek to have sites transferred to it. Such contractual options were obtained as part of a number of contracts with one of the Group's MNO customers. Site transfer programmes have been part of contract negotiations with the Group's MNO customers with the objective of achieving a mutually beneficial agreement, balancing pricing flexibility with the opportunity to acquire further sites without additional consideration. The Group is entitled to complete the assignment of a number of sites by 2018 and 2024. The Group had a total of approximately 16,700 marketable locations (including active licenced sites, land options and undeveloped locations with rights, such as rooftops) as at 30 June 2018.

The Group also has a strong track record of increasing the MNO POP, from an average of 2.4 MNO POP per site as at 30 June 2016 to an average of 2.4 MNO POP per site as at 30 June 2018. The next largest provider of independent wireless sites, the Wireless Infrastructure Group (**WIG**) had approximately 1,800 shared communication infrastructure assets as at 30 June 2018 (*Source:* Management estimates).

In urban areas, the Group installs passive equipment on rooftops pursuant to long-term leases. In densely populated urban areas where macro sites and rooftops are congested, the Group also installs small cells equipment on street-level infrastructure (such as lampposts and CCTV locations) pursuant to the Group's concession rights. Approximately 70% of the Group's active licensed wireless site portfolio as at 30 June 2018 was concentrated in rural and suburban areas, with the remainder in urban locations. The Group's rural site portfolio provides the Group with a highly defensive position in rural areas, as the development of a competing macro-site infrastructure would require prohibitive investments in terms of land acquisition, power provision and capital expenditures. In terms of urban infrastructure, which is evolving through new technology such as small cells, the Group has also built up a strong position, winning rights to street infrastructure in 14 of the 16 London boroughs which have come to market. The Group's portfolio of active licensed sites comprised approximately 8,000 active licensed wireless sites (including contractual options) as at 30 June 2018. A significant proportion of the Group's active licensed wireless sites carried MNO equipment, which the Group estimates represented approximately 21% of all active licensed MNO macrocell sites in the UK as at 30 June 2018, and an even higher proportion of independently operated active licensed sites in the UK. The Group expects that urban densification underpinned by emerging technologies such as small cells, 5G FWA and IoT applications will be a key driver of growth in this business unit. See "*Industry—The UK Telecoms Industry—Mobile Industry Outlook*".

Small Cells Infrastructure

Historically, wireless infrastructure was predominantly comprised of antennas installed on macro towers and urban rooftops. However, in order to increase capacity and therefore meet the demand for data growth, particularly in densely-populated urban areas, the Group believes that operators are likely to become increasingly reliant on outdoor small cells. Small cells are short range mobile phone base stations used to increase the capacity provided from traditional towers and rooftop sites.

The Group has been developing its outdoor small cells proposition which uses lower power base stations (owned by the MNO) to provide street level network capacity to MNOs in urban areas. For 4G networks, outdoor small cells service high traffic and densely populated urban areas where macro sites and rooftops are congested. For 5G networks, outdoor small cells may become the predominant provider of capacity and to support higher spectrum bands. 16 London boroughs have awarded exclusive concessions to network providers for the use of street-level infrastructure, such as lampposts and in some cases CCTV columns, to install small cells equipment. Under most concessions, the Group pays the boroughs a small one-off concession fee when the tender is won and pays the boroughs a revenue share of the street-level furniture rent component invoiced to the MNO. The Group has been awarded 14 of these concessions (which extend to between 2018 and 2022), and the remaining London boroughs are expected to run concession processes to award contracts, which may be exclusive, within the next 24 months. The Group has also been awarded a number of other concessions with local authorities and one with NWP Street Limited (a private company) for access to non BT phone boxes. These concessions are particularly advantageous due to the exclusive right to use street level infrastructure in some of the UK's largest and highest density urban areas. Outdoor street-level furniture of this type is the most suitable for hosting small cells because they are a suitable height, with access to power and planning permissions that is generally easy to obtain. The Group has already contracted with two MNOs for small cells roll-out. The Group's small cells solution is capital expenditure "light", and the small cells themselves are owned and accounted for by the MNOs in the same way as active equipment on macro sites.

Historically, the Group also participated in the WiFi market. In November 2016, the Group sold its WiFi business to Virgin Media. The sale included venue WiFi, wholesale WiFi, roaming and media advertising. The two businesses also signed a long-term agreement on a non-exclusive basis to continue to deploy and operate public WiFi services in the Group's numerous street concessions described above.

DAS Infrastructure

DAS infrastructure is a solution to provide indoor coverage in buildings, such as shopping malls and other high-footfall venues. DAS are comprised of multi-operator antennas predominantly installed indoors and connected to a central communications room where the MNO base station and associated transmission equipment is installed.

In contrast to outdoor small cells, DAS technology is almost exclusively used to provide indoor coverage, such as in shopping malls and airports, where it improves poor indoor coverage. The Group provides DAS in the UK with 46 systems deployed as at 30 June 2018.

Customers and Contracts

The Group holds ownership of, or leasehold access to, the majority of its active licensed sites and owns the site infrastructure providing site sharing, site operation, maintenance and installation of passive equipment and decommissioning services for its customers. On the remainder of its active licensed sites the Group has contractual rights (mainly under framework or management agreements) to provide these services. However, active equipment ownership, installation, operation and performance are the responsibility of the customer. The Group rents space on its sites under contracts to national MNOs such as Vodafone, EE, Three UK, and O2, as well as JVs between MNOs such as MBNL (a 50/50 joint venture company owned by Three UK and EE) and CTIL (a joint venture created by O2 and Vodafone in 2012) and a broad base of non-MNO customers such as BT and Airwave. The Group receives revenue from space and equipment licensing. Energy, business rates and installation costs are re-charged to the customer directly. The Group also provides non-MNO customers, such as Airwave, BT, Virgin Media and UK Broadband, with services which include site sharing, fibre wrapping and maintenance, and 412 MHz spectrum leasing to Airwave for their TETRA network. The Group's site share contract with Airwave expires in 2020 as a result of the proposed switch off of Airwave's Tetra network service. The Group earned site share and spectrum usage revenues of approximately £14.3 million in the year ended 30 June 2018 from Airwave in respect of its Tetra network service.

In recent years, the four main MNOs have continued to increase their 4G network coverage and capacity. In turn, the Group continues to carry out a large volume of antenna and feeder upgrade projects for those MNOs or their JVs, resulting in high installation services revenues during the three-year period ended 30 June 2018. The Group had completed approximately 8,200 4G upgrades across Arqiva-managed sites up to 30 June 2018 since the roll-out began in 2014. In March 2018, Ofcom publicly announced that all four MNOs had met all of the coverage obligations they were required to meet by 31 December 2017. The Group played a key role in helping the UK MNOs meet these obligations.

Under contracts signed in 2008 and 2011, an MNO JV is obligated to transfer to 3,000 sites to the Group. It is the Group's responsibility to complete the assignment. The Group benefits from the ability to co-locate on the sites, and the deal increased the Group's relationship with the MNO JV as the Group significantly enlarged the proportion of utilised sites under their ownership, further reinforcing the Group's critical position within the MNO JV's infrastructure.

The Group's Telecoms division had over £1.3 billion of revenue under contract as at 30 June 2018, equivalent to nearly four times the division's revenue for the year ended 30 June 2018. Substantial contracts with the MNOs and their JVs include a contract with MBNL, Three UK and EE, and an additional contract with EE, with both contracts running until December 2018, a contract with T-Mobile running until 2024 and also a contract running until 2024 with CTIL, Vodafone and O2. Together these contracts represented the large majority of Group site share revenue in the year ended 30 June 2018. The Group's MNO clients are backed by substantial parent companies such as BT (EE), Hutchison Whampoa (Three UK) and Telefónica (O2). The Group's Telecoms contracts typically have terms of seven to ten years and are inflation-linked. Historically, the Group's MNO customers have shown low annual churn rates, with annual churn rates of 0.5, 1.7 and 1.7 in the years ended 30 June 2016, 2017 and 2018, respectively, and most of the main contracts contain restrictions on the number of sites a customer can terminate over a given time period. The Group's contract with MBNL has been extended for a further twelve months (to 31 December 2019) to allow time for renegotiation, and the EE contract extension is under discussion. As part of the MBNL contract renegotiation, MBNL is running a competitive tendering process for 1,375 sites currently being provided by Arqiva. Management expects a successful outcome for the MBNL contract renegotiation.

The Group's current contracts in the small cells business serve both landlords and network operators. The Group focuses on acquiring rights to access assets (e.g. lampposts) in areas where the demand for cellular capacity is high. The Group currently has two MNOs as customers for small cells and is discussing potential opportunities with others.

The Group's key landlord DAS contracts include Luton Airport, Manchester Arndale, Linklaters, the Glasgow Subway, Bluewater Shopping Centre and Canary Wharf, with contracts expiring between December 2018 and 2027.

Competition

The Group is the largest provider of independent wireless sites in the UK, having approximately 8,000 active licensed sites (including contractual options) as at 30 June 2018. Competing independent providers of wireless sites are fragmented. As at 30 June 2018 the Group believes it had approximately four times the number of active sites compared to its three nearest independent wireless sites competitors in the UK, the largest of which is an independent infrastructure provider WIG, with approximately 1,800 active licensed sites as at 30 June 2018 (*Source:* Management estimates).

MNOs own or directly lease a large percentage of their sites. The total number of sites in the market (including those owned by the MNOs themselves) has decreased as MNOs form JVs and enter into site sharing or RAN sharing agreements among themselves to decrease network costs. See "*Industry—The UK Telecoms Industry—Wireless Telecom Infrastructure in the UK*". The Group plays a critical role in the consolidation process by allowing the MNOs to use a single site for equipment sharing purposes post-consolidation. However, further MNO consolidation appears unlikely in the near-term following the recently blocked merger of O2 and Three, but government policy regarding coverage and network performance could be relaxed in the medium-term.

When MNOs make significant investments in their networks (such as the deployment of 5G), they are making a scale investment in the installation of active equipment (such as a base station) and passive equipment (such as an antenna). MNOs may take this opportunity to redesign their network footprint to minimise ongoing costs and ensure security of tenure for the lifetime of their assets, particularly when passive infrastructure upgrades (including tower strengthening or replacement) are also required.

Small cells technology offers alternative structures in urban areas, but is used primarily for covering specific high density areas. The Group has had a successful track record in winning small cells infrastructure business, having been awarded 14 of the 16 London boroughs street infrastructure tenders. The Group's key competitors in the small cells area include JCDecaux, Transport for London, CTIL and BT. The Group currently has contracts with two MNOs for the provision of small cells and is discussing potential opportunities with the two others.

The Group is also the primary independent provider of DAS in the UK, with 46 systems in a number of prime locations as at 30 June 2018 and a growing pipeline of landlord funded opportunities. The Group's key competitors in the DAS area include CTIL, WIG and self-provision by the MNOs. While MNOs have the largest number of DAS in the UK, these DAS are primarily dedicated for the MNOs' corporate accounts.

M2M

The Group has been an early participant in the development of M2M infrastructure in the UK and is a leading provider of smart metering and M2M networks, with a long-term contract to provide smart energy metering communication services to approximately seven million premises with SMETS2 devices (the remaining approximately 2.3 million homes will continue on legacy SMETS1 devices) in northern England and Scotland for electricity and gas by 2020, and smart water metering for Thames Water covering three million homes once fully deployed. A trial contract with Anglian Water for smart water metering deployment is also in place.

Smart Energy Metering

Smart energy metering is a government initiative to ensure that every home in the UK is offered a smart meter by 2020. Smart meters link to in-home displays, which enables consumers to see how much energy they are using and monitor costs. Smart meters also communicate directly with energy suppliers, which allows suppliers to provide consumers with more accurate bills, thus removing the need for manual meter readings and estimated billing. The core communications technology for the project has been successfully deployed internationally, and is capable of broadening the application of smart services, including to locations deep inside buildings that other communications technologies have struggled to reach.

The Group has been building a smart metering communication network in the north of England and Scotland as part of a 15-year contract signed in September 2013 with the DCC, a body licensed by statute and backed by the utility companies. Under its contract with the DCC, the Group earns revenue for the build-out of a smart metering network from set-up charges, which are milestone based payments, including design, build and testing milestones, related to the network roll-out. In addition, the Group earns revenue from network availability charges and related fixed operational charges as the smart metering network enters operational service, which the Group is able to charge throughout the lifetime of the contract. Finally, the Group earns revenue from monthly asset charges, which are triggered upon accepted delivery of the communication hubs, and monthly maintenance charges, which are triggered upon activation of communication hubs, and both of which the Group is able to charge throughout the lifetime of the contract. While the Group provides the network infrastructure, the meters and communications hubs are owned and installed by the energy suppliers. In November 2016, the DCC service entered operational service throughout the UK following the completion of integration testing. The Arqiva network is successfully transmitting and receiving test messages between DCC users (the energy companies), and consumer electricity and gas meters. The roll-out of the service to consumers' homes is expected to accelerate over the next 12 months following service user testing. The roll-out of the Arqiva network continues to evolve and has achieved 97.75% coverage of premises within the agreed coverage zone as at the date of this Offering Memorandum, in line with the Group's contractual commitments. Roll-out is expected to be substantially complete by 2020, with the network expected to cover 99.5% of all homes in the agreed coverage zone. The Group has made significant capital expenditure investment over the past three years. However, capital expenditures are financed upfront under the Group's commercial terms with the DCC, and any change request payments are pre-paid against milestones. As at 30 June 2018, specification change requests accounted for approximately 23% of the Group's contracted smart metering revenues. Payment under the contract is governed by an established regulatory framework (the Smart Energy Code), under which the DCC directly charges distribution network operators and energy suppliers for charges applied by the Group. As at 30 June 2018, approximately 60% of the contract investment had been paid by the DCC and the remaining half will be paid by the DCC in the form of set-up charges (through the end of the contract) and additional charges (to June 2020). Network operators and energy suppliers are responsible for the bad debts of consumers and failure by a network operator or energy supplier to pay the DCC results in costs being assumed by other network operators and energy suppliers in the industry. The DCC began paying set-up costs to the Group upon the achievement of agreed milestones associated with the network roll-out. The set-up charges are paid over a period with the start date being defined against a milestone. The DCC also commenced paying fixed network operating charges in November 2016. When additional charges arise in respect of the supply and support maintenance of communication hubs and change requests, such charges are passed on to the DCC.

Smart Water Metering

Smart water metering is an industry-led initiative to install smart water meters in homes, with a focus on "water stressed areas". There are no national targets set by the government or the Water Services Regulation Authority (**Ofwat**) for the installation of water meters in homes in the UK, but suppliers in "water stressed" areas are required to offer meters to customers to limit the number of reservoirs and desalination plants. The use of smart meters provides benefits including faster leak detection, enhanced supply and demand planning, better capital investment targeting and lower consumption. It is estimated that smart metered customers will use 17% less water than customers who do not have a smart meter (*Source:* National Infrastructure Commission). While the water meter market is less developed as compared to gas and electricity (for example, only ten of the 24 UK water companies have started roll-outs or trials or have announced trials for smart metering), the Group believes this is a potential growth opportunity in a market in which it has already established a strong position. The National Infrastructure Commission recommended in 2018 that, "the Department for Environment, Food and Rural Affairs should enable companies to implement compulsory metering beyond water stressed areas by the 2030s, by amending regulations before the end of 2019 and requiring all companies to consider systematic roll out of smart meters as a first step in a concerted campaign to improve water efficiency."

The top five water providers cover more than 50% of UK households, with Thames Water being the largest. In March 2015, the Group signed a contract with Thames Water for the provision of smart metering fixed network infrastructure and associated water meters that enable the collection, management and transfer of metering data from households. The contract is for an initial six-year term that is extendable up to a total of sixteen years. The service is expected to cover three million homes once fully deployed. Under its contract with Thames Water, the Group provides fixed network services, subcontracting to Sensus UK Systems Limited (**Sensus**) to supply water meters, software and services, which the Group sells on to Thames Water. The Group only builds sites as ordered by the customer (i.e. the network build is not speculative). The Group earns revenue for the network roll-out on completion of certain milestones and sites with Thames Water funding the associated build costs as well as for the supply of water meters, software and services. In addition, the Group incurs revenue from ongoing network service charges. The service is currently live, delivering 6 million meter readings per day, and over 307,000 meters had been installed as at 30 June 2018. The Group purchases the meters from Sensus and Thames Water installs the meters, together with the rest of the equipment, in its customers' homes. Thames Water has decided to accelerate deployment of the smart metering network, which will help to achieve coverage in London earlier than originally planned in order to realise the benefits of extended coverage sooner. The Group has been instructed to deploy the full network coverage across London and it is targeting completion by the end of 2018.

In July 2016, the Group won a four-year contract with Anglian Water for the delivery and monitoring of a smart water metering fixed network trial to facilitate the deployment and operation of 7,500 new meters. In August 2017, the pilot was subsequently expanded to approximately 20,000 meters in total by adding a second trial area for approximately 2 million homes in its supply area. As at 30 June 2018, 17,200 of the anticipated full complement of meters had been installed. The Group believes it is well-positioned to win the full Anglian Water contract. In the future, the Group intends to leverage its success with Thames Water and Anglian Water to work with other water companies who have identified plans in relation to smart water metering.

Satellite & Media Business Unit

The Group provides international managed services to the video and broadcast industry, where the Group believes there is an advantage to outsource to a scale provider that can leverage shared assets and expertise.

The Group's Satellite & Media business unit offers media management (including playout), managed networks for international contribution and distribution, UK DTH services and satellite data communications services to blue-chip customers such as NBCU, Turner, Canal+ and BT ESPN. The Group has been increasingly focussed on higher-profit margin services, and has exited lower margin market segments.

The Group is the primary independent owner of UK DTH uplink distribution services, provided via transponder capacity on the Eutelsat 28E, F and G and SES Astra 2 satellites, which are leased on a range of commercial terms (the majority of which include short- and medium-term flexibility with the minority of transponders on fixed leases through to 2025 and 2028). In order to offer a comprehensive solution, as at 30 June 2018, the Satellite & Media business unit's infrastructure included five teleports, more than 80 satellite uplink dishes, an international terrestrial fibre information network, television studios and approximately 1.4 GHz of leased capacity on more than 30 satellites globally across all other product areas. The Group's independent teleport network consists of five teleports in the UK, located at Winchester-Crawley Court, Winchester-Morn Hill (an unmanned back-up site), Chalfont (one of only four teleports accredited to Tier 4 globally), Bedford, and Ipswich (Martlesham—which provides direct access to markets in the Middle East and North Africa), together comprising more than 80 uplink dishes. The Group also procures third party ground-based teleport services in Hong Kong, Australia and the United States where a line of sight to a satellite cannot be achieved from its UK assets. This comprehensive network of infrastructure allows the Group to satisfy the international distribution requirements for a number of its major customers (for example, by using its fibre network to transport content from the United States and then broadcasting it onward to Europe and elsewhere). As at 30 June 2018, approximately 46% of the Group's Satellite & Media revenue was transacted in sterling and the balance was a combination of Euros (44%) and US dollars (9%).

Through the Group's media management services, the Group delivers more than 100 channels of outsourced content, distributing over 125,000 hours of live sport content per year, processing over 20,000 hours of video-on-demand per year and managing approximately 2,000 hours of content per day and 26 languages of content via playout. The Group is one of the top two suppliers of UK playout and media management services.

For customers needing international distribution, the Group offers comprehensive managed network solutions, including teleport services, satellite capacity management, fibre connectivity management, disaster recovery solutions and services for occasional use and events. The Group is a leading European supplier of these services.

The Group's Satellite & Media uplink services consist of the transmission of a broadcast signal from a teleport to a satellite, while downlink services consist of the reception of a broadcast signal that is transmitted from a satellite to a teleport and turnaround consists of downlinking a satellite signal and instantaneously uplinking it again, either to transmit a signal beyond the range of a single satellite or to change the signal from one transmission bandwidth to another. In addition, the Group offers occasional use of teleport space and fibre for the distribution of live events, including a contract for IMG Premier League Football global distribution.

The Group has been expanding its IP-based solutions, including the launch of IP streaming products in 2015, with which the Group aims to retain its existing customers and gaining new clients. As at 30 June 2018, the Group had £2.6 million of capital expenditure covering the following IP related products: IP streaming, IP contribution, video-on-demand, remote and edge playout. The Group is also building out its scalable and secure IP-based media service routing platform. The platform will offer customers greater flexibility, as it is controlled by a "drag and drop" service orchestration system used to reduce costs, improve service delivery and improve efficiency.

The Group is a leading provider of satellite uplink infrastructure and satellite distribution services in the UK in terms of the number of channels available for UK DTH satellite broadcast, with an estimated outsourced market share of approximately 48% of fully managed channels as at 30 June 2018. As at 30 June 2018, the Group delivered over 200 TV channels to approximately 10 million homes in the UK, making it the largest provider of UK DTH services. The Group has continued to see channel growth during the period under review. In the year ended 30 June 2018, the Group launched six SD channels and four new HD channels.

The Group provides a number of services for the satellite data communications market, and is the leading UK data teleport operator in terms of estimated revenue generated per independent UK teleport.

The Group has sales offices and representatives in the United States, France, Dubai, Singapore and Hong Kong, which the Group believes will serve as a platform to capitalise on international opportunities. Going forward, virtualisation (utilising developments in IT storage and computer technology to run virtualised systems, in either the public or private cloud) may make new markets and geographies accessible to the Group by enabling the shift from a hardware-based model to a software-based model. In addition, the

Group's "pay-as-you-go" model does not require the Group to invest or pre-pay for infrastructure, as was typical with traditional broadcast and media technologies.

Revenue from the Satellite & Media business unit was £144.6 million, £146.9 million and £133.5 million, which represented 16.4%, 15.6% and 13.9% of the Group's total revenue for the years ended 30 June 2016, 2017 and 2018, respectively.

The Group's UK DTH revenues are primarily driven by the volume of channels being distributed to the Sky platform and the volume of Mb bandwidth required to distribute the channels. Revenues are derived on a price per Mb basis. The volume of Mb required to distribute the channel depends on a number of factors including, but not limited to, the broadcast channel type (SD, HD or UHD), the complexity of the content (e.g. low dynamic news picture versus high dynamic sports picture) and the quality of broadcast required by the broadcaster (e.g. an SD channel could require approximately 2 to 6 Mb, a HD channel could require approximately 9 to 12 Mb).

Customers and contracts

The Satellite & Media business unit has a large and diverse customer base, and no single customer was responsible for more than 10% of revenue for the satellite business in the year ended 30 June 2018. For the year ended 30 June 2018, the top 15 clients accounted for 51% of the Satellite & Media business unit's revenues. Of these top 15 clients, six are shared Arqiva accounts. The following table shows the Satellite & Media business unit's services and key customers:

Product	Service Offered	Key Customers
UK DTH	• End-to-end service, receiving the channel and distributing to Sky and Freesat homes • Multiplexing, uplinking and satellite space to channel operators • Sold on per channel basis in the UK, but price is determined per Mbit as the level of Mbits required to deliver each channel varies (i.e. sports channels require more Mbits than news channels)	BT Sport, NBC Universal, Discovery Communications, Sony Freesat
Managed Networks	• Content transmission management for broadcasters and platform operators • Content aggregation, downlink, multiplexing and uplink • Provision of any (but not all) elements of an end-to-end distribution • Connectivity (i.e. fibre distribution)	ITV, Canal+, MultiChoice, Al Jazeera, Channel 4, Viacom
Satellite Data Communications	• Internet service provider to remotely located enterprise clients • Uplink services with and without satellite capacity • Largely focused on data communication solutions for military, as well as the oil and gas sector	RigNet, Verizon Business, Boeing, Panasonic, Gas Utility Networks

Product	Service Offered	Key Customers
Media Management	• Ingests, schedules, and manages content to be distributed via linear and non-linear transmission • Operation of the playout centre • Provides live reactive and non-live channel playout services (including video-on-demand processing and media management plus over-the-top distribution, such as YouTube)	Turner, NBC Universal, Discovery Eurosport, Digital UK, BT ESPN, Scripps, A&E Networks
Events & Occasional Services	• Occasional use of teleport space and fibre for the purposes of transmission of events	IMG, Red Bull Media House, Lagardère, Fox Sports
Distribution Platforms	• Offers encryption, multiplexing, uplinking and satellite space to channel operators • Sold on per channel basis outside of the UK	Bloomberg Television, CNBC, Al Jazeera, Disney

Among the Group's customers are most of the Tier 1 international broadcasters, such as Canal Plus, Discovery, Turner, NBC Universal and ITV, as well as Tier 2 and Tier 3 customers in the UK and overseas. Typical contract lengths are three to five years with a historic gross renewal rate of approximately 90% with existing customers and low default rates. Gross churn, which is defined as annual revenue lost on contracts not renewed divided by revenue pre-renewals, has averaged approximately 10% for UK DTH, managed networks and media management for the years ended 30 June 2017 and 2018. Approximately 38% of the Group's Satellite & Media contracts have price increases linked to RPI.

Since December 2017, the Group has reached an agreement for the renewal of over 260 Mbits of UK DTH capacity across major customers, including BT Sport, Turner, Sony, NBCU and Freesat. The Group believes this further reinforces its position as the leading premium service provider of UK DTH services.

The Group has also recently secured a number of new international contracts within the Satellite & Media business unit. In March 2016, the Group was selected by Al Jazeera Media Network (**AJMN**) to provide its global teleport and satellite distribution services. Over the course of a long-term agreement, the Group is responsible for the distribution of AJMN's flagship news channels Al Jazeera Arabic and Al Jazeera English to popular global platforms. In December 2016, the Group entered into a contract with IMG Premier League Football for global distribution of live football events. In March 2017, the Group won a contract with Sony Asia for connectivity, multiplexing, uplink and satellite capacity, and the Group renewed its contracts with MultiChoice for variety of services including compression and teleport services as well as fibre networks. The Group believes that these contracts give it the opportunity to demonstrate its capabilities in the Middle East, Asia and globally and may enable it to expand its customer base. The Group has also recently secured a contract with Canal+ to design, build and operate a new DTT platform in sub-Saharan Africa. The Group believes this contract is scalable to expand or add SD and HD channels, and to extend services to additional francophone West African countries.

In 2018, the Group secured its first significant virtualised services contract with a US Tier 1 broadcaster which has launched new direct-to-consumer OTT service. As part of this contract, the Group will provide a hybrid of core managed teleport and fibre services, along with a highly scalable IP streaming service for hundreds of live sports events each year. The use of public cloud services allows the Group to provide high levels of service automation and commercial flexibility.

Competition

The Group's major UK competitor in the provision of satellite telecommunications and uplink services is Globecast. The BBC buys transponder capacity directly for its own purposes and Sky sources capacity for itself and for many of its channels and does not currently resell this capacity. Another of the Group's competitors in the satellite and media space is MX1, a global media services provider wholly owned by SES (a communications satellite owner and operator based in Luxembourg).

As at 30 June 2018, the Group believes it had a 48% outsourced market share of fully managed channels in the UK. The Group's main competitors in the Satellite & Media space are Sky, Globecast, Babcock and SES. As of June 2018, the Group estimates Sky had a market share of approximately 27% of the managed channels (excluding self-managed proprietary channels), Globecast had approximately 20% of the market share, and SES and Babcock had a combined market share of approximately 5%.

The Group provides satellite and media services across a wide array of product offerings. Various global competitors compete with the Satellite & Media business unit in these product areas, but the overall competitive landscape for satellite and media services is fragmented along the value chain. The Group offers a full range of products and solutions either on an integrated or standalone basis. The Group competes globally, but has a focus on the UK and Western Europe.

Employees

In the year ended 30 June 2018, the Group employed an average of 2,071 full-time equivalent persons. The Group works in partnership with BECTU, the UK's primary media and entertainment trade union, on all issues relating to employment, organisation change and terms & conditions. Despite addressing challenging issues over recent years (including the closure of the Defined Benefit Pension Scheme to future accrual, the harmonisation of terms & conditions, and organisation restructuring), the Group has experienced no significant employee relations or industrial relations issues. As of 30 June 2018, approximately 36% of the Group's employees were covered by collective bargaining agreements, including through BECTU.

As part of the Group's disposal of its WiFi business, its payphone assets/business (NWP Street Limited) and Secure Solutions, the Group transferred approximately 200 employees, which had a significant impact on the total headcount of the Group in the years ending 30 June 2016 and 2017. The table below shows the average number of full-time employees for the years ended 30 June 2016, 2017 and 2018 in each of the Group's three business units and Corporate Support (which covers finance, IT, legal and strategy functions, human resources and business development for the Group):

	Year Ended 30 June		
	2016	**2017**	**2018**
Terrestrial Broadcast	653	674	738
Telecoms & M2M	609[(1)]	535[(2)]	455
Satellite & Media[(3)]	389	364	379
Corporate Support	519	527	499
Total	**2,170**	**2,100**	**2,071**

(1) Includes 75 employees related to Secure Solutions, disposed of in October 2015, and 8 employees related to NWP Street Limited, disposed of in December 2015.

(2) Includes 118 employees related to the WiFi business, disposed of in November 2016.

(3) Excludes freelancers and outsourced employees.

Properties

The Group's operational headquarters are located near Winchester, UK, with the corporate headquarters based in London. The Group has a further 44 manned sites across the UK.

Communications Sites

The Group's ownership interests in communications sites include freehold ownership, leases created by long-term ground lease agreements, easements and licences or rights-of-way granted by government entities.

Terrestrial Broadcast

The Terrestrial Broadcast business unit has a large portfolio of sites for the transmission of DTT and radio and also operates the Group's licensed Multiplexes and delivers related engineering projects. The key equipment required to provide end-to-end network services to both DTT and radio broadcasters are mast and towers, antennae (both main and reserve), transmitters (used to produce signals for distribution), programme input equipment (used to process video and audio signals) and combiners (used to combine outputs from different channels for broadcast via the antenna network). Of the Group's 1,154 DTT sites as at 30 June 2018, approximately 80 are main or major stations and the remainder are smaller relay sites. The Group owns a freehold interest in approximately 40% of its total DTT sites (60% for its main stations and major sites), whereas it leases the remaining 60% of sites (40% for its main stations and major sites) primarily on medium- to long-term leases. The average initial lease length for the Group's DTT sites is 30 years, although the average initial lease length is slightly shorter (23 years) for its main stations and major sites. Many of the Group's DTT sites are valuable for multiple uses—featuring telecommunications, radio and M2M equipment.

A typical site consists of a compound enclosing the site, a tower structure and one or more equipment shelters that house a variety of transmitting, receiving and switching equipment. Tower structures are typically guyed towers, as tall as 350 metres, or small monopole/tubular structures, often used to address space or aesthetic constraints in more densely populated areas. The site portfolio also contains the UK's largest free-standing concrete structure at 330 metres based in Yorkshire.

Telecoms

Of the approximately 8,000 active licensed communications sites (including contractual options) in the Group's portfolio as at 30 June 2018, approximately 91% are located on land that the Group leases but does not own. Ground leases for land underlying the Group's sites generally have medium to long initial terms. Approximately 90% of the leased portfolio had an original term longer than ten years, and approximately 60% of the leased portfolio had an initial term longer than 20 years. See "*Regulation of the Communications Industry in the United Kingdom—Site Regulation—Landlord and Tenant Act*". In any given year, a number of leases will be approaching renewal, and the Group takes a balanced approached to managing site retention. The Group manages an "asset risk" register to ensure that a tailored strategy is used in lease renewals that addresses levels of risk on each site, and progression of the lease negotiations is managed on a prioritised basis. In addition, the "powers" granted to certain Group members by Ofcom under the electronic communications code, which allow operators to benefit from certain exemptions under Town and Country Planning Legislation, also provide a form of security of tenure on leasehold and licensed sites. The Group estimates that approximately two thirds of its leases benefit from the protections of the Landlord and Tenant Act of 1954. The right of access to land and the protection from eviction afforded to telecommunications operators who have been awarded the "code powers" set out in Schedule 2 of the Telecommunications Act 1984 were extended by the Communications Act 2003. This enables network service providers and broadcasters and their network service providers to also be awarded "code powers" in relation to electronic communications apparatus put on, under or over land. In particular, code powers limit a landlord's ability to require removal of electronic communication apparatus without an adjudicative process and protect the Group's ability to retain sites that are expiring and under negotiation for renewal. This option will be deployed as appropriate and only when required. In general, lease renewal rates during the period under review have been high, with a site churn rate of fewer than ten sites per year over the last three years. Within the next five years, approximately 48% of leases will expire. Approximately 22% of the Group's leases will not expire for 30 years or more. See "*Regulation of the Communications Industry in the United Kingdom—Communications Act—Code Powers*".

Satellite

Each of the Group's five satellite teleport sites consist of multiple satellite antennas arranged in an array over a single site, plus supporting infrastructure which allows for control and maintenance of the antennas. A typical site consists of a compound enclosing the site with antennas/dishes ranging from small (1.2 metres) to large (16.4 metres) structures (9 metres is the most commonly used size) with several equipment cabins and a master control centre. In addition, the Group has two playout facilities near London, one co-located playout centre at one of the Group's teleports (with direct access to global distribution network of fibre and satellite connectivity) and a studio complex and production facilities at one of the Group's media centres to complement live transmission capabilities. The Group has also a data room, downlink antenna and monitoring control room in France.

Spectrum Licences

As at 30 June 2018, the Group held the following revenue generating spectrum licences:

Licence	Licence Expiry Date	Application
COM 5	2026	DTT
COM 6	2026	DTT
COM 7	2020(1)	DTT
COM 8	2020(1)	DTT
D1	2023	Radio
SDL(2)	2028	Radio
Arqiva Local DAB Multiplexes(3)	2025	Radio
412 MHz	2021(4)	M2M
Bedford	Renewed annually	Uplink services
Chalfont	Renewed annually	Uplink services
Crawley Court	Renewed annually	Uplink services
Martlesham	Renewed annually	Uplink services
Morn Hill	Renewed annually	Uplink services
Ofcom Licences for Microwave Fixed Links	Renewed annually	Fixed link services

(1) Due to expire in 2020 further to Ofcom notice issued on 18 June 2018.

(2) Licence owned by consortium of Arqiva, Bauer Media and Wireless Group (part of News International).

(3) 25 total (including licences owned through JVs) as at 30 June 2018.

(4) Ofcom cannot revoke the licence on spectrum management grounds during the initial period of 15 years (until 2021), and the licence will be renewed on a rolling five year notice period thereafter.

As at 30 June 2018, the Group also held the following non-revenue generating spectrum licence:

Licence	Licence Expiry Date	Proposed Application
28 GHz	In perpetuity	5G

Insurance and Risk Management

The Group maintains insurance coverage of £100 million for public and product liability, up to £100 million for property, £50 million for employers' liability, £50 million for terrorism and £20 million for professional indemnity, indemnity levels which are customary for the Group's industries. The Group also maintains other types of insurance that are typical of the Group's industries and which it believes to be adequate. The Group's insurance policies are subject to customary deductibles and exclusions. See "*Risk Factors—Risks relating to the Group's business and industry—The Group's infrastructure assets may be affected by natural disasters and other unforeseen events or damage*".

The Group adopts an Enterprise Risk Management approach, which conforms to the intent of ISO31000, enables the Group to meet its corporate objectives and forms an important part of good corporate governance. Risk management is a structured approach for taking informed decisions on managing risk, establishing a risk aware culture and encouraging the discussion of business issues. This extends from project risk, through to programme, and operational risks which are consolidated at business unit level and reported to senior management and the Audit & Risk Committee. This approach incorporates an Operational Resilience Board which focuses on Information Security, Quality, Business Continuity, Physical Security and Health & Safety. Managing risk and ensuring resilience in these areas is a core responsibility of management at all levels. In addition, the Group has a formal Health & Safety audit plan in force with formal risk assessments being carried out, and documented with relevant Safe Systems of Work.

Legal Proceedings

At any given time, the Group may be a party to litigation or be subject to non-litigated claims arising out of the normal operations of the Group's business. On 23 December 2016, the Group issued proceedings in the German district court of Bonn against a former third party satellite capacity supplier in respect of alleged breach of certain contracts. The Group is claiming damages plus interest and costs. The Group lost at first instance on a point of interpretation of the German law of damages. The Group has since taken expert advice and decided to proceed to appeal to the Higher Regional Court of Cologne. The appeal is scheduled to take place during November 2018. Other than as mentioned here, there are no material legal proceedings outstanding as at the date of this Offering Memorandum.

Trademarks

The Group has obtained trademark registrations for the name "Arqiva" in the UK, the United States and the EU. The initial terms of the Group's registered trademarks (held directly or indirectly) are for at least ten years from the date of filing and are renewable thereafter. The Group's trademark registrations were recently renewed and extended, with the latest running until 2025.

Regulation

For regulations the Group believes are material to its business, see "*Regulation of the Communications Industry in the United Kingdom*".

Environmental Policies

The Group is subject to a broad range of environmental laws and regulations. These laws and regulations impose increasingly stringent environmental obligations regarding, among other things, radiation emissions, the protection of employee health and safety, noise and historical preservation. The Group has environmental policies the Group believes are in compliance with applicable laws and regulations and typical for the Group's industries. See "*Risk Factors—Risks relating to the Group's business and industry—The Group is subject to stringent regulation relating to environmental protection and health, and if the Group is found to have not been in compliance with any portion of such applicable rules, the Group could be exposed to fines, increased costs, or sanctions, or could be liable for damages to third parties*".

REGULATION OF THE COMMUNICATIONS INDUSTRY IN THE UNITED KINGDOM

Overview

The Group's business is subject to extensive regulation. Key areas of regulation relevant to the Group include:

- Undertakings given to the Competition Commission (now its successor, the Competition and Markets Authority (**CMA**)) supervised and enforced by the Office of the Adjudicator—Broadcast Transmission Services (**OTA-BTS**) and the CMA;
- communications regulation under the Communications Act 2003 (the **Communications Act**) and related regulations, supervised and enforced by Ofcom, the UK's independent communications regulator;
- spectrum licence regulation including under the Wireless Telegraphy Act 2006 (the **WT Act**) and the Broadcasting Act 1996 (the **Broadcasting Act**); and
- regulation relating to the Group's sites and infrastructure.

Competition Regulation

The Undertakings

Overview

As a result of historical reasons related to competition, the Group is subject to competition undertakings. In its present form, the Arqiva group was formed from the 2008 acquisition by Macquarie UK Broadcast Ventures Limited (**MUBVL**) of the NGW group. MUBVL and NGW both provided broadcast transmission services to terrestrial television and radio broadcasters and Multiplex operators as well as infrastructure systems and services to mobile network operators (**MNOs**) or fixed network operators. The acquisition was reviewed by the UK Office of Fair Trading and the Competition Commission, the UK competition authorities at the time. On 11 March 2008, the Competition Commission concluded that the acquisition might have been expected to result in a substantial lessening of competition in the market for transmission services, which includes the provision of managed transmission services (**MTS**) and network access (**NA**) to television broadcasters and certain radio broadcasters within the UK. Given this conclusion, Arqiva, MUBVL and its parent entities gave undertakings to the Competition Commission (the **Undertakings**). The Competition Commission accepted the Undertakings on 1 September 2008 and approved the acquisition. The Undertakings include:

- in respect of contracts existing at the time the Undertakings were given:
- a requirement to provide enhanced service availability levels for services consisting of transmission services provided to a radio or television Multiplex operator or broadcaster;
- the introduction of a "super credit" service credit regime as an alternative to the exercise of termination or step-in rights; and
- the introduction of percentage discounts on the contract price for transmission services;
- provisions governing new contracts for transmission services including contract terms and pricing (see "*—Undertakings—undertaking to provide NA*" and "*—Undertakings—undertaking to provide MTS*");
- a re-affirmation of the requirement to provide NA to any provider of transmission services (on fair, reasonable and cost-orientated terms) (see "*—Undertakings—undertaking to provide NA*");
- additional provisions upon renewal of existing agreements:
    - rights of renewal for radio customers in relation to existing contracts on the same terms and conditions (as amended as a result of the Undertakings) to the extent relating to transmission services; and
    - the requirement to grant certain of its television and radio customers the right to purchase transmitter equipment dedicated to that customer's agreement upon exit of the agreement and, if taken up, a plan to facilitate transfer of ownership and control of such equipment to the customer;

- a requirement to maintain appropriate accounting records to enable Arqiva to prepare (and have audited) annual statements of revenues, costs and assets employed for transmission services;
- restrictions on the use of confidential information and a requirement to publish an information security strategy detailing Arqiva's principles for access to and use of confidential information (recognising that Arqiva's own Multiplex business could be in competition with that of its broadcast transmission customers);
- a requirement to report monthly on the integration of NGW in relation to the planned cessation of analogue terrestrial television broadcasting services and the transition to all digital terrestrial television (**DTT**) broadcasting services in the UK (the digital switchover); and
- a requirement to report and provide information to the Competition Commission to allow it (and Ofcom and an independent appointed adjudicator) to monitor or enforce compliance with the undertakings.

Arqiva is subject to the Undertakings in respect of both MTS and NA with respect to terrestrial broadcast. The Undertakings remain in effect, applying both to existing and new contracts that the Group enters into to provide services to television and radio broadcasters and Multiplex operators, and to the related infrastructure, in a number of ways. The Undertakings are now enforced by the OTA-BTS and the CMA, as successor to the Competition Commission.

Enforcement

Under the Enterprise Act, if the CMA considers that an Undertaking has not been, is not being or will not be fulfilled, then the CMA may make an order to remedy, mitigate or prevent the Substantial Lessening of Competition (**SLC**) concerned and to remedy or prevent any adverse effects which have resulted from, or may be expected to result from the SLC.

Such an order may contain anything permitted by the Enterprise Act, which includes (i) prohibiting anything the CMA may consider to be (a) discrimination between persons in the prices charged for services or (b) a preference in respect of the supply of goods or services; (ii) prohibiting charging prices different to those in any published list or notification; (iii) regulating the prices that can be charged for goods or services; (iv) prohibiting or restricting the acquisition of all or any part of the undertakings or assets of another person's business; or (v) providing for the compulsory division of any business (for example by way of a sale of any part of the undertakings or assets of a business).

To date, Arqiva has not been subject to any enforcement procedures in respect of the Undertakings.

Adjudicator (OTA-BTS)

The Undertakings provide for the appointment of an adjudicator and setting up of the OTA-BTS, who is required to make periodic reports to the CMA (copied to Ofcom) including the OTA-BTS's views on the performance of Arqiva in complying with the Undertakings. In each of the quarterly reports issued by the OTA-BTS to date, the OTA-BTS has confirmed that the performance of Arqiva continues to be satisfactory.

The OTA-BTS has certain powers to give directions in respect of Reference Offers and to resolve disputes in relation to Arqiva's obligations under the Undertakings. To date, no disputes have been referred to the OTA-BTS for resolution under their dispute resolution powers.

Undertakings—undertaking to provide NA

The terms, conditions and charges pursuant to which Arqiva will provide NA under a new transmission agreement are set out in the relevant reference offer for services (a **NA Reference Offer**). In preparing a NA Reference Offer Arqiva must (i) comply with the provisions in the Undertakings regarding charges (see further below), (ii) comply with any direction and have regard to any guidance issued by the OTA-BTS and (iii) have regard to the principles relevant to that type of Reference Offer set out in the Undertakings (**Principles**). The Principles set out, at a high level, the terms and conditions of each type of Reference Offer (whether DTT or radio) and include (among other things) provision for liquidated damages to be payable by Arqiva for any station delivered late (subject to appropriate carve outs), an indemnity in favour of Arqiva for any content related liability, a service credit and super credit regime and the warranties to be provided by Arqiva.

With regard to charges, Arqiva must be able to demonstrate (to the OTA-BTS) that each charge payable for NA (i) is reasonably derived from the costs of provision allowing recovery of common costs and including an appropriate return (being currently a fixed rate of return of 7.71% WACC (real pre-tax) on a pre-2015 regulated asset base and 7.5% WACC (real pre-tax) on post-2015 new capital assets), (ii) is in compliance with any direction and has regard to any guidance issued by the OTA-BTS and (iii) has regard to the Principles. With respect to charges the Principles provide that (i) the forecast costs of provision are only to include those costs that Arqiva will reasonably and efficiently incur in providing the NA, (ii) electricity charges will be passed through at cost, and (iii) where actual costs of provision are higher than forecasted costs the charges may not be increased (unless as a result of a change in the specification or any other matter outside of Arqiva's control) but where actual costs are lower, an appropriate gainshare mechanism is to be applied. There are further provisions relating to the terms, conditions and charges applicable to MTS set out in an MTS Reference Offer (an **MTS Reference Offer**) (see "*—Undertakings—undertaking to provide MTS*" below).

Existing radio customers may elect to renew their existing contracts on the same terms and conditions, as amended in accordance with the Undertakings (see "*—The Undertakings—Overview*"). Alternatively, where a new agreement is entered into, the customer has the option to adopt the terms of its existing agreement, rather than the terms of the relevant Reference Offer (other than the provisions relating to charges which are to be determined in accordance with the Undertakings).

The OTA-BTS has certain powers to give directions in respect of Reference Offers and to resolve disputes in relation to Arqiva's obligations under the Undertakings. To date, no disputes have been referred to the OTA-BTS for resolution under their dispute resolution powers.

Undertakings—undertaking to provide MTS

Pursuant to the Undertakings, Arqiva undertook to provide MTS to any Multiplex operator for the purposes of providing analogue and/or digital terrestrial broadcasting transmission services in the UK to deliver broadcast content to end users. Such MTS must be on fair, reasonable and non-discriminatory terms, conditions and charges and in accordance with the relevant MTS Reference Offer. This permits the Group to establish prices at market levels, provided the Group can demonstrate to the OTA-BTS that the Group's pricing is consistent with market standard rates.

Under the Undertakings, (i) charges for MTS are to be capable of being demonstrated to be (a) reasonably derived from the costs of provision allowing an appropriate mark up for the recovery of common costs and including an appropriate return and (b) in compliance with any direction and with regard to any guidance issued by the OTA-BTS; and (ii) the costs of electricity are to be passed through to the customer with no additional mark up. These provisions also apply to the NA element of any MTS offered or provided by Arqiva under new transmission agreements.

The OTA-BTS has certain powers to give directions in respect of the Reference Offers and to resolve disputes in relation to Arqiva's obligations under the Undertakings. To date, no disputes have been referred to the OTA-BTS for resolution under his dispute resolution powers.

Ofcom—Significant Market Power

The Communications Act (discussed further below) was part of a regulatory framework that implemented a package of five European directives. This regulatory framework aimed to respond specifically to competition issues in the rapidly developing industry, including harmonising regulation across Europe and reducing entry barriers and fostering prospects for effective competition for the benefit of consumers. Section 45 of the Communications Act enables Ofcom to impose regulatory conditions on undertakings that it has determined have "significant market power".

Ofcom imposed a number of regulatory conditions on Arqiva (then Crown Castle UK Limited and National Transcommunications Limited) under Section 45 of the Communications Act on 28 April 2005, following a review of the broadcasting transmission services market. These were revoked on 10 November 2016, on the basis that the Undertakings, described above, had effectively incorporated the content of the 2005 regulatory conditions. Ofcom stated that it retains the ability to open a fresh review into the market should there be any significant changes in the market, "in particular the removal or significant alteration" of the Undertakings.

The regulatory conditions related to the provision of access to the mast and site network and shared or shareable antenna systems acquired, constructed or installed by Arqiva for the purpose of providing analogue and/or digital terrestrial broadcasting transmission services in the United Kingdom. Further details are set out in Ofcom's Final Statement "Broadcasting Transmission Services: a review of the market" dated 10 November 2016.

Communications Act

The Communications Act is the relevant regulatory regime governing communications in the UK, supervised and enforced by Ofcom.

Ofcom

The UK's independent communications regulator is Ofcom, which was established by the Office of Communications Act 2002, replacing a number of existing authorities (the Office of Telecommunications, the Radio Authority, the Radio Communications Agency, the Broadcasting Standards Commission and the Independent Television Commission). Ofcom's main decision-making body is its board, which provides its strategic direction.

Under the Communications Act, Ofcom's two primary duties are:

- to further the interests of citizens in relation to communication matters; and
- to further the interests of consumers in relevant markets, where appropriate, by promoting competition.

Subject to these primary duties, the Communications Act also requires Ofcom to exercise and perform its powers and duties to secure:

- the optimal use for wireless technology of the electro-magnetic spectrum;
- the availability throughout the UK of a wide range of electronic communications services;
- the availability throughout the UK of a wide range of television and radio services which (taken as a whole) are both of high quality and calculated to appeal to a variety of tastes and interests;
- the maintenance of a sufficient plurality of providers of different television and radio services;
- the application, in the case of television and radio services, of standards that provide adequate protection to members of the public from the inclusion of offensive and harmful material in such services; and
- the application, in the case of all television and radio services, of standards that provide adequate protection to members of the public and all other persons from both unfair treatment in programmes included in such services and unwarranted infringements of privacy resulting from activities carried on for the purposes of such services.

In carrying out its duties, Ofcom is obliged to have regard, in all cases, to the principles under which regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed.

Ofcom regulates the television and radio sectors, fixed line telecoms, mobile, postal services and the airwaves over which wireless devices operate. In the context of Arqiva's business units, this means that Ofcom regulates significant aspects of the Terrestrial Broadcast business unit, including with respect to NA, MTS and spectrum, and also regulates Arqiva's use of spectrum in the UK in its Telecoms & M2M and Satellite & Media business units. Ofcom is also the regulator for a number of Arqiva's significant customers, including MNO customers of Arqiva's site sharing business, broadcasters and Multiplex operators.

General Conditions

Overview

The Communications Act grants a general authorisation for providers of electronic communications networks (**ECNs**) and electronic communications systems (**ECSs**), to operate without requiring an individual licence provided they comply with the generally applicable conditions of providing an ECN or ECS. Arqiva Limited and Arqiva Services Limited operate under this general authorisation regime.

The general authorisation regime is subject to the general conditions of entitlement (the **General Conditions**). The General Conditions include requirements for providers to comply with certain technical standards relating to, for example, general access and interconnection obligations. The current consolidated version of the General Conditions was published on 28 May 2015.

Enforcement

If Ofcom determines that there are reasonable grounds for believing that a provider is in contravention of any of the General Conditions which apply to that provider, it may issue a notification. The provider must comply with the notified conditions and remedy the consequences of the notified contraventions (usually within one month). If the provider does not comply with the notification, Ofcom may issue an enforcement notification in which Ofcom will specify the steps required to be taken by the provider.

Ofcom may bring civil proceedings for an injunction, specific performance or any other appropriate remedy or impose a financial penalty if a provider is in contravention of an enforcement notification. Any financial penalty is to be such amount as Ofcom considers appropriate and proportionate to the relevant contravention, up to a maximum of 10% of the turnover generated by the notified provider's relevant business in the relevant period. For this purpose, the relevant business is how much of the provider's business relates to the provision of ECNs and ECSs (and related activities) and relevant period is the preceding 12-month period ending on 31 March prior to the first notification being given.

To date, Arqiva has not been subject to any enforcement procedures in respect of the General Conditions.

Revisions to the General Conditions

The Communications Act conferred powers on Ofcom to set, modify or revoke the General Conditions at any time provided that any condition or modification imposed: is objectively justifiable in relation to the networks, services or facilities to which it relates; does not unduly discriminate against particular persons or descriptions of persons; is proportionate to what the condition or modification is intended to achieve; and, in relation to what it is intended to achieve, is transparent.

Ofcom launched a consultation on proposed changes to the General Conditions relating to consumer protection on 20 December 2016, which it stated are intended to make the rules clearer and more practical, remove any redundant rules, and make compliance simpler. On 19 September 2017, Ofcom launched a wider review of the General Conditions. The consultation ended on 14 November 2017. In March 2018, Ofcom published a statement setting out its decisions on matters it had consulted on in September 2017. In July 2018, a further statement was published setting out Ofcom's decision to make drafting changes to a number of the revised General Conditions. The revised conditions will come into force on 1 October 2018.

Code Powers

Overview

Under the Communications Act, Ofcom is permitted to grant powers (**Code Powers**) under the Electronic Communications Code (**EC Code**) to communications providers for the purposes of running an ECN or a system of conduits (including tunnels, subways, tubes or pipes) for use by ECN providers. Subject to necessary planning requirements, Code Powers enable communications providers to install and maintain communications apparatus on public land and to take rights over private land (either with the agreement of the landowner or by applying to the County Court). Code Powers also allow operators to benefit from certain exemptions under Town and Country Planning legislation. Ofcom has given directions to apply the EC Code to Arqiva Limited, Arqiva Services Limited and Arqiva Communications Limited.

Code Powers have effect subject to the restrictions and conditions set out in the Electronic Communications Code (Conditions and Restrictions) Regulations 2003 (the **Code Regulations**). The Code Regulations include conditions relating to: the installation of lines and electronic communications apparatus; conservation areas; listed buildings and monuments; national parks and other protected areas; the maintenance and safety of equipment; and arrangements with electricity suppliers.

Those with the benefit of Code Powers must also ensure that sufficient funds are available (for example by way of a bond, insurance policy or guarantee) to meet any liabilities, costs or expenses reasonably incurred by any appropriate authority in making good any damage caused by the installation or removal of any electronic communications apparatus (**Funds for Liabilities** or **FFL**). Such funds must be available to meet any such liabilities which may arise up until three years after the occurrence of a relevant event. A relevant event occurs if the recipient of Code Powers: ceases to provide an ECN; is prohibited from providing the ECN for the purposes of which the Code Powers were applied; or becomes insolvent. Those with the benefit of Code Powers are required to provide an annual certificate which states (among other things) that sufficient FFL have been put in place. Arqiva Limited has arranged for financial institutions to execute performance bonds which are lodged with Ofcom in respect of their FFL.

A contravention of any of the conditions imposed by the Code Regulations may be enforced by Ofcom in the same manner as a contravention of a General Condition, with any penalty imposed not to exceed £10,000.

The Law Commission in its report to Parliament in February 2013 stated that the EC Code regulates the legal relationships between landowners and certain network operators, and enables those operators to acquire rights over land compulsorily in some cases. Rights under the EC Code can be far-reaching, and they underpin the physical networks of apparatus which support the provision of electronic communications throughout the United Kingdom.

Telecoms Leases—Security of Tenure

The EC Code includes a form of security of tenure for entities with the benefit of Code Powers (**Operators**). The EC Code allows any person with an interest in the land on which telecoms apparatus is installed (or an interest in adjacent land) (**Relevant Land**) to give notice to the Operator that they require the alteration of the apparatus (which includes, moving, replacing or removing it) to enable a proposed improvement of the land. The EC Code also provides that if a person is entitled to require the removal of apparatus from land (e.g. because the term of a lease has ended) that they are not entitled to enforce removal of the apparatus except by giving notice. However, in both cases, the Operator may serve a counter notice in which case such alteration or removal cannot be enforced without a court order being made. The court must have regard to a number of matters set out in the EC Code including the principle that no person should unreasonably be denied access to an ECN or electronic communications services.

Installation of Apparatus—Power to Dispense with Required Agreement

If an Operator requires any person with an interest in Relevant Land to agree to the Operator keeping electronic communication apparatus installed on that land, or to execute works on that land in connection with installing, maintaining or repairing that apparatus then the Operator may serve a notice on that person. If the required agreement has not been given within 28 days of the notice being served then, under the EC Code, the Operator may apply for a court order. If the court is satisfied that any prejudice caused can either be adequately compensated for by money or is outweighed by the benefit accruing to those persons whose access to an ECN or ECS will be secured, then it may make an order conferring the right(s) requested by the operator (and so dispensing with the need for the person to consent).

Review of Electronic Communications Code

The previous EC Code was replaced by regulations under the Digital Economy Act 2017, following extensive industry consultation. The new EC Code came into force on 28 December 2017. However, the revisions to the EC Code do not apply retrospectively to existing agreements, save that the new renewal procedures will apply on expiry.

In its publication A New Electronic Communications Code (May 2016) DCMS made (amongst others) the following statements:

"The overall package of reforms being put forward strikes the right balance of interests between site providers, communications providers and, most importantly, the public interest in ensuring communications services meet the needs of UK citizens in the digital era. The whole of the UK will benefit from the long-term reforms put in place by the new Code as investment in digital communications infrastructure is made easier, leading to a more sustainable, robust and technologically advanced physical network."

"The new Code rights will only apply to contracts signed after the law has come into effect, and will not apply to existing contracts retrospectively. Government intends to make transitional arrangements that will make clear how and when existing agreements transition to the provisions of the new Code. This will enable a steady move to the new legal framework over the next 10 to 15 years as existing contracts come up for renewal".

Amongst other things, the new Code applies to access to land for the installation and operation of electronic communications apparatus. The Government has stated that "physical apparatus is distinct from land, and that the revised Code should therefore not be used to regulate access to infrastructure owned by WIPs" (where **WIPs** refer to Wholesale Infrastructure Providers such as Arqiva). The legislation codifies this position by making it clear through a new definition of 'land' that Code rights (which are rights granted over land) do not include rights granted over electronic communications apparatus. There will be a period of uncertainty in the market while the Act is subject to interpretation by the courts and it is possible that the mobile network operators will lobby to allow them to share with each other on infrastructure for free and regulate the price of access. As a substantial piece of legislation dealing with complex issues in a changing environment, the Act is likely to be subject to amendment over time and there is a risk that the principles that underpin the current legislation such as the current distinction of "physical apparatus" from "land" could be lost or modified.

Spectrum Regulation

International Spectrum Regulation

Radio spectrum (a term which is generally understood to mean the electromagnetic frequency range from 3 kHz to 300 GHz) is the means by which all wireless devices communicate. Spectrum is a finite resource, demand for which greatly exceeds supply in many frequency bands and many geographical areas. The frequencies below 1 GHz combine both capacity (bandwidth) and coverage (propagation), which makes them suitable for a wide range of different applications, and so are considered to be the most valuable.

Radio spectrum propagation does not align with national borders. Therefore, international co-operation has long been a feature of spectrum management policy.

At an international level, radio spectrum falls within the remit of the International Telecommunication Union (**ITU**), an agency of the United Nations, which co-ordinates the global exploitation of the radio spectrum; promotes international co-operation in assigning satellite orbits; and establishes worldwide standards to foster interconnection of communications systems. The ITU's legal framework is based on its constitution and convention (which has treaty status and to which the UK is a party) and the Administration Regulations (comprising the Radio Regulations and the International Regulations). World Radiocommunication Conferences are organised by the ITU to review and, where necessary, amend the Radio Regulations (the international treaty governing, among other things, the use of radio-frequency spectrum). These are held every three to four years. The most recent was in November 2015.

Within the EU, the European Commission oversees a number of measures designed to co-ordinate policy approaches and work towards harmonised conditions for the availability and efficient use of radio spectrum. The European Commission is assisted by the Radio Spectrum Committee (a committee established under the Radio Spectrum Decision 676/2002/EC as part of the regulatory framework for electronic communications which entered into force on 24 April 2002), which assists the European Commission in the development and adoption of technical implementation measures aimed at ensuring harmonised conditions for the availability and efficient use of radio spectrum, as well as the availability of information related to the use of radio spectrum. See "*—Radio Spectrum Policy Program*" below for further discussion of the European Commission's spectrum policies.

The policies of the ITU and European Commission on management of radio spectrum and allocation of frequencies drive the terms of the UK licensing regime that the business lines of Arqiva dependent on spectrum operate under, including its Terrestrial Broadcast, Satellite & Media and M2M divisions.

Wireless Telegraphy Act Licences

Licences

Unless expressly licence-exempt, a licence under the WT Act is required in order to install or use wireless telegraphy apparatus or to establish or use a wireless telegraphy station. Wireless telegraphy apparatus or a wireless telegraphy station is apparatus or a station for the emitting or receiving (over paths that are not provided by any material substance constructed or arranged for the purpose) of electromagnetic energy of a frequency not exceeding 3,000 GHz that:

- can be used for conveying messages, sound or visual images, or for operating or controlling machines or apparatus; or

- is used in connection with determining the position, bearing or distance, or for gaining information as to the presence, absence, position or motion of an object (or class of objects).

A wireless telegraphy licence is an authority granted by Ofcom authorising a named person to install or use radio equipment in a clearly defined way. Such a licence may be granted either in relation to a particular station or particular apparatus or in relation to any station(s) or apparatus falling within a description specified in the licence. Any licences granted under the WT Act may be issued subject to such terms, provisions and limitations as Ofcom thinks fit, including in particular, limitations as to the position and nature of the station; the purposes for and the persons by whom the station may be used; and the apparatus that may be installed there.

Arqiva holds WT Act licences in respect of its wireless distribution links, its television Multiplexes, its national and local commercial radio Multiplexes, its satellite uplinks (both permanent earth stations and transportable earth stations) and its 28 GHz (consisting of 27.8285-28.0525 GHz, paired with 28.8365-29.0605 GHz) and 412 MHz spectrum.

Enforcement

Ofcom may revoke a wireless telegraphy licence or vary its terms, provisions or limitations either by giving notice to the licensee or by issuing a general notice applicable to all licences of that class. In February 2006, Ofcom published a Wireless Telegraphy General Licence Conditions Booklet the terms of which are incorporated into and form part of the terms of each wireless telegraphy licence to which the conditions apply. Under the general licence conditions, Ofcom may not revoke a wireless telegraphy licence to which the general conditions apply other than in certain specified circumstances, which include: (i) where the licensee consents, (ii) if a condition has been breached, (iii) in the interests of national security, or (iv) for reasons related to the management of the radio spectrum.

If Ofcom proposes to revoke or vary a wireless telegraphy licence it must notify the licensee stating the reasons for its proposed revocation or variation and specifying the period the licensee has: to make representations on the matter; and, if the proposal is as a result of a contravention of a term, to comply with that term. Within one month of the end of such period, Ofcom must decide whether or not to revoke or vary the licence in accordance with its proposal (or a modified version of its proposal) and notify the licensee of its decision.

To date, Arqiva has not been subject to any enforcement procedures in respect of any of its WT Act licences. However, the Group has received a notice of revocation in respect of the WT Licences for COM 7 and COM 8, as initially contemplated in the break clause.

Spectrum Trading

The WT Act allows Ofcom to make regulations authorising wireless telegraphy licence holders to transfer rights and obligations under licences which have been designated as tradeable to a third party (known as spectrum trading). Only certain types of spectrum licences have been designated as tradeable and spectrum trading does not, for example, apply to the WT Act licences that Arqiva holds in respect of its television and radio Multiplexes (unless selling the relevant Multiplex as well).

Spectrum trading was first introduced in the UK by the Wireless Telegraphy (Spectrum Trading) Regulations 2004 (as amended) which allows for three different types of transfer:

- outright transfers—where all rights and obligations under a licence are transferred from one party to another (so that the transferor no longer has any rights or obligations under the licence);
- concurrent transfers—where the rights and obligations under a licence are transferred on a concurrent basis (so that the transferor and transferee both share the rights and obligations under the licence); and
- partial transfers—where only some of the rights and obligations under a licence are transferred from one party to another. Partial transfers can be outright or concurrent and the transfer can be on a frequency, geographical or time basis.

The type of transfer a licensee can undertake will depend on which class the licence is in and whether that class allows for all or only some types of trade.

With spectrum trading, the transferee is granted its own WT Act licence. In 2011, spectrum leasing was also introduced. With spectrum leasing, the lease holder is not granted its own licence (as is the case with spectrum trading) but uses the licence holder's spectrum by virtue of a lease contract with the licence holder. Currently, spectrum leasing is limited to business radio area defined licences and most auction licences.

In relation to Arqiva's spectrum licences, the two spectrum licences that Arqiva acquired at auction (national licences for the 412-414 MHz and 28 GHz frequencies) are tradeable.

Arqiva acquired additional spectrum licences in the 28 GHz band originally awarded to UK Broadband Limited in 2016 through spectrum trading. The licences are each limited to use in a defined geographical area, linked to the locations of Arqiva's satellite earth stations. In July 2017, the Group acquired an additional 28 GHz spectrum licence from an intelligent managed services provider, Luminet. This licence for 224 MHz of spectrum covers Central and Greater London and bolsters the Group's existing nationwide 28 GHz band ownership.

Arqiva and Airwave entered into a memorandum of understanding on 16 May 2008, under which Arqiva granted Airwave an option to take a lease of radio spectrum between 412-414 MHz and 422-424 MHz, which was licensed by Ofcom to Arqiva at the time. Arqiva exercised its right to call back 20 of the 80 channels in 2008 to use for electricity and gas smart metering. The Group repurchased a further 20 channels in December 2017 to provide increased capacity for the Group's smart metering contracts with the DCC and Thames Water.

Multiplex Licences

Digital Terrestrial Television

DTT is transmitted on television Multiplexes licensed by Ofcom. The following Multiplexes are currently licensed for DTT in the UK: Multiplex 1 (PSB 1), Multiplex 2 (PSB 2), Multiplex A (COM 4), Multiplex B (PSB 3), Multiplex C (COM 5), Multiplex D (COM 6), Multiplex E (COM 7 and 8), Multiplex L (local) and Multiplex Northern Ireland. Multiplexes C, D and E (the latter of which permits two HD enabled Multiplexes which are referred to as "COM 7" and "COM 8" and together as the Group's DVB-T2 Multiplexes) are licensed to the Group and operated by Arqiva Services Limited.

Commercial DTT Multiplex licences consist of a licence to provide a multiplex service under the Broadcasting Act and a separate licence under the WT Act to permit use of the allocated spectrum frequencies associated with operating under the Broadcasting Act licence (see further "*—Wireless Telegraphy Act Licences*" above). The exceptions to this are that: (a) one Multiplex operated by the BBC (Multiplex 1) is granted by the government and therefore consists only of the WT Act licence concerning the necessary spectrum, with no Broadcasting Act licence; and (b) Arqiva's "Multiplex E" licence consists only of a WT Act and does not require an associated Broadcasting Act licence (see further "*—700 MHz Clearance Project and DVB-T2 Multiplex licences*" below).

Multiplex licences contain conditions for the provision of services over the Multiplex and the behaviour of the licensee, such as: ensuring that the signals attain high standards in terms of technical quality and reliability; ensuring that a certain percentage of digital capacity is used or available for use for the broadcasting of particular types of programmes or services; the provision of information to Ofcom; and complying with any guidance approved by Ofcom for the purpose of ensuring fair and effective competition in the provision of licensed services. Ofcom may vary Multiplex licence conditions in any respect provided that the licensee has been given a reasonable opportunity to make representations to Ofcom concerning the proposed variation.

Multiplex licensees are also constrained by the prescribed technical conditions within which they are required to operate. For example, the frequencies that licensees are required to operate under, the powers that the licensees are required to operate at and the manner and form in which the services are to be provided are all prescribed by Ofcom. As noted above (see "*—International Spectrum Regulation*"), Ofcom's approach to spectrum management, including in relation to Multiplex licences, is informed and influenced by the policies adopted by the European Commission and the ITU.

DTT Multiplex licences under the Broadcasting Act are issued for an initial term of 12 years, with an option (if the licence was granted before 1 October 2002, as was the case with Multiplexes C and D) to apply for one further 12-year renewal period (i.e. a maximum term of 24 years). The original term of the Broadcasting Act licences awarded to Arqiva Services Limited to operate Multiplexes C and D was due to expire in November 2014. In accordance with the terms of the licences, Arqiva Services Limited applied to renew both licences for a further period of 12 years. In January 2012, Ofcom issued a statement to confirm its decision that both licences should be renewed (until November 2026) without the imposition of any additional obligations or a requirement to pay any additional fees (other than the standard licence renewal fee and subject to any future imposition of Administered Incentive Pricing (**AIP**)). See "*—Future Pricing of Spectrum for Digital Terrestrial Broadcasting*" below. Both the Broadcasting Act licences and the related WT Act licences for Multiplexes C and D have been renewed until November 2026.

In 2014, Ofcom stated that it "does not currently expect a full switch-off of DTT until post 2030". Furthermore, a High Level Group on the future of the UHF band was commissioned by the European Commission in 2013. Its Chairman, Pascal Lamy, presented his report in 2014, which highlighted the need for "safeguards for access to spectrum below 700 MHz until 2030" to provide reassurance "to terrestrial broadcasting for a next cycle of investments".

700 MHz Clearance Project and DVB-T2 Multiplex licences

Following a November 2015 decision at the World Radiocommunication Conference, Ofcom decided to clear the 700 MHz band of broadcasting by 2022. Ofcom confirmed an accelerated clearance date of May 2020 in October 2016 with the intention to auction the cleared frequencies for mobile data usage. This is intended to meet increasing consumer demand for mobile services, which is expected to continue for the next decade, and to harmonise international band plans. In order to create this additional space for mobile broadband, some of the DTT platform services are being moved from the 700 MHz band (694-790 MHz) into the 600 MHz band (550-606 MHz, and which had been cleared as a consequence of the digital switchover, which was completed in October 2012 in the UK resulting in the switch off of all analogue TV services).

On 29 July 2013, Ofcom issued the Group a single licence for the use of the 600 MHz band for establishing DTT Multiplexes using DVB-T2/MPEG-4 technology (the **DVB-T2 Multiplex licences**). The DVB-T2 Multiplex licences were granted for the purpose of providing a DTT multiplex service (which is also capable of providing additional services including HD content). The DVB-T2 Multiplex licences are granted under the WT Act alone (with no associated licence under the Broadcasting Act). They expire nominally on the 31 December 2026 subject to early revocation by Ofcom, which can be made on 24-months' notice. As part of 700 MHz clearance these multiplexes will be moved to the "centre gap" spectrum in the 700 MHz band. Ofcom stated in October 2016 that it would permit the DVB-T2 Multiplexes to continue operating until at least 1 May 2020. Ofcom recently served notice on the DVB-T2 licences, and accordingly the licences will end in June 2020. However, Ofcom may permit services to continue after that date, through a new licence arrangement, if there is not demand from MNOs for use of the spectrum. The Group is discussing the terms of this extended access with Ofcom.

In 2016, Ofcom decided to accelerate the 700 MHz clearance programme by 18 months and aims to release the 700 MHz band in the second quarter of 2020. The 700 MHz clearance programme is underway with changes occurring at different times in each area of the UK, starting with parts of Scotland in 2017. See "*—Digital Terrestrial Television*" above.

Commercial Radio Multiplex Licences

As of 30 June 2018, there were 59 commercial digital radio Multiplex licences in the UK; two national commercial digital radio Multiplex licences (one owned by Digital One Limited and the other by Sound Digital Limited, both being members of the Arqiva group) and 57 local commercial digital Multiplex licences (of which 25 were owned by various members of the Arqiva group, including through JVs). These are in addition to the one national digital radio Multiplex licence owned and used by the BBC. Commercial radio Multiplex licences consist of a licence to provide a multiplex service under the Broadcasting Act and a separate licence under the WT Act to permit use of the allocated spectrum frequencies associated with operating under the Broadcasting Act licence (see further "*—Wireless Telegraphy Act Licences*" above).

The original national commercial radio Multiplex licence awarded to Digital One Limited was due to expire in November 2011. Ofcom agreed to renew the licence for a further 12 years, expiring in November 2023. The only requirement imposed by Ofcom in connection with the licence renewal was to require Digital One Limited to submit a new technical plan which shows how its current levels of coverage are provided and will continue to be provided throughout the period of the renewed licence.

The second national commercial radio Multiplex licence is held by Sound Digital Limited, a joint venture company 40% owned by Arqiva Limited, with Bauer Radio Limited and Wireless Group Media (GB) Limited (formerly UTV Media (GB) Limited) owning 30% each. See "*Business—Business Units—Terrestrial Broadcast Business Unit—Terrestrial Broadcast—Radio—Managed transmission services*"). The licence was granted on 24 February 2016 and is due to expire on 29 February 2028.

Under the Broadcasting Act, Radio Multiplex licences are generally granted for an initial period of twelve years. All of the 25 commercial local radio licences held by an Arqiva group member are due to expire between 2022 and July 2026. Commercial radio Multiplex licences may be renewed once for a subsequent period of either eight or 12 years (the period for renewal for any given licence depends on the date the licence was originally granted). Commercial local radio Multiplex licences can be renewed more than once if the licence holder has completed works to ensure coverage meets that in Ofcom's coverage plan, but licences renewed under this condition will expire on 31 December 2030.

As with DTT Multiplex licences, national and local commercial radio Multiplex licences contain conditions for the provision of services over the Multiplex and the behaviour of the licensee, such as: ensuring that the signals attain high standards in terms of technical quality and reliability; ensuring that the amount of digital capacity reserved by Ofcom for any other holders of national Multiplex licences (on the frequencies specified by Ofcom) is available for the broadcasting of a simulcast radio service; that at least 80% (or such other percentage as the Secretary of State may specify) of digital capacity on the frequencies specified by Ofcom is used or available for use for the broadcasting of digital sound programme services, simulcast radio services, programme-related services and relevant technical services; the provision of information to Ofcom; complying with any guidance approved by Ofcom for the purpose of ensuring fair and effective competition in the provision of licensed services; and complying with any direction given by Ofcom which (in the opinion of Ofcom) is appropriate having regard to Ofcom and the licensee's duties imposed by the Broadcasting Act, the Broadcasting Act 1990 and the Communications Act.

Ofcom may vary commercial radio Multiplex licence conditions in any respect provided that the licensee has been given a reasonable opportunity to make representations to Ofcom concerning the proposed variation.

Commercial radio Multiplex licences (national and local) (and the associated WT Act licences see "*—Wireless Telegraphy Act Licences*" above) also require adherence to the Digital Technical Code (the **DT Code**), which incorporates technical requirements common to all such licences. The current version of the DT Code (published on 1 July 2014) includes requirements on radiated signals, technical management of Multiplexes and relationship of data services to bearer conduits.

Digital Radio Switchover

The Digital Economy Act 2010 gives the Secretary of State the power to nominate a date for the switch from analogue to digital radio broadcasting and sets out changes to the licensing regime to take into account radio digital switchover. The Digital Radio Action Plan launched in 2010 was finalised in November 2013 and the DCMS announced it was not yet time to commit to the switchover. The government stated that it would undertake a review which would consider setting a date for the digital radio switchover when the following two criteria were met: when 50% of all radio listening is via digital platforms; and when national DAB coverage is comparable to FM and local DAB reaches 90% of the population and all major roads. These conditions have recently been met and, as of June 2018, the Group is awaiting to hear from Government on its plans for an industry review and consultations. See "*Industry—The UK Radio Industry—Digital Radio Switchover*".

Enforcement

If Ofcom is satisfied that a television or commercial radio Multiplex licensee has failed to comply with a condition of the licence or a related Ofcom direction, Ofcom can require the licensee to pay a financial penalty or reduce the licence period by up to two years. The amount of any financial penalty imposed:

- in respect of a television or national radio commercial Multiplex licensee, is not to exceed the greater of £250,000 (or such other sum as the Secretary of State may specify) and 5% of the aggregate amount of the share of Multiplex revenue attributable to the licensee (as defined in the Broadcasting Act) for its last complete accounting period falling within a period for which the licence has been in force; and
- in respect of a local radio commercial Multiplex licensee, is not to exceed £250,000.

If the licensee's failure is such that (if not remedied) it would justify the revocation of the licence, Ofcom may specify the steps to be taken to remedy the failure, within a specified time period. If the licensee fails to take such steps, Ofcom may revoke the licence if it is satisfied that it is necessary in the public interest to do so.

There are certain other circumstances provided for in the Broadcasting Act and the Broadcasting Act 1990 under which Ofcom could revoke a television or commercial national radio or local radio Multiplex licence, including (i) if there is a change in the nature or characteristics of the licensee or any change of control of the licensee which is such that Ofcom would not have granted the licence in the new circumstances; (ii) if Ofcom is satisfied that the licensee ceases to be a fit and proper person to hold the licence; (iii) if the licensee fails to comply with a requirement to hold a related licence under the WT Act; or (iv) if Ofcom is required to revoke the frequencies on which the Multiplex service is provided.

To date, Arqiva has not been subject to any enforcement procedures in respect of any of its television or radio Multiplex licences.

Future Pricing of Spectrum for Terrestrial Broadcasting

Up to 2014, terrestrial broadcasters only paid administrative cost-based fees for their use of spectrum. Some commercial broadcasters also paid certain fees under the Broadcasting Act that include an implicit charge for use of spectrum. In 2013, Ofcom announced a potential framework for introducing spectrum rental fees under an AIP scheme to encourage efficient spectrum use (i.e. based on the opportunity cost of the spectrum used). Ofcom has stated that it does not envisage applying AIP-based fees until 2020. In the interim period from late 2014 to 2020, Ofcom has charged and is expected to continue to charge administrative cost-based fees to Multiplex operators, like the Group, based on Ofcom's direct costs associated with managing spectrum and the administration of broadcast licences. Since late 2014, Ofcom has charged operators £188,000 per national DTT Multiplex per year in such fees.

Site Regulation

Landlord and Tenant Act

While the recently-enacted new EC Code ended the duplication of control that has existed over several decades by providing that new Code leases will not benefit from security of tenure provisions in the Landlord and Tenant Act 1954 (**1954 Act**) (see "*—Communications Act—Code Powers—Review of Electronic Communications Code*"), the 1954 Act continues to apply on expiry of protected leases until a new lease is entered into (or the lease is terminated under the 1954 Act). When the new lease is completed, it will be governed by the new EC Code and the 1954 Act will no longer apply. The 1954 Act affords a tenant under a qualifying business an automatic right to renew its lease unless the landlord successfully opposes the grant of a new lease on one of the grounds contained in section 30(1) of the 1954 Act (such as the landlord intends to occupy the premises himself or to demolish, reconstruct or carry out a substantial redevelopment of the premises). However, the 1954 Act does not apply to genuine licences (rather than agreements which are labelled licences but are in fact leases—the key difference being that a licensee does not have exclusive possession of the premises) and it is possible to contract out of the 1954 Act. This is in contrast to the EC Code which applies to both leases and licences and cannot be contracted out of.

Town and Country Planning Legislation

Different planning systems operate across the four main UK regions (England, Scotland, Wales, and Northern Ireland), although the key elements are similar. All systems require planning permission for operational development and material changes of use. Such permissions can be granted either on application to the local planning authority (with appeal procedures if refused) or by the relevant General Permitted Development Order (**GPDO**) in each region. GPDOs grant permitted development rights to EC Code operators, like Arqiva, and vary across the UK. Such rights are subject to limitations and conditions. For example, in England most new masts up to a height of 25 meters are permitted in undesignated areas or 20 meters in designated areas (e.g. highways, national parks, areas of outstanding natural beauty and conservation areas) but are still subject to local authority approval on detailed siting and appearance, which can be refused. In Wales, a new mast of up to 15 meters benefits from permitted development rights subject to prior approval.

In Scotland, changes to permitted development rights for EC Code operators came into effect on 31 July 2017 in which new ground based masts up to 25 meters in height and which are outside designated areas will be subject to permitted development rights subject to a form of prior approval. Northern Ireland carried out a consultation on permitted development rights for EC Code Operators in 2016 where permitted development rights exist in respect of existing masts. Where planning applications are required, they must be determined against relevant national and local policy. These universally encourage mast or site sharing as the first option to explore, in reference to deploying new radio masts. For example in England, the National Planning Policy Framework provides that in preparing local plans, local planning authorities should:

- support the expansion of Electronic Communications Networks (**ECN**), including telecommunications and high speed broadband;
- aim to keep the numbers of radio and telecommunications masts and the sites for such installations to a minimum consistent with the efficient operation of the network; and
- existing masts, buildings and other structures should be used, unless the need for a new site has been justified.

This policy requirement echoes a statutory requirement placed on EC Code operators, who include the MNOs. Regulation 3(4) under the EC Code requires a code operator to share the use of electronic communications apparatus, where practicable.

Radio Spectrum Policy Program

On 15 February 2012, the European Parliament adopted the Radio Spectrum Policy Programme (**RSPP**) which sets out the EU principles to ensure efficient management and use of spectrum and to promote investment, competition and innovation. Recital 10 of the RSPP notes that the programme should specify guiding principles and objectives up to 2015. In February 2016, the Radio Spectrum Policy Group (**RSPG**), a high-level advisory group that assists the European Commission in the development of radio spectrum policy, noted that the objectives of the first RSPP have been largely fulfilled; in particular the implementation of harmonisation measures to support the internal market and the identification of at least 1200 MHz of suitable spectrum for wireless data traffic. The RSPG also called on the European Commission to review and revise the RSPP to set new objectives and targeted actions for the coming years. No such review has yet taken place.

The RSPG is actively contributing to the development of Europe's spectrum policy strategy regarding 5G. In June 2017 the RSPG Working Group on spectrum related aspects of 5G published a progress report setting out the RSPG's plans to develop a strategic roadmap towards 5G for Europe, which will focus on the services to be offered and the goals to be achieved by the deployment of 5G systems. This work is closely linked to the RSPG's separate strategic review on spectrum aspects of the IoT, which addresses the impact of 5G on the sector.

The RSPG developed a strategic roadmap towards 5G for Europe and adopted a second opinion on 5G in February 2018 (supplementary opinion on strategic issues related to spectrum regulation of 5G networks). In June 2018 the RSPG Working Group on 5G published a progress report, in which they stated that "RSPG will continue its efforts and contribute actively to the development of Europe's spectrum policy strategy regarding 5G, including bands being studied at WRC, and other spectrum needed to deliver the services to all European citizens including for IoT/M2M and other applications such as ITS." The progress report also noted that RSPG intended to issue a draft report and opinion in November 2018 with a final report and opinion in April 2019.

MANAGEMENT

Board of Directors

The Board of Directors of the Group currently consists of a non-executive Chairman and eight non-executive members. One further non-executive member is expected to be added in September 2018. The Board of Directors meets approximately six times per annum to discuss the performance of the Group against its strategic objectives, current and future projects and innovations and to discuss any other issues that may impact the day-to-day running of the business in the short- to medium-term.

The Board of Directors is the main policy making and oversight board of the Group and, together with the Management Board, conducts the day-to-day operations of the activities of the Group. The Management Board is made up of the CEO, CFO, General Counsel and Company Secretary and senior managers of the Group. Information on the Management Board is set out below.

The following table sets out certain information with respect to the members of the Board of Directors as at the date of this Offering Memorandum. The address for each of the directors is Crawley Court, Winchester, SO21 2QA, United Kingdom.

Name	Age	Position
Michael Parton	64	*Independent Non-Executive Chairman*
Sally Davis	65	*Independent Non-Executive Director*
Frank Dangeard	60	*Independent Non-Executive Director*
Mark Braithwaite	52	*Non-Executive Director*
Paul Donovan	60	*Non-Executive Director*
Martin Healey	45	*Non-Executive Director*
Neil King	54	*Non-Executive Director*
Nathan Luckey	39	*Non-Executive Director*
Christian Seymour	54	*Non-Executive Director*
Peter Adams (alternate)	36	*Non-Executive Director*
Deepu Chintamaneni (alternate)	38	*Non-Executive Director*

Biographies

Michael Parton

Independent Non-Executive Chairman

Michael Parton joined Arqiva as Chairman in April 2015, bringing a wealth of experience from his background in telecoms and technology. Mr Parton started his career as a Chartered Management Accountant, working for a number of UK technology companies including ICL, GEC, STC and Marconi. He moved into General Management in 1995 at Marconi, and became CEO in 2001. Mr Parton became Chairman of Damovo in 2007 and the Chairman of TDC in 2018.

Sally Davis

Independent Non-Executive Director

Sally Davis joined Arqiva in July 2015. With over 30 years in the technology, media and telecommunications sector, Ms Davis has held a number of senior product, strategy and chief executive roles including being a former Chief Executive of BT Wholesale, one of the four operating divisions of BT. Prior to this, Ms Davis had an early product management career at Mercury Communications before starting a cable television company, Cable London. As the industry consolidated Ms Davis moved to working for NYNEX first of all in the UK and then in the US, working on international development and strategy as NYNEX evolved to become Verizon. Ms Davis returned to the UK in 1999 joining BT, running products globally, establishing new businesses and eventually as CEO of BT Wholesale. Ms Davis is also a Non-Executive Director on the Boards of Telenor ASA, Logitech International SA, and Cityfibre Infrastructure Holdings plc and is the Chair of the charity Leonard Cheshire Disability.

Frank Dangeard

Independent Non-Executive Director

Frank Dangeard joined Arqiva as an independent non-executive director in September 2018. During his executive career in the telecoms, media and technology sector, he held various positions at Thomson S.A., including Chairman & CEO, and was Deputy CEO of France Telecom. Prior to that, he was Chairman of SG Warburg France and a Managing Director of SG Warburg. Mr Dangeard is a member of the boards of Symantec (US) and the RBS Group (UK). He is also Chairman of NatWest Markets (UK), the investment bank of the RBS Group. Previously he served on the boards of Crédit Agricole CIB, Home Credit, Electricité de France, Orange, SonaeCom, RPX and as Deputy Chairman of Telenor. Mr Dangeard graduated from Ecole des Hautes Etudes Commerciales (Prix Jouy-Entreprise), the Paris Institut d'Etudes Politiques (Lauréat) and Harvard Law School (HLS Fellow, Fulbright Scholar).

Mark Braithwaite

Non-Executive Director

Mark Braithwaite joined Arqiva as a non-executive director in June 2014. He is a Senior Managing Director in the Macquarie Infrastructure and Real Assets division of Macquarie. Mr Braithwaite was previously CFO of Thames Water, the UK's largest water and wastewater services company. Prior to joining Thames Water, Mr Braithwaite was finance director of the customer and energy divisions at EDF Energy plc, and before that held a number of senior Finance positions at Seeboard plc. Mr Braithwaite has other non-executive directorship roles for companies within MIRA's investment portfolio and is also a trustee of Leadership through Sport & Business, a UK social mobility and employability charity.

Paul Donovan

Non-Executive Director

Paul Donovan joined Arqiva as a non-executive director in September 2018. He is currently CEO of the CH Foundation, a not for profit organisation, CEO of TCI Investment Services and CEO of Parktown Consulting Limited. Mr Donovan has over twenty years' experience in senior executive roles across the technology, media and telecommunications sectors, as a member of the Executive Committee at Vodafone Group, and as CEO at eircom Group (now known as Eir) and Odeon and UCI Cinemas Group. Mr Donovan holds an MBA from Bradford University where he is also an Honorary Doctor.

Martin Healey

Non-Executive Director

Martin Healey joined Arqiva as a non-executive director in April 2018. Mr Healey heads the Real Assets Strategy Group at CPP Investment Board. He is a member of CPPIB's global committees for equity investments into real estate, infrastructure and power & renewables, as well as for real estate debt. Prior to joining CPPIB, Mr Healey held transactional roles in the real estate, commercial lending and investment banking industries, based in the UK, Canada and the United States. He holds a B.A. (Honours) in Marketing from the University of Strathclyde and an M.B.A. with emphasis in Real Estate from the University of California, Berkeley.

Neil King

Non-Executive Director

Neil King joined Arqiva as a non-executive director in April 2017. Mr King was appointed to the board by Frequency Infrastructure Communications Assets Limited. Mr King runs the European infrastructure business at CPP Investment Board. Mr King has over 25 years of experience in the infrastructure market, including 10 years at 3i as a founding partner in its infrastructure investment business before joining CPPIB in 2015. Mr King is also a non-executive director at Interparking S.A., a European car parking business which is in CPPIB's infrastructure investment portfolio.

Nathan Luckey

Non-Executive Director

Nathan Luckey joined Arqiva as a non-executive director in February 2013. Mr Luckey is a Managing Director in Macquarie Infrastructure and Real Assets (**MIRA**), and holds a number of non-executive directorship roles for companies within MIRA's investment portfolio. Mr Luckey is a qualified Mechanical Engineer, with expertise across the utilities, telecommunications, transportation and media sectors.

Christian Seymour

Non-Executive Director

Christian Seymour joined Arqiva as a non-executive director in June 2005. Mr Seymour was appointed by Conyers Trust Company (Cayman) Limited in its capacity as trustee of the IFM Global Infrastructure Fund. Mr Seymour is Head of Infrastructure UK & Europe at IFM Investors, responsible for the business expansion in Europe and oversight of IFM Investors' existing European asset portfolio, for which IFM Global Infrastructure Fund is the investment vehicle.

Management Board (comprising the Senior Management Team)

The following table sets out certain information with respect to the senior management of the Group as at the date of this Offering Memorandum. The address for each of these managers is Crawley Court, Winchester, SO21 2QA, United Kingdom.

Name	Age	Position
Simon Beresford-Wylie	60	*Chief Executive Officer*
Jane Aikman	52	*Chief Financial Officer*
Neil Taplin(1)	46	*Director of People and Organisation*
Jeremy Mavor	40	*General Counsel and Company Secretary*
Stephen Holebrook	53	*Managing Director—Terrestrial Broadcast*
David Crawford	48	*Managing Director—Telecoms & M2M*
Alex Pannell	44	*Managing Director—Satellite & Media*
Clive White	48	*Group Transformation Director*

(1) Effective from 1 October 2018.

Biographies

Simon Beresford-Wylie

Chief Executive Officer

Simon Beresford-Wylie joined Arqiva as CEO in August 2015. Mr Beresford-Wylie has 35 years of experience in the telecommunications industry, including over ten years at the CEO level. Prior to joining Arqiva, Mr Beresford-Wylie previously helped guide the strategy and operations of Samsung Electronics' network business in Seoul, Korea. Prior to that, he was CEO of UK-based Digital Mobile Spectrum Limited (**DMSL**)—also known as At800. Between 2009 and 2012, Mr Beresford-Wylie was CEO of Elster Group (SE), a NYSE listed, German-based, supplier of metering and gas infrastructure solutions. He also worked for Nokia for over ten years, including as the founding CEO for Nokia Siemens Networks. Mr Beresford-Wylie holds a degree from the Australian National University, Canberra.

Jane Aikman

Chief Financial Officer

Jane Aikman was appointed as Chief Financial Officer in July 2018. Ms Aikman has previously held senior executive roles in both private and publicly listed technology, telecoms and infrastructure companies. Immediately prior to joining Arqiva, Ms Aikman was CFO of KCOM Group plc, a listed communications services and IT solutions provider. Prior to KCOM, Ms Aikman was CFO and Chief Operating Officer of Phoenix IT Group plc until its acquisition by Daisy Group in 2015. She has also held CFO positions at Infinis plc, Wilson Bowden plc and Pressac plc. She holds a civil engineering degree and is a member of the Institute of Chartered Accountants in England and Wales.

Neil Taplin

Director of People and Organisation

Neil Taplin joined Arqiva in 2015 as Director of Operations in the Terrestrial Broadcast business unit overseeing improvements operation and stakeholder satisfaction. He has been appointed to the role of Director of People & Organisation with effect from 1 October 2018. Prior to joining Arqiva, he spent 12 years in a number of senior operations roles at Virgin Media and, prior to that, he led the service organisation for a global white goods company (The Indesit Company, part of the Whirlpool Group). Mr Taplin graduated with a degree in Economics and gained a PDBA from Newcastle University.

Jeremy Mavor

General Counsel and Company Secretary

Jeremy Mavor was appointed to the Management Board in January 2018 with responsibility for all legal and regulatory affairs. Mr Mavor joined Arqiva in 2013 having spent 10 years at global law firm Allen & Overy. Mr Mavor worked in their London and Paris offices on a broad range of cross border corporate finance and M&A matters. Mr Mavor also spent time at Natixis and BNP Paribas when he was based in France. Mr Mavor graduated from the University of Edinburgh with an MA in History and Politics and is a qualified solicitor. He obtained his post-graduate diplomas in law from College of Law, Guildford, and BPP Law School in London.

Stephen Holebrook

Managing Director—Terrestrial Broadcast

Stephen Holebrook is Managing Director of the Group's Terrestrial Broadcast business unit. Mr Holebrook joined Arqiva (NTL as then known) in 1995 and has held a variety of roles in the company, including running the standalone Satellite and Terrestrial business units and the combined Broadcast and Media division. Mr Holebrook has previously worked for Mercury Communications, Kingston Satellite Services, British Aerospace and British Telecom International. Mr Holebrook graduated from Newcastle University with a degree in Electrical & Electronic Engineering in 1987 and gained a Master of Science postgraduate degree at Surrey University in 1989.

David Crawford

Managing Director—Telecoms & M2M

David Crawford is Managing Director of the Group's Telecoms & M2M business unit. Mr Crawford has significant Telecoms and Business Process Outsourcing experience, having held a number of service and commercial leadership roles at Cable & Wireless and, most recently, Capita. Mr Crawford also has extensive international experience, having worked in Asia for Jardine Matheson and in the Caribbean for C&W. He also spent a number of years in strategy consultancy with Bain & Company. He also has extensive experience within the Group as he was the MD for Satellite & Media business unit between 2014 and early 2018. Mr Crawford is a graduate of Cambridge University and has an MBA from IMD.

Alex Pannell

Managing Director—Satellite & Media

Alex Pannell is Managing Director of the Group's Satellite & Media business unit. Mr Pannell has over 15 years' experience in leadership roles, working with managed ICT & media services both in the UK and International markets. Mr Pannell joined Arqiva in 2012, where he has led the Product & Technology unit, Media Services unit, and most recently the global commercial teams within Satellite & Media. Prior to joining Arqiva, he spent seven years at BT, joining as a Manager within IP Services before becoming a Director in BT Wholesale where he ran their broadband, voice portfolio teams and led two enterprise business units—BT Directory & Operator Services and BT Agile Media. Before this, Mr Pannell spent four years at Concert Communications as the Head of Global IP Services taking to market a range of new global IP services including the world's first international IP VPN MPLS service.

Clive White

Group Transformation Director

Clive White was appointed in April 2018 and is responsible for delivering Arqiva's FutureFit transformation, IT and networks and cyber security. He brings a wealth of business transformation and change management knowledge to the role, with experience in the banking, insurance, pensions and investments, telecoms, media and technology sectors. Mr White joined from the international insurer RSA, where he led the design and implementation of their UK transformation journey and the first three years of their programme to implement not only substantial efficiency savings, but also build and develop new organisational capabilities. Prior to this he held several transformation related roles at Lloyds Banking Group, Accenture, AT&T Global Network Services and BSkyB. Mr White holds a BSc in integrated computer science and an MBA (Exec) from the University of Bath.

Compensation of Senior Management

For the financial years ended 30 June 2018, 2017 and 2016, the aggregate compensation paid to Arqiva's senior management team named above was £5.7 million, £4.1 million and £9.0 million, respectively (in each case including National Insurance contributions, cash compensation for salary, bonuses, pensions and other benefits). Excluding amounts paid in relation to compensation for loss of office, the aggregate compensation paid was £4.5 million, £4.1 million and £6.5 million, respectively. The change in compensation reflects a restructuring of the Management Board in 2016 and new appointments made to the Management Board throughout 2016, 2017 and 2018. Of the eight members of the senior management team listed above and included in these aggregate compensation figures, six had joined the company by 30 June 2016, a total of six had joined by 30 June 2017 and a total of seven had joined by 30 June 2018.

Corporate Governance

There are four sub-committees of the Board of Directors comprising:

(a) the Audit & Risk Committee, comprised of Frank Dangeard (Chair), Mike Parton, Paul Donovan, Martin Healey, Christian Seymour and Mark Braithwaite, which has the responsibilities of handling risk management procedures and internal controls, compliance (including whistle blowing arrangements) and regulatory issues, accuracy of group financial statements, the appointment and remuneration of external auditors, and internal audit department reports to the Audit & Risk Committee;

(b) the Nominations Committee, comprised of Mike Parton (chair), Neil King, Christian Seymour and Mark Braithwaite, which has the responsibilities of overseeing the size, structure and composition (including skills, experience, independence, knowledge and diversity) of the Board of Directors to ensure that the continued leadership ability is sufficient to allow the business to compete effectively in the market;

(c) the Remuneration Committee, comprised of Sally Davis (Chair), Mike Parton, Paul Donovan, Neil King, Christian Seymour and Mark Braithwaite, which has the responsibilities of assisting the Board in deciding and approving remuneration of key Group personnel, and reviewing matters involving all Group personnel; and

(d) the Operational Resilience Committee, comprised of Paul Donovan (chair), Frank Dangeard, Martin Healey, Christian Seymour and Nathan Luckey, which has the responsibilities of overseeing the effectiveness of the operational resilience strategies and procedures of the Group (including principles, policies and practices adopted in complying with all statutory, and sub-statutory, standards and regulatory requirements in respect of safety, health and environment matters affecting the activities of the Group).

Risk Management

The Group has a strong corporate governance framework in place and also pays considerable attention to the management of risk. This includes but is not limited to:

- an established enterprise risk management policy and framework in place across the whole Group;
- risk registers which are actively maintained and managed by each business, used to capture and assess the risks faced and summarise the mitigating controls currently in place as well as describe additional

controls that will be implemented to further reduce the risk exposure, and which are maintained in line with the monthly business reviews;

- a corporate level risk register, which is formally reviewed every three to four months with the CEO and the Management Board;
- a risk management update, which is presented at the Audit & Risk Committee meetings scheduled across the year; and
- an internal audit function which delivers an audit plan which is approved by the Audit & Risk Committee.

The Group has consistently demonstrated the effectiveness of its risk management approach and believes it has ensured the necessary controls and actions are in place to mitigate those risks, in particular those relating to recent GDPR legislation, IT security activity and the 700 MHz clearance programme.

PRINCIPAL SHAREHOLDERS

The following table sets out the principal entities directly or indirectly owning at least 5% of the share capital of the Group's ultimate parent, AGL as at the date of this Offering Memorandum and the percentage of share capital held by such entities:

Name of relevant entities	Number of shares held	Percentage of share capital (%)
Frequency Infrastructure Communications Assets Limited[(1)]	314,028,405	48.0
MEIF II Luxembourg Communications S.à r.l	163,547,390	25.0
Conyers Trust Company (Cayman) Limited[(2)]	97,061,692	14.8
The Trust Company Limited[(3)]	35,495,023	5.4
MTAA Superannuation Fund (NTL Broadcast) Utilities Pty Limited[(4)]	33,789,299	5.2

(1) The largest shareholders being Canada Pension Plan Investment Board (**CPPIB**) (86%) and Alberta Investment Management Corporation (**AIMCO**) (10%).

(2) In its capacity as trustee of IFM Global Infrastructure Fund.

(3) In its capacity as custodian for Health Super Investments Pty Ltd in its capacity as trustee of FSS Infrastructure Trust.

(4) In its capacity as trustee of the MTAA Superannuation Fund (NTL Broadcast) Utilities Trust.

SUMMARY OF THE TRANSACTION DOCUMENTS

The following is a summary of certain terms of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the Transaction Documents.

Transaction Documents means the Notes, the Note Trust Deed, the Agency Agreement, the Master Definitions Agreement, the Security Agreement, the Liquidity Facility Agreement, the Intercreditor Agreement, the Additional Intercreditor Agreement (as defined in "*Terms and Conditions*") and the Intercompany Loan Agreement.

Note Trust Deed

Unless defined above, all capitalised terms in this section titled "*Summary of the Transaction Documents—Note Trust Deed*" shall have the meaning given to them in *Condition 4 (Covenants)*.

General

The Issuer, the Guarantors and the Note Trustee will enter into a trust deed (the **Note Trust Deed**) pursuant to which the Notes will be constituted. The Note Trust Deed will include the form of the Notes.

The Note Trust Deed contains, amongst other things, the following provisions:

(a) the Issuer's covenant to the Note Trustee (who holds the benefit of the covenant on trust for the Noteholders) to pay the principal and interest on the Notes in accordance with the Conditions;

(b) the Issuer is at liberty from time to time (but subject always to the provisions of the Note Trust Deed) without the consent of the Noteholders to create and issue further notes having the same terms and conditions to the Notes so as to form part of the same class;

(c) requirements in relation to Global Notes and Definitive Notes;

(d) the Guarantees given by the Guarantors as further described below;

(e) the Note Trustee's power to authorise or waive any breach or proposed breach of any of the covenants or provisions of the Note Trust Deed, the Conditions or the other Transaction Documents or determine that any Event of Default shall not be treated as such for the purposes of the Note Trust Deed, provided that the Note Trustee shall not exercise such powers conferred upon it by such provision in contravention of the Intercreditor Agreement, any express direction by an Extraordinary Resolution (as defined in the Note Trust Deed) or of a request pursuant to *Condition 13.2 (Modification and waiver)*;

(f) provisions relating to meetings of Noteholders; and

(g) the appointment, retirement, removal, remuneration, indemnification and liability of the Note Trustee.

Guarantees

The Guarantors each unconditionally and irrevocably guarantee that if the Issuer does not pay any sum payable by it under the Note Trust Deed or the Notes at the time and on the date specified for such payment (whether on the normal due date, on acceleration or otherwise) the Guarantors will pay or procure the payment of that sum to or to the order of the Note Trustee, according to the terms of the Note Trust Deed and the Notes (as applicable).

The Guarantors each unconditionally and irrevocably agree, as an independent primary obligation, that they will pay to the Note Trustee sums sufficient to indemnify the Note Trustee and each Noteholder against any loss suffered by it as a result of any sum expressed to be payable by the Issuer under the Note Trust Deed or the Notes not being paid on the due date or any other payment obligation of the Issuer under the Note Trust Deed or the Notes being or becoming void, voidable or unenforceable for any reason.

Each of the Guarantor's guarantee is a continuing guarantee and shall remain in full force and effect until all amounts due in respect of the Notes or under the Note Trust Deed have been paid in full. Each of the Guarantors shall be subrogated to all rights of the Note Trustee and the Noteholders against the Issuer in respect of any amounts paid by it pursuant to the Guarantee.

The Guarantors have, pursuant to the Security Agreement, secured their obligations under the Guarantees. Enforcement of the security created pursuant to the Security Agreement is subject to the

Intercreditor Agreement. The payment obligations of the Guarantors in respect of the Guarantee constitute direct, secured, irrevocable and unconditional obligations of the Guarantors.

Covenants of the Obligors

In addition to the restrictive, information and general covenants set out in the Conditions of the Notes, so long as any Notes are outstanding, the Issuer and each Guarantor undertake each of the following among others:

(a) **Paying Agents**: to at all times maintain Paying Agent(s) in accordance with the Conditions of the Notes;

(b) **Notification of change to parties**: to give at least 14 days' notice to the Noteholders of change to any Paying Agent, the Agent Bank, the Registrar and/or the Transfer Agent or any of their specified offices;

(c) **Approval of notice to Noteholders**: to send to the Note Trustee, not less than three days prior to the date on which such notice is to be given, the form of every notice to be given to the Noteholders in accordance with the Conditions of the Notes and obtain prior written approval of the Note Trustee and promptly provide two copies of the final form of such notices to the Note Trustee;

(d) **Books of accounts**: to keep proper books of accounts and allow free access to them during business hours by the Note Trustee or a person appointed by the Note Trustee and make available the audited annual consolidated financial statements of the Parent Guarantor to the Paying Agent(s) at their specified offices for inspection by the Noteholders;

(e) **Auditors**: to cause to be prepared and certified by its Auditors or any other auditing firm of national repute, in respect of each of its financial years, accounts in such form as will comply with all relevant legal and accounting requirements and all requirements for the time being of the Luxembourg Stock Exchange or such other stock exchange as the Notes may be listed on from time to time;

(f) **Opinions**: to give or to procure to be given to the Note Trustee such opinions, certificates, information and evidence as it shall require and in such form as it shall require, for the purpose of the discharge or exercise of the duties, trusts, powers, authorities and discretions vested in it under the Note Trust Deed, the other Transaction Documents to which it is a party or by operation of law;

(g) **Ratings**: other than in respect of any commercially sensitive information in respect of the business of the Parent Guarantor and its Subsidiaries, to furnish, or procure that there is furnished, from time to time, any and all documents, instruments, information and undertakings that may be requested by the Rating Agencies in order to maintain the current ratings of the Notes (save that when any such document, instrument, information and/or undertaking is not within the possession or control of the Issuer, the Issuer agrees to use all reasonable efforts to furnish, or procure that there is furnished, from time to time any such documents, instruments, information and undertakings);

(h) **Listing**: to use all reasonable endeavours to maintain (or, in the case of the Guarantors, procure the Issuer maintains) the listing of the Notes on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market for as long as the Notes are outstanding (or, if such listing or trading ceases to be possible, or becomes duly onerous, then the Issuer will use its reasonable endeavours to obtain and maintain a listing of the Notes on such other exchange (which shall be a "regulated market" for the purposes of Article 1(13) of Directive 93/22/EEC and a "recognised stock exchange" (as defined in Section 1005 of the Income Tax Act 2007) for the purposes of section 882 of the Income Tax Act 2007));

(i) **Centre of main interests**: not to deliberately cause or allow its registered office or centre of main interests to be in or maintain an establishment (as that term is used in the European Insolvency Regulation (EU) 2015/848) in any jurisdiction other than England;

(j) **Further assurance**: so far as is permitted by applicable law, to at all times execute all such further documents and do all such acts and things as may be necessary at any time or times in the reasonable opinion of the Note Trustee to give effect to the Note Trust Deed and other Transaction Documents; and

(k) **Set-off**: to pay moneys payable by it to the Note Trustee without set-off, counterclaim, deduction or withholding, unless otherwise compelled by law and in the event of any deduction or withholding compelled by UK law pay such additional amount as will result in the payment to the Note Trustee of the full amount which would otherwise have been payable by it to the Note Trustee under the Note Trust Deed.

Governing Law

The Note Trust Deed (and any non-contractual obligations arising out of or in connection with it) will be governed by English law.

Intercompany Loan Agreement

The Issuer and AF No 2 will enter into an intercompany loan agreement under which all proceeds of issuance of the Notes will be on-lent by the Issuer (in such capacity, the **Intercompany Lender**) to AF No 2 (in such capacity, the **Intercompany Borrower**) (the **Intercompany Loan Agreement** and the loans by the Intercompany Lender to the Intercompany Borrower thereunder, the **Intercompany Loans**).

The Intercompany Loans will correspond to the principal amount of the Notes such that the economic terms of the Intercompany Loans match the economic terms of the corresponding Notes.

Intercompany Loans

Subject to the Issuer Profit Amount, each Intercompany Loan is structured and tranched to match the tenor, interest rate and payment dates of the corresponding Notes. In addition to the interest payable on each interest payment date, the Intercompany Borrower will pay to the Issuer (in its capacity as the Intercompany Lender) an amount to cover the Issuer's profit (the **Issuer Profit Amount**).

The Intercompany Loans to be made by the Issuer under the Intercompany Loan Agreement will be in amounts and at rates of interest corresponding to amounts and rates applicable to the Notes and will have interest periods which match the Interest Periods for such Notes. Interest on each Intercompany Loan made under the Intercompany Loan Agreement will accrue from the date of such Intercompany Loan. In addition, each Intercompany Loan will be repayable on the corresponding repayment date(s) in respect of the Notes.

Redemption for tax reasons, illegality or other reasons

If:

(a) the Intercompany Borrower would on the next Interest Payment Date be required to pay additional amounts due to withholding tax applying in respect of payments to be made under the Intercompany Loan Agreement in respect of any Intercompany Loan corresponding to the Notes; or

(b) by reason of a change in law, it has become or will become unlawful for the Issuer (in its capacity as Intercompany Lender) to make, fund or allow to remain outstanding all or any of the Intercompany Loans corresponding to the Notes made or to be made by it under the Intercompany Loan Agreement,

then the Issuer may, whilst such circumstance continues, give AF No 2 (in its capacity as Intercompany Borrower) not more than 15 days' nor fewer than 10 days' prior notice (which notice shall be irrevocable) of the requirement on AF No 2 (in its capacity as Intercompany Borrower) to prepay the whole (and not part) of such Intercompany Loans which are or will be subject to such withholding or have become or will become unlawful.

Fees

In consideration for the Issuer agreeing to make the Intercompany Loans available under the Intercompany Loan Agreement, the Intercompany Borrower will agree to pay to the Issuer (as Intercompany Lender) the fees set out in the Intercompany Loan Agreement.

Prior to the Issue Date, the Intercompany Borrower shall pay on behalf of the Issuer by way of the initial fee (the **Initial Facility Fee**) any costs, losses or expenses of the Issuer reasonably incurred in connection with the issue of Notes (including, *inter alia*, the fees and expenses of the Note Trustee, the Security Trustee and the Issuer's legal advisers, accountants and auditors).

After the Issue Date, the Intercompany Borrower will pay periodically an ongoing facility fee (the **Ongoing Facility Fee**) which shall meet the costs, losses and expenses of the Issuer in respect of amounts owed to, *inter alios*, the Note Trustee, the Security Trustee (and any receiver appointed by the Security Trustee), the

Principal Paying Agent, the Paying Agents, the Agent Bank, the Registrar, the Transfer Agent and the Issuer's legal advisers, accountants and auditors (in each case, to the extent not covered by the Initial Facility Fee). Any accrued but unpaid Ongoing Facility Fee will be paid at the same time as the repayment of any Intercompany Loan.

Event of Default

The Issuer's obligations to repay principal and pay interest on the Notes are intended to be met primarily from the payments of principal and interest received from AF No 2 (in its capacity as the Intercompany Borrower) under the Intercompany Loan Agreement. Failure of the Intercompany Borrower to repay an Intercompany Loan will be a default under the Intercompany Loan Agreement, although it will not, of itself, constitute an Event of Default.

Governing Law

The Intercompany Loan Agreement (and any non-contractual obligations arising out of or in connection with it) will be governed by English law.

Agency Agreement

The Agency Agreement will be entered into between the Issuer, the Guarantors, the Principal Paying Agent, the Agent Bank, the Registrar, the Paying Agents, the Transfer Agent and the Note Trustee (the **Agency Agreement**). The Agency Agreement includes, amongst other things the following provisions:

(a) the duties of the Principal Paying Agent and the terms on which they are appointed, or on which such appointment may be resigned or terminated or any successor Principal Paying Agent may be appointed;

(b) the duties of each Paying Agent and the terms on which they are appointed, or on which such appointment may be resigned or terminated or any additional or successor Paying Agent may be appointed;

(c) the duties of the Transfer Agent and the terms on which it is appointed, or on which such appointment may be resigned or terminated or any additional or any successor Transfer Agent may be appointed;

(d) the duties of the Registrar and the terms on which it is appointed, or on which such appointment may be resigned or terminated or any successor Registrar may be appointed;

(e) the duties of the Agent Bank and the terms on which it is appointed, or on which such appointment may be resigned or terminated or any additional or any successor Agent Bank may be appointed;

(f) indemnity by the Issuer (failing whom, the Guarantors) of each of the agents against any liabilities which it may properly incur or which may be made against it as a result of or in connection with its appointment or the exercise of its powers and duties under the Agency Agreement, except for any liabilities resulting from the Agent's own wilful default, gross negligence or fraud;

(g) transfer to an account specified by the Principal Paying Agent of payments by the Issuer (failing whom, the Guarantors) on each date on which any payment in respect of any Note becomes due under the Conditions;

(h) to pay or cause to be paid by each Paying Agent payments of all amounts due in respect of the Notes on behalf of the Issuer (and each Guarantor) in the manner provided in the Conditions;

(i) provisions under which the Principal Paying Agent shall notify each of the other Paying Agents, the Registrar and the Note Trustee immediately: (a) if it has not by the relevant date received unconditionally the full amount in the relevant currency required for a payment in respect of the Notes; and (b) if it receives unconditionally the full amount of any sum payable in respect of the Notes after that date;

(j) provisions relating to completing, authenticating and delivering Global Notes (as applicable) and (if required) authenticating and delivering Definitive Notes;

(k) provisions relating to the exchange of a Global Note for a Definitive Note;

(l) the keeping of records of the payment, redemption, replacement, cancellation and destruction of Notes; and

(m) the fees and expenses of the agents.

Governing law

The Agency Agreement (and any non-contractual obligations arising out of or in connection with it) will be governed by English law.

Security Agreement

The Issuer and the Guarantors will enter into a security agreement (the **Security Agreement**) with the Security Trustee in which:

(a) the Issuer will grant (a) first equitable security over (i) all amounts standing to the credit of each of the Issuer's bank accounts (the **Issuer Security Accounts**) and debts represented thereby; (ii) each Authorised Investment made by the Issuer; (iii) all shares of any person owned by the Issuer including dividends, interest and other distributions payable in respect thereof and all other rights related thereto; (iv) any loan made by the Issuer to another member of the Group; and (v) all present and future book or other debt owned by the Issuer; and (b) a first floating charge of the whole of the undertaking, property, assets and rights (present and future) of the Issuer; and

(b) each Guarantor will grant (a) first equitable security over (i) all amounts standing to the credit of each of that Guarantor's bank accounts (the **Guarantors Security Accounts** and together with the Issuer Security Accounts, the **Security Accounts**) and debts represented thereby; (ii) each Authorised Investment made by that Guarantor; (iii) all shares of any person owned by that Guarantor including dividends, interest and other distributions payable in respect thereof and all other rights related thereto; and (iv) any loan made by that Guarantor to any member of the Group and (b) a first floating charge over all the assets of that Guarantor.

Governing Law

The Security Agreement (and any non-contractual obligations arising out of or in connection with it) will be governed by English law.

Intercreditor Agreement

To establish the relative rights of certain creditors under the financing arrangements, an Intercreditor agreement will be entered into by, amongst others, Arqiva Financing No. 3 PLC (**AF3**), the Issuer, the Guarantors, HSBC Bank plc as the Liquidity Facility Agent and Deutsche Trustee Company Limited as the Security Trustee and the Note Trustee (the **Intercreditor Agreement**).

The Intercreditor Agreement governs the relationships and relative priorities among:

(a) prior to the date on which the liabilities under the Liquidity Facility Agreement are fully discharged (the Liquidity Facility Lender Discharge Date), the lenders under the Liquidity Facility Agreement and after the Liquidity Facility Lender Discharge Date, the lenders under any other and future credit facility (each a Credit Facility) made available to a member of the Group where the relevant creditors under such credit facility have acceded to the Intercreditor Agreement (the **Credit Facility Lenders** and together with the creditor representatives in relation to such credit facility and each arranger under such credit facility, the **Credit Facility Creditors**) (the Liquidity Facility Agreement together with the documents evidencing such credit facilities, the **Credit Facility Documents**);

(b) parties that accede to the Intercreditor Agreement as super senior hedge counterparties to certain hedging agreements (the **Super Senior Hedging Agreements**) (the **Super Senior Hedge Counterparties**, and together with the Credit Facility Creditors, the **Super Senior Creditors**);

(c) the holders of the Notes (together with the Note Trustee, the **Senior Note Creditors**) and the other creditor representatives, arrangers, noteholders and lenders under and in relation to any other documents evidencing any other and future pari passu debt liabilities (together with the Senior Note Creditors, the **Pari Passu Debt Creditors**) (the Note Trust Deed, the Notes, the Transaction Security documents, the Guarantees, the Intercreditor Agreement (together, the **Senior Note Documents**) and all documents evidencing all such pari passu debt liabilities, together being the **Pari Passu Debt Documents**);

(d) parties that accede to the Intercreditor Agreement as pari passu hedge counterparties to certain hedging agreements (the **Pari Passu Hedging Agreements**, and together with the Super Senior Hedging Agreements, the **Hedging Agreements**) (the **Pari Passu Hedge Counterparties**, and together with the Pari Passu Debt Creditors, the **Pari Passu Creditors**) (the Super Senior Hedge Counterparties and the Pari Passu Hedge Counterparties together being the **Hedge Counterparties**);

(e) certain intra-group creditors and debtors; and

(f) the Security Trustee.

In connection with the issuance of the Notes, the Note Trustee on behalf of the holders of the Notes, the Issuer and each other Obligor became parties to the Intercreditor Agreement. The Parent Guarantor and the Obligors are referred to in this description as the original debtors, and together with any other member of the Group which accedes to the Intercreditor Agreement, the **Debtors**.

The Intercreditor Agreement sets forth, among other things:

- the relative ranking of certain indebtedness of, and security interests over certain assets and property granted by, the Debtors (such security, the **Transaction Security**);
- when payments can be made in respect of certain indebtedness of the Debtors;
- the terms pursuant to which certain indebtedness will be subordinated;
- when enforcement action can be taken in respect of that indebtedness;
- when Transaction Security and guarantees may be released to permit a sale or disposal of any assets subject to Transaction Security;
- turnover provisions; and
- the order for applying proceeds from enforcement action and other amounts received by the Security Trustee.

The following description is a summary of certain provisions contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety. As such, you are urged to read the Intercreditor Agreement because it, and not the description that follows, defines your rights as holders of the Notes. For the avoidance of doubt, by accepting a Note, the relevant holder thereof shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement.

Ranking and Priority

Ranking and Priority of Liabilities

The Intercreditor Agreement provides that the liabilities of the Debtors in respect of the Credit Facility Documents (the **Credit Facility Liabilities**), the Hedging Agreements (the **Hedging Liabilities**) and the Pari Passu Debt Documents (**Pari Passu Debt Liabilities**) rank in right and priority of payment pari passu and without any preference between them.

The Intercreditor Agreement also provides that certain intra-group claims and investor debt consisting of liabilities owed to certain shareholders of the Issuer are subordinated to the Credit Facility Liabilities, the Hedging Liabilities and the Pari Passu Debt Liabilities.

Ranking and Priority of Transaction Security

The Intercreditor Agreement provides that the Transaction Security shall rank and secure the Credit Facility Liabilities, the Hedging Liabilities and the Pari Passu Debt Liabilities (subject to the terms of the Intercreditor Agreement) pari passu and without preference between them (but only to the extent that such Transaction Security is expressed to secure such liabilities).

Under the Intercreditor Agreement, all proceeds from enforcement of the Transaction Security are applied as provided below under "*—Application of Proceeds*".

Permitted Payments

The Intercreditor Agreement permits, inter alia,

(a) in respect of Credit Facility Liabilities, Debtors to make payments at any time in accordance with, and subject to the provisions of, the Credit Facility Documents;

(b) in respect of the Pari Passu Debt Liabilities, Debtors to make payments at any time in accordance with, and subject to the provisions of, the Pari Passu Debt Documents;

(c) in respect of the Hedging Liabilities, Debtors to make payments then due to the Hedge Counterparty under any Hedging Agreement:

(i) if the payment is a scheduled payment arising under the relevant Hedging Agreement;

(ii) to the extent the relevant Debtor's obligation to make the payment arises as a result of, among others, the provisions in the Hedging Agreements relating to deduction or withholding for tax, default interest and expenses;

(iii) to the extent the relevant Debtor's obligation to make the payment arises from a non-credit related hedge close-out;

(iv) to the extent the relevant Debtor's obligation to make a payment arises from a credit related hedge close-out or a permitted automatic early termination event under the relevant Hedging Agreement as a result of an event relating to the Debtor and no default is continuing at the time of the payment or would result from the payment;

(v) to the extent that no default is continuing or would arise from the payment and the relevant Debtor's obligation to make the payment arises as a result of a close-out or termination arising as a result of certain provisions in the Hedging Agreements relating to bankruptcy and the event of default has occurred under the Hedging Agreement with respect to the relevant Hedge Counterparty; and

(vi) if the Majority Super Senior Creditors and the Majority Pari Passu Creditors give prior consent to the payment being made.

(d) payments to lenders under any intra-group loan agreements (the **Intra-Group Liabilities**) from time to time when due under the relevant intra-group loan agreement unless an acceleration event has occurred, provided that the payments of Intra-Group Liabilities can continue to be made after an acceleration event has occurred if the Majority Super Senior Creditors and the Majority Pari Passu Creditors consent to such payment or if that payment is made to facilitate the making of permitted payments of the Credit Facility Liabilities, the Hedging Liabilities or the Pari Passu Debt Liabilities; and

(e) payments in respect of liabilities owed by any member of the Group to AF3 or any investor which is subordinated in rights of payment to the Super Senior Creditors and the Pari Passu Creditors (the **Subordinated Liabilities**) if such payment is not prohibited by the Liquidity Facility Agreement, any other credit facility agreement, any pari passu facility agreement, the Note Trust Deed or any other pari passu note trust deed or if the Majority Super Senior Creditors and the Majority Pari Passu Creditors each consent to such payment being made.

For the purposes of the Intercreditor Agreement:

- the **Majority Super Senior Creditors** means the Super Senior Creditors holding in aggregate more than 66.67% of commitments under the Credit Facility Documents, any amount which has become due following the termination or close-out of any Hedging Agreement which constitutes a **Super Senior Hedging Liability** (being a Hedging Liability up to an agreed allocated super senior hedging amount) and, after the Credit Facility Lender Discharge Date, the amount that would be payable under any of the Hedging Agreements which constitutes a Super Senior Hedging Liability and which has not been terminated or been closed-out if the date of calculation were an early termination date under such Hedging Agreements.

- the **Majority Pari Passu Creditors** means, at any time, those lenders under any pari passu facility agreements (the **Pari Passu Lenders**), the Noteholders and any other holder from time to time of any pari passu notes (the **Pari Passu Noteholders**) and Pari Passu Hedge Counterparties holding more than 50% of any amount which has become due following the termination or close-out of any Hedging Agreement which constitutes a **Pari Passu Hedging Liability** (being a Hedging Liability which is not a Super Senior Hedging Liability) and, after the date of discharge in full of the Pari Passu Debt Liabilities, the amount that would be payable under any of the Hedging Agreements which constitutes a Pari Passu Hedging Liability and which has not been terminated or been closed-out if the date of calculation were an early termination date under such Hedging Agreements), commitments under the pari passu facility agreements, the aggregate outstanding principal amount of the Notes held by it and the aggregate outstanding principal amount of any Pari Passu Debt Liabilities (if not already captured above) in respect of which it is the creditor.

Enforcement of Transaction Security

Instructions to enforce

Either the Majority Super Senior Creditors or the Majority Pari Passu Creditors (each an **Instructing Group**) can issue enforcement instructions to the Security Trustee. The creditor representatives (and if applicable the Hedge Counterparties) representing the Primary Creditors comprising the Majority Super Senior Creditors or Majority Pari Passu Creditors shall deliver a copy of the proposed enforcement instructions to the Security Trustee who shall promptly forward such notice to each other creditor representative and Hedge Counterparty.

Consultation

Promptly following receipt of a notice of enforcement instructions by all relevant parties, the creditor representative of the Super Senior Creditors (acting on the instructions of the Majority Super Senior Creditors), the creditor representative of the Pari Passu Creditors (acting on the instructions of the Majority Pari Passu Creditors) and the Note Trustee will consult in good faith with each other and the Security Trustee for a period of 10 Business Days from the date the notice of enforcement instructions are received with a view to co-ordinating instructions to be given by the Instructing Group and agreeing an enforcement strategy (the **Consultation Period**).

There shall be no obligation to consult (or, if the parties have agreed a proposed enforcement action, no Consultation Period or a shorter consultation period as determined by those parties shall apply):

(a) if the Transaction Security has become enforceable as a result of an insolvency in relation to any Debtor; or

(b) if the Majority Super Senior Creditors or the Majority Pari Passu Creditors determine in good faith that to enter into such consultations and thereby delay the commencement of enforcement of the Transaction Security could reasonably be expected to reduce the amount likely to be realised to a level such that the Super Senior Liabilities would not be discharged in full and in this case any instructions will be limited to those necessary to protect or preserve the interests of the Pari Passu Creditors or, as the case may be, the Super Senior Creditors on behalf of which the relevant Instructing Group is acting and the Security Trustee shall act in accordance with the instructions first received.

If following the Consultation Period, the Majority Super Senior Creditors and/or the Majority Pari Passu Creditors have agreed on an enforcement strategy, the Security Trustee shall be instructed to implement the same.

In the event that conflicting enforcement instructions have been received as at the end of or following the Consultation Period, the Security Trustee shall enforce the Transaction Security and/or refrain from enforcing the Transaction Security and/or take the relevant other enforcement action in accordance with the instructions provided by the Majority Pari Passu Creditors, provided any such instructions to enforce comply with the enforcement principles summarised in "*—Enforcement Principles*" below (the **Enforcement Principles**) (and the Security Trustee shall be entitled to assume that any instructions for enforcement given to it comply with the Enforcement Principles) and the terms of all instructions received from the Majority Super Senior Creditors during the Consultation Period shall be deemed revoked.

Notwithstanding the above, if: (i) the Majority Pari Passu Creditors have not either not (A) notified the Security Trustee of a determination as to the method of enforcement they wish to instruct the Security Trustee to pursue; or (B) appointed a financial adviser to assist them in making such a determination, in each case within three months of the end of the Consultation Period, (ii) the date of discharge in full of the Super Senior Liabilities (the **Super Senior Discharge Date**) has not occurred within six months of the end of the Consultation Period or (iii) an insolvency event is continuing with respect to a Debtor, then the Security Trustee will act in accordance with the enforcement instructions received from the Majority Super Senior Creditors under the Super Senior Discharge Date has occurred.

Exercise of Voting Rights

Each Primary Creditor, intra-group lender, the Parent Guarantor, AF3 and any other subordinated creditor is required to cast its vote in any proposal put to the vote by or under the supervision of any judicial or supervisory authority in respect of any insolvency, pre-insolvency, rehabilitation or similar proceedings relating to any member of the Group as instructed by the Security Trustee (acting in accordance with the terms of the Intercreditor Agreement).

Enforcement Principles

The Security Trustee shall enforce the Transaction Security or take other action as to enforcement in such manner as the Instructing Group shall instruct (provided that such instructions are consistent with the enforcement principles) or, in the absence of any such instructions, as the Security Trustee considers in its discretion to be appropriate and consistent with the enforcement principles.

The enforcement principles are set out in a schedule to the Intercreditor Agreement and provide, among other things, that:

(a) it shall be the primary and over-riding aim of any enforcement to maximize, to the extent consistent with a prompt and expeditious realisation of value, the value realized from enforcement;

(b) to the extent the Instructing Group is the Majority Super Senior Creditors, all proceeds of enforcement are received by the Security Trustee in cash for distribution in accordance with the section below entitled "*—Application of Proceeds*";

(c) to the extent the Instructing Group is the Majority Pari Passu Creditors: (i) all proceeds of enforcement are received by the Security Trustee in cash for distribution in accordance with the section below entitled "*—Application of Proceeds*"; or (ii) sufficient proceeds from enforcement will be received by the Security Trustee to ensure that, when the proceeds are applied in accordance with the section below entitled "*—Application of Proceeds*," the Super Senior Discharge Date would occur; and

(d) on: (i) a proposed enforcement in relation to assets other than shares in a member of the Group over which Transaction Security exists, where the book value of the assets exceeds £5,000,000; or (ii) a proposed enforcement in relation to the shares in a member of the Group over which Transaction Security exists, which, in each case, is not being effected through a public auction, the Security Trustee shall, if requested by the Majority Super Senior Creditors or the Majority Pari Passu Creditors (and subject to certain exceptions), appoint a financial adviser to provide a fairness opinion in relation that enforcement.

Release of the Guarantees and Transaction Security

Non-distressed Disposal

In circumstances in which a disposal to a person outside the Group is permitted under the relevant financing documents and is not being effected: (i) at the request of an Instructing Group in circumstances where the Transaction Security has become enforceable; (ii) by enforcement of the Transaction Security; or (iii) after an acceleration event has occurred ((ii) and (iii), a **Distress Event** and a disposal in the circumstances of (i), (ii) or (iii), a **Distressed Disposal**), the Intercreditor Agreement will provide that the Security Trustee is irrevocably authorised to, among other things, release the Transaction Security or any other claim (relating to a Debt Document) over that asset and, where the relevant asset consists of shares in the capital of a member of the Group, to release the Transaction Security or any other claim (relating to a Debt Document (as defined in the Intercreditor Agreement)) over that member of the Group's property, provided that, in each case, the release of Transaction Security or such claims will only be effective upon the making of the disposal.

Distressed Disposal

Where a Distressed Disposal is being effected, the Intercreditor Agreement will provide that the Security Trustee is irrevocably authorised, among other things: (i) to release the Transaction Security or any other claim over the asset subject to the Distressed Disposal; (ii) if the asset subject to the Distressed Disposal consists of shares in the capital of a Debtor or a holding company of a Debtor, to release that Debtor or holding company and any subsidiary of that Debtor or holding company from all or any part of its liabilities under the Debt Documents and Transaction Security granted by that Debtor or holding company or any subsidiary of that Debtor or holding company or any claims in respect of Intra-Group Liabilities or Investor Liabilities; (iii) if the asset subject to the Distressed Disposal consists of shares in the capital of a Debtor or a holding company of a Debtor, the disposal of all, or any part, of certain liabilities under the Debt Documents and certain other liabilities, provided that, if it is intended that the transferee will not be treated as a Primary Creditor or secured party, the transferee will not be treated as a Primary Creditor or secured party, and, if it is intended that the transferee should be a Primary Creditor or secured party, then all, and not part only, of the liabilities owed to the Primary Creditors (other than to any creditor representative or arranger) and certain other liabilities shall be disposed of; and (iv) if the asset subject to the Distressed Disposal consists of shares in the capital of a Debtor or holding company of a Debtor, the transfer to another Debtor of all or any part of the disposed entity's obligations under Intra-Group Liabilities or other liabilities owed to a Debtor.

The net proceeds from each Distressed Disposal and each debt disposal shall be paid to the Security Trustee for application in accordance with the section below entitled "*—Application of Proceeds*" below.

Effect of Insolvency Event

After the occurrence of an insolvency event in relation to any member of the Group, any party entitled to receive a payment or distribution out of the assets of that member of the Group (in the case of a Primary Creditor, only to the extent that such amount constitutes enforcement proceeds) in respect of liabilities owed to that party shall, to the extent it is able to do so, direct the person responsible for the distribution of the assets of that member of the Group to make that distribution to the Security Trustee until the liabilities owing to the secured parties have been paid in full and the Security Trustee shall apply such distributions in accordance with the section below entitled "*—Application of Proceeds*".

Turnover

Turnover by the Primary Creditors

The Intercreditor Agreement will provide that if any of the Super Senior Creditors or Pari Passu Creditors (the **Primary Creditors**) receives or recovers any enforcement proceeds except in accordance with the section below entitled "*—Application of Proceeds*" that Primary Creditor shall, subject to certain exceptions:

(a) in relation to receipts or recoveries not received or recovered by way of set-off: (i) hold that amount on trust for the Security Trustee (save in respect of the Liquidity Facility Agent which will hold such amounts as banker) and promptly pay that amount to the Security Trustee for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities to the Security Trustee for application in accordance with the terms of the Intercreditor Agreement; and

(b) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Trustee for application in accordance with the terms of the Intercreditor Agreement.

Turnover by creditors (other than the Primary Creditors)

The Intercreditor Agreement provides that if any of the creditors (other than a Primary Creditor) receives or recovers:

(a) any payment or distribution in relation to any liability which is not either a permitted payment under the Intercreditor Agreement or made in accordance with the order of application summarised under the section below entitled "*—Application of Proceeds*";

(b) except with respect to certain set-off rights, any amount by way of set-off in respect of any liability owed to it which does not give effect to a permitted payment under the Intercreditor Agreement;

(c) except with respect to certain set-off rights, (i) any amount in relation to any liabilities after the occurrence of a Distress Event or as a result of litigation or proceedings against a member of the Group (other than after the occurrence of an insolvency event in respect of that member of the Group); or (ii) any amount by way of set-off in respect of any liabilities owed to it after the occurrence of a Distress Event, other than, in each case, except in accordance with the order of application summarized under "*—Application of Proceeds*" below;

(d) the proceeds of any enforcement of any Transaction Security, except in accordance with the order of application summarised under "—*Application of Proceeds*" below; or

(e) except with respect to certain set-off rights, any distribution in relation to any liability owed by any member of the Group which is not in accordance with the order of application summarised in "—*Application of Proceeds*" below and which is made as a result of, or after, the occurrence of an insolvency event in respect of that member of the Group,

then that creditor will, subject to certain exceptions:

- in relation to receipts or recoveries not received or recovered by way of set-off: (i) hold that amount on trust for the Security Trustee and promptly pay that amount to the Security Trustee for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities to the Security Trustee for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Trustee for application in accordance with the terms of the Intercreditor Agreement.

Application of Proceeds

The Intercreditor Agreement provides that all amounts received or recovered by the Security Trustee pursuant to the sections above entitled "—*Effect of Insolvency Event*" and "—*Turnover*" or in connection with the realisation or enforcement of all or any part of the Transaction Security shall be held by the Security Trustee on trust and applied in the following order of priority:

(a) first, on a pro rata basis, in payment of:

(i) all sums (including fees, remuneration, costs, charges, liabilities, expenses and indemnity payments (including any taxes required to be paid)) owing to the Security Trustee; and

(ii) all sums (including fees, remuneration, costs, charges, liabilities, expenses and indemnity payments (including any VAT required to be paid)) owing to the Note Trustee;

(b) second, in payment to the other creditor representatives of fees, costs and expenses payable to such creditor representative for its own account;

(c) third, in payment or distribution to: (i) each creditor representative in respect of a Credit Facility on its own behalf and on behalf of the Credit Facility Creditors for which it is the creditor representative; and (ii) the Super Senior Hedge Counterparties, for application towards the discharge of: (A) the Credit Facility Liabilities (in accordance with the terms of the Credit Facility Documents) on a pro rata basis between Credit Facility Liabilities incurred under separate credit facility agreements; and (B) the Super Senior Hedging Liabilities (on a pro rata basis between the Super Senior Hedging Liabilities of each Super Senior Hedge Counterparty), on a pro rata basis between sub-paragraph (A) and sub-paragraph (B);

(d) fourth, in payment or distribution to: (i) the creditor representatives in respect of any Pari Passu Debt Liabilities on its own behalf and on behalf of the Pari Passu Debt Creditors for which it is the creditor representative; and (ii) the Pari Passu Hedge Counterparties, for application towards the discharge of: (A) the Pari Passu Debt Liabilities (in accordance with the terms of the relevant Pari Passu Debt Documents) on a pro rata basis between Pari Passu Debt Liabilities under separate pari passu facility agreements; and (B) the Pari Passu Debt Liabilities (in accordance with the terms of the relevant Pari Passu Debt Documents) on a pro rata basis between Pari Passu Debt Liabilities under separate pari passu note trust deeds; and (C) the Pari Passu Hedging Liabilities on a pro rata basis between the Pari Passu Hedging Liabilities of each Pari Passu Hedge Counterparty;

(e) if none of the Debtors is under any further actual or contingent liability under any Credit Facility Document, Hedging Agreement or Pari Passu Debt Document, in payment or distribution to any person to whom the Security Trustee is obliged to pay or distribute in priority to any Debtor; and

(f) the balance (if any) in payment or distribution to the relevant Debtor.

Equalisation

The Intercreditor Agreement will provide that if, for any reason, any of the Credit Facility Liabilities or Super Senior Hedging Liabilities (the **Super Senior Liabilities**) remain unpaid after the enforcement date and the resulting losses are not borne by the Credit Facility Lenders and Hedge Counterparties in the proportions their respective exposures at the enforcement date bore to the aggregate exposures of all the Credit Facility Lenders and Hedge Counterparties at the exposure date, the Credit Facility Lenders and Hedge Counterparties will make such payments from such payments among themselves as the Security Trustee shall require to put the Credit Facility Lenders and Hedge Counterparties in such a position that (after taking into account such payments) their losses are borne in those proportions.

Option to Purchase

Following a Distress Event, some or all of the Pari Passu Noteholders and Pari Passu Lenders shall have an option (subject to the conditions set out in the Intercreditor Agreement) to purchase all (and not only part) of the Credit Facility Liabilities.

Consents, Amendments and Override

Subject to certain exceptions, the Intercreditor Agreement will provide that it may be amended only with the consent of each creditor representative, the Majority Super Senior Creditors and the Majority Pari Passu Creditors and the Security Trustee unless it is an amendment or waiver that has the effect of changing or that relates to, among other things: (i) the order of priority or subordination under the Intercreditor Agreement; or (ii) the provisions in respect of redistribution, the enforcement of Transaction Security, the application of proceeds, amendments and waivers and certain instructions provisions, which shall not be made without the consent of:

- the creditor representatives;
- the Credit Facility Lenders;
- each pari passu note trustee (the **Pari Passu Note Trustee**) on behalf of the Pari Passu Noteholders in respect of which it is the creditor representative;
- the Pari Passu Lenders;
- each Hedge Counterparty (to the extent the amendment or waiver would adversely affect the Hedge Counterparty); and
- the Security Trustee.

Subject to the above and certain other exceptions, no amendment or waiver of the Intercreditor Agreement may impose new or additional obligations on or withdraw or reduce the rights of any party to the Intercreditor Agreement without the prior written consent of that party.

Unless expressly stated otherwise in the Intercreditor Agreement, the Intercreditor Agreement overrides anything in the Hedging Agreements, Credit Facility Documents, Pari Passu Debt Documents, the Transaction Security documents, the Intra-Group Liabilities or the Subordinated Liabilities or any other document designated as a "Debt Document" (together the **Debt Documents**) to the contrary.

Amendments/waivers

The Pari Passu Creditors may amend or waive the terms of the Pari Passu Debt Documents in accordance with their terms (subject to any consent required under them), except that no amendments can be made to the amount or method of payment of interest or principal under any Pari Passu Debt Document and no amendments can be made to the Pari Passu Debt Documents if this would result in the covenants and defaults of the Pari Passu Debt Documents being more favourable to the Pari Passu Debt Creditors than the Credit Facility Documents are to the Credit Facility Creditors unless equivalent changes are made in the Credit Facility Documents.

"Snooze you lose"

If the Security Trustee requests any instruction from any Super Senior Creditor, such Super Senior Creditor must then provide its instructions by no later than 10 business days after the date upon which the Security Trustee made such request.

Governing Law

The Intercreditor Agreement is governed by English law.

Liquidity Facility Agreement

General

Arqiva Broadcast Finance Plc as borrower (the **Liquidity Facility Borrower**) and the Liquidity Facility Borrower Arqiva Broadcast Parent Limited, Arqiva Financing No. 2 Limited and Arqiva Broadcast Intermediate Limited as guarantors (the **Liquidity Facility Guarantors** and together with the Borrower, the **Liquidity Facility Obligors**) will enter into a liquidity facility agreement (the **Liquidity Facility Agreement**, and the facility provided under the Liquidity Facility Agreement, the **Liquidity Facility** and the lenders of such Liquidity Facility, the **Liquidity Facility Lenders**) pursuant to which the Liquidity Facility Lenders agree to make the Liquidity Facility available to meet certain liquidity shortfalls.

Purpose

Under the terms of the Liquidity Facility Agreement, the Liquidity Facility Lenders provide a liquidity facility of up to £20,000,000 on a revolving basis, in order to service interest payable in respect of the Notes provided that the Liquidity Facility Obligors do not have otherwise freely available cash to make such payments.

Interest rate

Interest will accrue on any drawings under the Liquidity Facility at a rate equal to the aggregate (i) of the margin equal to 4%, and (ii) LIBOR.

Security

The Liquidity Facility Obligors will grant security to the Liquidity Facility Lenders under the Security Agreement as described above under "*Security Agreement*" to secure their obligations under the Liquidity Facility Agreement.

Representations, covenants and events of default

The Liquidity Facility Agreement provides for customary representations, covenants and events of default for this type of agreement, which are subject to customary materiality and grace periods, and which in the case of information covenants, general undertakings and events of default, largely mirror the corresponding provisions in the Notes. Events of default include (i) failure to pay any sum when due subject to a five business day grace period; (ii) illegality; (iii) non-payment default and cross-acceleration; and (iv) Senior Financing payment default and cross-acceleration.

Governing law

The Liquidity Facility Agreement is governed by and construed and enforced in accordance with English law.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The information set out below does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by, the terms of such documents.

The table below sets out the key terms of the Senior Financing. Drawn amounts shown as at 30 June 2018.

Financing	Borrower	Maturity	Facility size (£m)	Amount drawn (£m)	Cost of debt	Repayment
Senior Notes						
Senior Bonds 2013-1a	Arqiva Financing plc (proceeds on lent to Arqiva Financing No 1 Limited)	June 2035 (expected June 2020)	350	350	4.04%	Bullet
Senior Bonds 2013-1b	Arqiva Financing plc (proceeds on lent to Arqiva Financing No 1 Limited)	December 2032	387	387	4.88%	Amortising
Senior Bonds 2014-1	Arqiva Financing plc (proceeds on lent to Arqiva Financing No 1 Limited)	December 2037 (expected June 2030)	164	164	5.34%	Bullet
Senior USPP Notes						
USPP 01—USD tranche	Arqiva PP Financing plc (proceeds on lent to Arqiva Financing No 1 Limited)	June 2025	236(1)	236	4.42%	Amortising
USPP 01—GBP tranche	Arqiva PP Financing plc (proceeds on lent to Arqiva Financing No 1 Limited)	June 2025	163	163	4.10%	Amortising
USPP 02 tranche	Arqiva PP Financing plc (proceeds on lent to Arqiva Financing No 1 Limited)	June 2029	300	300	LIBOR+2.10%	Amortising
USPP 03 tranche	Arqiva PP Financing plc (proceeds on lent to Arqiva Financing No 1 Limited)	December 2029	219	219	LIBOR+2.20%	Amortising
Senior Term Loan	Arqiva Financing No 1 Limited	December 2024 (expected June 2020)	75	75	LIBOR+1.45%	Soft amortising
Senior Liquidity Facility	Arqiva Financing No 1 Limited	364 day (renewable)	250	—	LIBOR+1.50%	N/A
Senior Capex Facility	Arqiva Financing No 1 Limited	March 2025 (expected March 2021)	250	—	LIBOR+1.45%	Amortising
Senior Working Capital Facility	Arqiva Financing No 1 Limited	March 2021	140	55	LIBOR+1.45%	Revolver
Senior Institutional Term Loan	Arqiva Financing No 1 Limited	February 2038 (expected December 2023)	180	180	LIBOR+2.05%	Bullet
Senior EIB Loan	Arqiva Financing No 1 Limited	February 2038 (expected June 2024)	190	190	LIBOR+1.30%	Bullet

Senior Capex and Senior Working Capital Facilities Agreement

General

Arqiva Financing No 1 Limited (**AF No 1**) has entered into capex and working capital facilities (the **Senior Capex Facility** and the **Senior Working Capital Facility** respectively, the agreement under which the such facilities are provided, the **Senior Capex and Working Capital Facilities Agreement** and the providers thereof, the **Senior Capex Facility Providers** and the **Senior Working Capital Facility Providers**, respectively and together the **Senior Capex and Working Capital Facilities Providers**). The Senior Capex and Working Capital Facilities Agreement provides for borrowings up to an aggregate of £390,000,000 on a committed basis from November 2016, which comprises of the provision of the Senior Capex Facility for the making of term loans in an aggregate amount of £250,000,000 and the Senior Working Capital Facility for the making of revolving loans in aggregate amount £140,000,000. Loans (other than loans made pursuant to the Senior Capex Facility) repaid may be reborrowed by AF No 1. The Senior Capex and Working Capital Facilities Providers rank as Senior Obligor Secured Creditors.

Senior Capex Facility and Senior Working Capital Facility

The Senior Capex Facility Providers agreed to provide the Senior Borrower with a capital expenditure facility (the **Senior Capex Facility** and the providers thereof, the **Senior Capex Facility Providers**) for the making of term loans (**Senior Capex Loans**) under a facility agreement entered into in November 2016 (the **Senior Capex and Working Capital Facilities Agreement**). Senior Capex Loans will be applied to fund the Senior Financing Group's growth capital expenditure, as well as other acquisitions permitted in accordance with the CTA.

The Senior Working Capital Facility Providers agreed to provide the Senior Borrower with a working capital facility (the **Senior Working Capital Facility** and the providers thereof, the **Senior Working Capital Facility Providers**) for the making of revolving credit loans (**Senior Working Capital Loans**) under the Senior Capex and Working Capital Facilities Agreement. Senior Working Capital Loans will be applied towards the working capital requirements of the Senior Financing Group.

Interest Rate

Interest will accrue on any drawing made under the Senior Capex Facility or the Senior Working Capital Facility at a rate equal to the aggregate of (i) the applicable margin (equal to, with respect to each facility, 1.45%) (subject to an upward adjustment over the term of each facility), (ii) LIBOR and (iii) mandatory costs (if any). For as long as a Senior Obligor Event of Default is continuing, the margin for both the Senior Capex Facility and the Senior Working Capital Facility will increase.

Security

The security and collateral given by AF No 1 for its obligations under the Senior Capex and Working Capital Facilities Agreement are documented under a security agreement (the **Senior Security Agreement**) pursuant to which the Senior Obligors have created an assignment by way of first fixed charge and floating security over the Senior Obligors' assets. Any proceeds of enforcement of the security and collateral will be used in discharge of the indebtedness under the Senior Capex Facility and the Senior Working Capital Facility owed by AF No 1 in accordance with the STID.

Security Trust and Intercreditor Deed

The Security Trust and Intercreditor Deed (**STID**) regulates among other things (i) the claims of the Senior Obligor Secured Creditors, (ii) the exercise of acceleration and enforcement rights of the Senior Obligor Secured Creditors, (iii) certain entrenched rights and reserved matters of the Senior Obligor Secured Creditors and (iv) the giving of instructions, consents and waivers and, in particular, the basis on which votes of the Senior Obligor Secured Creditors will be counted.

Maturity and Prepayment

The Senior Capex Facility is repaid in annual instalments from March 2021 to March 2025 and the Senior Working Capital Facility will mature in March 2021.

AF No 1 may voluntarily prepay either the Senior Capex Facility or the Senior Working Capital Facility, in whole or in part, save that if AF No 1 prepays in part, a minimum amount is payable. AF No 1 also has a right of cancellation and repayment in relation to a single Senior Capex Facility Provider or Senior Working Capital Facility Provider in the event of change in tax position or such lender becoming a defaulting lender.

Representations, covenants and events of default

The representations, negative and affirmative covenants, financial covenants and events of default given in favour of the Senior Capex Facility Providers and the Senior Working Capital Facility Providers by AF No 1 are set out in the Common Terms Agreement. Please see "—*Common Terms Agreement*" below.

Governing Law

The Senior Capex and Working Capital Facilities Agreement is governed by and construed and enforced in accordance with English law.

Senior Term Facility Agreement

General

The Senior Term Facility Providers agreed to provide the Senior Borrower with a term facility (the **Senior Term Facility** and the providers thereof, the **Senior Term Facility Providers**) for the making of term loans (**Senior Term Loans**) under a facility agreement entered into in November 2016 (the **Senior Term Facility Agreement**). The Senior Term Facility provided for borrowings of up to £255,000,000. Senior Term Loans were applied towards repayment of certain intercompany loans between the Senior Borrower and Senior FinCo or amounts outstanding under a capital expenditure and working capital facility agreement, each of which has now been repaid in full.

Maturity and Amortisation

The Senior Term Loans will mature on 31 December 2024. Borrowings must be repaid in accordance with a repayment schedule. The Senior Borrower may voluntarily prepay the Senior Term Loans, in whole or part, save that if the Senior Borrower prepays in part, a minimum amount is payable.

The Senior Borrower may not deliver a utilisation request if (i) the utilisation request specifies more than one loan and (b) as a result of the proposed loan, three or more Senior Term Loans would be outstanding. The Senior Borrower may not reborrow any part of a Senior Term Loan which is repaid.

Interest Rate

The interest rate on the Senior Term Loans is the aggregate of (i) the applicable margin (equal to 1.45% and subject to upward adjustment over the life of the facility or if a Senior Obligor Event of Default is continuing) and (ii) the London Interbank Offer Rate (**LIBOR**).

Security

The security and collateral given by the Senior Borrower for its obligations under the Senior Term Facility Agreement is under the Senior Security Agreement. Proceeds of enforcement of the security and collateral will be used in discharge of the indebtedness under the Senior Term Facility owed by the Senior Borrower in accordance with the STID.

Representations, Covenants and Events of Default

The representations, negative and affirmative covenants, financial covenants and events of default given in favour of the Senior Term Facility Providers by the Senior Borrower are set out in the Common Terms Agreement. Please see "*—Common Terms Agreement*" below.

Governing Law

Senior Term Facility Agreement is governed by and construed and enforced in accordance with English law.

Senior Liquidity Facility Agreement

General and Purpose

AF No 1 and the Senior Issuer entered into a liquidity facility (the **Senior Liquidity Facility** and the agreement under which such facility is provided, the **Senior Liquidity Facility Agreement** and the providers thereof, the **Senior Liquidity Facility Providers**) pursuant to which the Senior Liquidity Facility Providers agreed to make the Senior Liquidity Facility available to meet certain liquidity shortfalls from November 2016.

Under the terms of the Senior Liquidity Facility Agreement, the Senior Liquidity Facility Providers provide a renewable 364-day facility on a renewable basis for 25 years in an aggregate amount equal to £250 million to permit drawings to be made by AF No 1 and the Senior Issuer (as applicable) to enable AF No 1 to service interest and scheduled principal due on the Senior Borrower Bank Facilities and the Senior Issuer to service interest and scheduled principal on the Senior Notes (as applicable), together with certain senior ranking expenses owed to other transaction parties, in the event of there being insufficient cash flow received by either AF No 1 or the Senior Issuer.

Interest Rate

Interest will accrue on any drawings under the Senior Liquidity Facility at a rate equal to the aggregate (i) of the margin equal to 1.50% (subject to approved adjustment if drawn), (ii) LIBOR and (iii) mandatory costs (if any).

Security

The security and collateral given by AF No 1 for its obligations under the Senior Liquidity Facility Agreement will be under the Senior Security Agreement. Proceeds of enforcement of the security and collateral will be used in discharge of the indebtedness under the Senior Liquidity Facility owed by AF No 1 in accordance with the STID.

Events of Default

The Senior Liquidity Facility Agreement provides for customary events of default for this type of agreement, which are subject to customary materiality and grace periods, including: (i) failure to pay any sum when due subject to a five business day grace; (ii) illegality; and (iii) cross acceleration (with respect to AF No 1 only) or enforcement of the Senior Notes (with respect to the Senior Issuer).

Governing Law

The Senior Liquidity Facility Agreement is governed by and construed and enforced in accordance with English law.

Senior Institutional Term Loan

General

The Senior ITL Providers agreed to provide the Senior Borrower with a term facility (the **Senior ITL Facility** and the providers thereof, the **Senior ITL Facility Providers**) for the making of the Senior Institutional Term Loan under a facility agreement entered into in December 2013 (the **Senior ITL Facility Agreement**). The Senior ITL Facility provided for borrowings of up to £180,000,000. The Senior Institutional Term Loan was applied towards repayment of an intercompany loan between the Senior Borrower and Senior FinCo and any fees, costs and expenses in connection with such repayment. The participation of the Senior ITL Facility Providers in the Senior Institutional Term Loan is evidenced by notes issued by the Senior Borrower to each Senior ITL Facility Provider.

Maturity and Amortisation

The Senior Institutional Term Loan will mature on 28 February 2038 (and is expected to mature December 2023). Borrowings must be repaid in full on or prior to that date. The Senior Borrower may voluntarily prepay (with make-whole) the Senior Institutional Term Loan, in whole or part, save that if the Senior Borrower prepays in part, a minimum amount is payable.

The Senior Borrower may only deliver one utilisation request for one Senior Institutional Term Loan. The Senior Borrower may not reborrow any part of the Senior Institutional Term Loan which is repaid.

Interest Rate

The interest rate on the Senior Institutional Term Loan is the aggregate of (i) the applicable margin (equal to 2.05%) and (ii) LIBOR.

Security

The security and collateral given by the Senior Borrower for its obligations under the Senior ITL Facility Agreement is under the Senior Security Agreement. Proceeds of enforcement of the security and collateral will be used in discharge of the indebtedness under the Senior ITL Facility owed by the Senior Borrower in accordance with the STID.

Representations, Covenants and Events of Default

The representations, negative and affirmative covenants, financial covenants and events of default given in favour of the Senior ITL Facility Providers by the Senior Borrower are set out in the Common Terms Agreement. Please see "*—Common Terms Agreement*" below.

Governing Law

The Senior ITL Facility Agreement is governed by and construed and enforced in accordance with English law.

Senior EIB Loan

General

The European Investment Bank agreed to provide the Senior Borrower with a term facility (the **Senior EIB Facility**) for the making of the Senior EIB Loan under a facility agreement entered into in June 2014 (the **Senior EIB Facility Agreement**). The Senior EIB Facility provided for a one time borrowing of £190,000,000. The Senior EIB Loan was granted by the European Investment Bank in connection with certain projects of the Group and was applied towards the repayment of outstanding senior bank debt and payment of any fees, costs and expenses incurred in connection with the repayment such senior bank debt.

Maturity and Amortisation

The Senior EIB Loan will mature on 28 February 2038 (and is expected to mature in June 2024). Borrowings must be repaid in full on or prior to that date. The Senior Borrower may voluntarily prepay (with an indemnity if prepayment is on a day other than a payment date) the Senior EIB Term Loan, in whole or part.

The Senior Borrower may not reborrow any part of the Senior EIB which is repaid.

Interest Rate

The interest rate on the Senior EIB Loan is the aggregate of (i) the spread (equal to 0.49%), (ii) the applicable margin (equal to 0.81% until June 2024 and 2.11% thereafter, subject to upward adjustment following the occurrence of certain breaches of, and triggers under, the Senior EIB Facility Agreement and the Common Documents) and (ii) LIBOR.

Security

The security and collateral given by the Senior Borrower for its obligations under the Senior EIB Facility Agreement is under the Senior Security Agreement. Proceeds of enforcement of the security and collateral will be used in discharge of the indebtedness under the Senior EIB Facility owed by the Senior Borrower in accordance with the STID.

Representations, Covenants and Events of Default

The representations, negative and affirmative covenants, financial covenants and events of default given in favour of the European Investment Bank by the Senior Borrower are set out in the Common Terms Agreement. Please see "*—Common Terms Agreement*" below. In addition, under the Senior EIB Facility Agreement the Senior Borrower gives certain project related undertakings in favour of the European Investment Bank.

Governing Law

The Senior EIB Facility Agreement is governed by and construed and enforced in accordance with English law.

Senior Issuer/Borrower Loans

All loans made or to be made by Senior Issuer under the Senior Issuer/Borrower Facilities Agreement (the **Senior Issuer/Borrower Loans**) are or will be in amounts corresponding to amounts of the Senior Notes (taking into account any Issuer Hedging Agreement) and will have interest periods and maturity which match the interest periods and maturity of the corresponding Senior Notes. Interest on each Senior Issuer/

Borrower Loan made under the Senior Issuer/Borrower Facilities Agreement will accrue from the date of such Senior Issuer/Borrower Loan.

Fees

In consideration for the Senior Issuer agreeing to make the Senior Issuer/Borrower Loans available under the Senior Issuer/Borrower Facilities Agreement, AF No 1 agreed to pay to the Senior Issuer initial and on-going facility fees set out in the Senior Issuer/Borrower Facilities Agreement.

AF No 1 pays periodically, including on each interest payment date and any other date notified to AF No 1 by the Issuer, ongoing fees (the **Senior Issuer/Borrower Facilities Fee**) which shall meet the costs and expenses of the Senior Issuer in respect of amounts owed to, *inter alia*, the security trustee appointed under the Senior Issuer Deed of Charge (and any receiver appointed by it) and the Senior Issuer's legal advisers, accountants and auditors and to cover Senior Issuer's profit (out of which Senior Issuer will pay its tax).

Secured obligations

The obligations of AF No 1 under the Senior Issuer/Borrower Facilities Agreement are secured pursuant to the Senior Security Agreement and such obligations are guaranteed by each other Senior Obligor in favour of the Senior Obligor Security Trustee, who holds the benefit of such security and guarantees on trust for the Senior Obligor Secured Creditors on the terms of the STID.

Senior Notes

General

On the Closing Date (having the same meaning as "Closing Date" for the purposes of the Common Terms Agreement), the Senior Issuer issued two classes of Senior Notes of £350,000,000 due 2035 and £400,000,000 due 2032, respectively, and, on the 2014 Senior Issue Date, the Senior Issuer issued a class of Senior Notes of £164,000,000 due 2037 (together the **Senior Notes**) in each case under a trust deed between, amongst others, the Senior Issuer and the note trustee (the **Senior Note Trustee**, acting under the **Senior Note Trust Deed**).

The Senior Notes constitute secured obligations of the Senior Issuer and rank *pari passu* without preference or priority in right of payment and point of security amongst themselves.

Interest Rate

The Senior Notes are interest-bearing and interest is calculated on the outstanding principal amount of such Senior Notes. The interest payable on the Senior Notes will be equal to 4.04% per annum for the Senior Notes due 2035, 4.882% for the Senior Notes due 2032 and 5.340% for the Senior Notes due 2037. Interest in respect of the Senior Notes will be payable in arrears.

Redemption Provisions

The Senior Issuer will be required to apply any voluntary or mandatory prepayments of the Senior Issuer/Borrower Loans in redeeming the corresponding Senior Notes.

In the event that the Senior Issuer is able to satisfy the Senior Note Trustee of the existence of certain specified circumstances, including in relation to withholding tax or a change in law resulting in the issue of the Senior Notes being illegal, the Senior Notes may be redeemed.

Security

The Senior Notes will benefit from security granted by the Senior Issuer over its assets (including its rights under the Common Terms Agreement and the STID) in favour of a security trustee acting on behalf of the secured creditors of the Senior Issuer (including the holders of the Senior Notes) by way of a deed of charge (the **Senior Issuer Deed of Charge**) pursuant to which the Senior Issuer will create:

(a) an assignment by way of first fixed security of all the rights of the Senior Issuer under each Senior Transaction Document it is a party to (other than any trust documents);

(b) a first fixed charge over all of the rights in the Senior Issuer's liquidity and other accounts;

(c) a first fixed charge over all rights of the Senior Issuer in respect of the benefit of all authorisations (statutory or otherwise) held in connection with its use of any charged property of the Senior Issuer and any compensation which may be payable to it in respect of those authorisations;

(d) a first fixed charge over all of the rights of the Senior Issuer in respect of each Authorised Investment (as defined in the Common Terms Agreement) of the Senior Issuer; and

(e) (a first floating charge over all the Senior Issuer's assets including, without limitation, the Senior Issuer's uncalled capital other than any assets at any time otherwise effectively charged or assigned by way of a fixed charge or assignment,

(the **Senior Issuer Security**).

Proceeds of enforcement of the Senior Obligor Security will be used in discharge of the indebtedness under the Senior Notes in accordance with the STID. The STID regulates, among other things (i) the claims of the Senior Obligor Secured Creditors, (ii) the exercise of acceleration and enforcement rights of the Senior Obligor Secured Creditors (iii) certain entrenched rights and reserved matters of the Senior Obligor Secured Creditors and (iv) the giving of consents and waivers.

The Senior Note Trust Deed contains customary covenants for this type of issuance, which are subject to caveats and limitations, including covenants by the Senior Issuer (i) to promptly notify in writing to the Senior Note Trustee the occurrence of any Senior Issuer Event of Default, (ii) in relation to the provision of audited and certified accounts, (iii) not to carry out any restricted activity including the incurring of any financial indebtedness without the prior consent of the Senior Note Trustee or unless permitted under the Senior Transaction Documents and (iv) to furnish or procure all relevant information and documentation required to maintain the current ratings of the Senior Notes by the Senior Rating Agencies.

Senior Issuer Event of Default has the meaning given in Condition 10.1 (*Issuer Events of Default*) of the Senior Notes.

Senior Rating Agencies means the relevant rating agencies that are appointed by the Senior Issuer from time to time being, at the Senior Issue Date, Fitch and S&P.

Senior Transaction Documents has the same meaning as **Transaction Documents** for the purposes of the Common Terms Agreement.

Events of Default

The terms and conditions of the Senior Notes provide for customary events of default for this type of issuance, which are subject to materiality and grace periods, including: (i) failure to pay any sum when due subject to a five business day grace period for delays caused by a technical error; (ii) breach of a material covenant or a representation incapable of remedy or not remedied within 20 business days and materially prejudicial to the interests of the holders of the Senior Notes in the opinion of the Senior Note Trustee; and (iii) an insolvency event in relation to the Senior Issuer.

Governing Law

The Senior Notes will be governed by English law.

US Private Placements

General

In June 2013 the Senior PP Issuer issued Senior USPP Notes of USD358,000,000 due 2025 and £163,000,000 due 2025, in July 2014 the Senior PP Issuer issued Senior USPP Notes of £300,000,000 due 2029 and in November 2016 the Senior PP Issuer issued Senior USPP Notes of £219,000,000 due 2029 under Senior USPP NPAs.

Under the terms of each Senior USPP NPA, in addition to the covenant to pay the Senior USPP Noteholders given by the Senior PP Issuer, the Senior Borrower (as a Senior Obligor) has covenanted to pay the Senior USPP Noteholders all principal, interest and other amounts due from the Senior PP Issuer to the Senior USPP Noteholders under the Senior USPP Notes on a pari passu basis to all other Senior Borrower Bank Facilities (the **USPP Covenant to Pay**).

Interest Rate

The Senior USPP Notes are interest-bearing and interest is calculated on the outstanding principal amount of such Senior USPP Notes. The interest payable on the Senior USPP Notes will be equal to 4.420% per annum for the Senior USPP Notes of USD358,000,000 due 2025, 4.101% for the Senior USPP Notes of £163,000,000 due 2025, LIBOR plus 2.10% for the Senior USPP Notes of £300,000,000 due 2029 and LIBOR plus 2.20% for the Senior USPP Notes of £218,500,000 due 2029. Interest in respect of the Senior USPP Notes will be payable in arrears.

Security

The obligations of AF No 1 under each Senior USPP NPA (which includes the USPP Covenant to Pay) are secured pursuant to the Senior Security Agreement and such obligations are guaranteed by each other Senior Obligor in favour of the Senior Obligor Security Trustee, who holds the benefit of such security and guarantees on trust for the Senior Obligor Secured Creditors on the terms of the STID.

Events of Default

The terms of the USPP NPAs are subject to the terms of the CTA, the STID and the MDA, including in respect of the Obligor Events of Default.

Senior PP Issuer/Borrower Loans

The Senior PP Issuer used the proceeds from the issuance of the USPP Notes to make intercompany loans to the Borrower (the **Senior PP Issuer/Borrower Loans**) under a loan agreement entered into between the Senior PP Issuer, the Borrower and the Obligor Security Trustee (the **Senior PP Issuer/Borrower Loan Agreement**), the terms of which correspond to the terms of the USPP Notes. The Senior PP Issuer/ Borrower Loan Agreement has been designated as an Obligor Transaction Document and a Common Document.

Any payment by the Borrower under the USPP Covenant to Pay results in a corresponding discharge of the Senior PP Issuer/Borrower Loans.

Governing Law

The Senior USPP Notes are governed by English law.

Senior FinCo previously entered into term facilities and on lent the proceeds to the Senior Borrower. The term facilities entered into by Senior FinCo have since been repaid in full and terminated together with the intercompany loans between Senior FinCo and the Senior Borrower and all related hedging and security. The disclosure of the Senior Financing is this Offering Memorandum is presented on this basis. Senior FinCo does not undertake any other activities. In the event that Senior FinCo incurs any future financial indebtedness, Senior FinCo would on lend the proceeds to the Senior Borrower under an Authorised Facility. Any Authorised Facility would be subject to the terms of the Senior Financing and Common Documents.

Common Terms Agreement

The Senior Issuer and the Senior Obligors, amongst others, entered into the Common Terms Agreement (the **Common Terms Agreement**). The Common Terms Agreement sets out the representations, warranties and covenants given by the Senior Obligors.

Information Covenants

The information covenants in the Common Terms Agreement will require: (i) the provision by AF No 1 of annual consolidated audited financial statements and semi-annual consolidated unaudited financial statements of the Senior Parent and annual audited financial statements of material Senior Obligors prepared in accordance with the Accounting Principles (and in the case of IFRS converted into UK GAAP); (ii) the publication by AF No 1 on a website accessible to investors of compliance certificates with respect to certain financial ratios and certain specific covenants; and (iii) the notification by the Senior Obligors of certain specific information (such any downgrade of the Senior Notes, the details of any litigation or proceedings, any material insurance claims and "know your customer" documents).

Financial covenants

The covenants given by each of the Senior Obligors include the following (subject to detailed carve-outs, exceptions and qualifications set forth in the Common Terms Agreement):

(a) Senior Historic Net Debt to EBITDA Ratio is not higher than 7.5:1;

(b) Senior Historic Cashflow DSCR is not lower than 1.05:1; and

(c) Senior Historic Cashflow ICR is not lower than 1.55:1,

(together the **Senior Financial Covenant Ratios**).

The **Senior Historic Net Debt to EBITDA Ratio** will be calculated for each Test Date in respect of the Test Period ending on (and including) such Test Date as the ratio of Senior Net Debt to Senior EBITDA (calculated on a *pro forma* basis to take into account the earnings from any acquired asset from the start of such Test Period and to exclude the earnings from any asset disposed of for the entire Test Period.

The **Senior Historic Cashflow DSCR** will be calculated for each Test Date in respect of the Test Period ending on (and including) such Test Date as the ratio of Senior Cashflow to Senior Debt Service.

The **Senior Historic Cashflow ICR** will be calculated for each Test Date in respect of the Test Period ending on (and including) such Test Date as the ratio of Senior Cashflow to Senior Net Interest Payable.

The Senior Financial Covenant Ratios will be calculated for the Senior Financing Group semi-annually as at 30 June and 31 December in each year on an historical basis for the 12 month period ending on (and including) the relevant Test Date (each a **Test Period**) commencing with the Test Date occurring on 30 June 2013.

For these purposes:

Capex means any capital expenditure by a Senior Financing Group Company (net of any associated non-refundable grants and contributions received) incurred (or, in respect of any future period, forecast to be incurred) relating to increases in capacity or enhancement of service levels, quality or security of supply in relation to a Permitted Business.

Maintenance Capex means Capex that is incurred for cost-savings purposes or to deliver productivity enhancements or that is required to maintain or repair existing infrastructure by either extending the useful life of existing fixed assets or replacing worn out and obsolete fixed assets with new ones in order to support existing contracts, including (but not limited to) expenditure for mast-painting, replacing obsolete transmission equipment or upgrading IT hardware and software to the current standards supported by manufacturers and providers.

Permitted Business means owning and/or developing and/or operating broadcasting, media distribution and communications infrastructure, networks and spectrum and any business complimentary thereto in each case.

Offsetting Hedge has the meaning given to that term in the Common Terms Agreement.

Senior Borrower means Arqiva Financing No 1 Limited.

Senior Debt means any financial indebtedness of the Senior Financing Group that is not subordinated debt, including:

(a) under the bank facilities entered into by the Senior Borrower as permitted by the Common Terms Agreement;

(b) under the Senior PP Issuer/Borrower Facilities;

(c) under the Senior Issuer/Borrower Facilities;

(d) the capitalised values of any Finance Leases entered into by any of the Senior Financing Group; and

(e) under any Treasury Transactions (as defined in the Common Terms Agreement) (including any offsetting hedge annuity).

Senior Net Debt means, for any Test Date, the aggregate Senior Debt (excluding amounts under any Senior Hedging Agreements except to the extent as provided in paragraph (a) below) as at the Test Date (and without double counting):

(a) plus (for the avoidance of doubt) any accretion by indexation to the notional amount under any Senior Hedging Agreements and the accretion portion of any other Senior Debt;

(b) plus in respect of any Senior Hedging Agreement, the amount (if any) that is payable by the Senior Borrower to the relevant Senior Hedge Counterparty if an Early Termination Date (as defined in the Senior Hedging Agreement) has been designated on or prior to such Test Date in respect of the transaction or transactions arising under the Senior Hedging Agreement and is outstanding on such Test Date;

(c) in respect of two Senior Hedging Transactions, that are subject to and part of the same Senior Hedging Agreement, one of which is an Offsetting Hedge in respect of the other or a portion thereof, the net amount which would be payable (if any) by the Senior Borrower to the Senior Hedge Counterparty if an Early Termination Date (as defined in the Senior Hedging Agreement) were to occur on such date with respect to both such Senior Hedging Transactions and with the Senior Borrower as sole Affected Party (as defined in the Senior Hedging Agreement);

(d) less the aggregate amount of any Senior Debt purchased and held by any Senior Financing Group Company;

(e) less Cash and Cash Equivalents (as each of those terms is defined in the Common Terms Agreement) held by any Senior Financing Group Company.

Senior EBITDA means, for any Test Date, the consolidated earnings of the Senior Financing Group calculated in accordance with UK GAAP during the Test Period ending on (and including) such Test Date before (without double counting):

(a) the deduction of taxation;

(b) the deduction of any interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments whether paid, payable or capitalised by any member of the Senior Financing Group (calculated on a consolidated basis);

(c) the addition of interest receivable;

(d) the deduction of any amount attributable to amortisation of goodwill or other intangible assets and any deduction for depreciation or impairment;

(e) the deduction or addition (as applicable) of any non-cash charges resulting from fair value adjustments and mark-to-market adjustments;

(f) the deduction of any non-cash charges relating to long-term compensation schemes;

(g) taking into account any non-cash charges relating to recognition of pension plan deficits; and

(h) taking into account fair value gains or losses on any financial instrument other than any derivative instrument which is accounted for on a hedge accounting basis,

and after adjusting to exclude exceptional items which shall include (but not be limited to) transaction costs, integration costs, separation costs, restructuring costs, reorganisation costs and other one-off expenditure, less the consolidated earnings (before the deductions and the adjustments referred to above) of the Senior Financing Group Companies that are incorporated outside of the United Kingdom and in aggregate exceed 5% of the consolidated earnings (before the deductions and the adjustments referred to above) of the Senior Financing Group.

Senior Cashflow means, for any Test Date, Senior Net Cash Flow during the Test Period ending on (and including) such Test Date (without double counting):

(a) plus any insurance proceeds related to business interruption (where to be applied to cover operating losses in respect of which the relevant insurance claim was made) and third party liability received by a member of the Senior Financing Group (to the extent such amounts are not subsequently paid to a third party);

(b) plus any Finance Lease payments in respect of interest payable and equivalent financial charges included in Senior Net Cash Flow; and

(c) plus any dividends or other distributions received in cash by any Senior Financing Group Company from any entity which is not a Senior Financing Group Company, including any cash receipts from partnerships and joint ventures,

in each case during the Test Period ending on (and including) such Test Date.

Senior Net Cash Flow means, for any Test Date, Senior EBITDA for such Test Date (without double counting):

(a) less the greater of Maintenance Capex during the Test Period ending on (and including) such Test Date and the Minimum Maintenance Capex Spend Amount for the Test Period ending on (and including) such Test Date (which shall be the same as the Minimum Maintenance Capex Spend Amount for each financial year);

(b) less all amounts of corporation tax paid net of any tax rebate or refund for corporation tax during the Test Period ending on (and including) such Test Date; and

(c) less all amounts of Senior Issuer Profit Amount payable during the Test Period ending on (and including) such Test Date.

Senior Debt Service means, for any Test Date, the sum of Senior Net Interest Payable during the relevant Test Period ending on (and including) such Test Date and scheduled amortisation in respect of the Senior Debt due as an obligation of any Senior Financing Group Company during the Test Period ending on (and including) such Test Date (without double counting):

(a) excluding any principal payment due on the relevant final maturity date (other than any final scheduled repayment of fully amortising debt) of any Senior Debt; and

(b) taking into account any interim principal exchange payments that are payable and receivable under any Senior Hedging Agreements (but excluding, for the avoidance of doubt, (i) any final principal exchange payments that are payable and receivable under any Senior Hedging Agreements (other than in respect of any final scheduled repayment of fully amortising debt) and (ii) any accretions by indexation to the notional amount under any Senior Inflation Linked Hedging Agreements).

Senior Financing Group means the Senior Parent and its Subsidiaries (other than the Senior Issuer and Senior FinCo).

Senior Financing Group Company means a company in the Senior Financing Group.

Senior Hedging Agreement means a Hedging Agreement (as that term is defined in the Common Terms Agreement).

Senior Net Interest Payable means, for any Test Date, the interest, fees (including commitment fees (but excluding, for the avoidance of doubt, any Issuer/Borrower Facilities Fees, charges, commissions or equivalent finance charges that are paid or payable (excluding, for the avoidance of doubt, non-cash charges and imputed interest) or accrued as an obligation of any Senior Financing Group Company in respect of the Senior Debt during the Test Period ending on (and including) such Test Date and all Finance Lease payments in respect of interest payable and equivalent financial charges during the Test Period ending on (and including) such Test Date, but (without double counting):

(a) excluding any upfront or amortised fees or costs;

(b) excluding the fees and expenses of the Administrative Parties;

(c) excluding any break costs;

(d) excluding the mark-to-market under any Treasury Transactions;

(e) excluding any interest or equivalent finance charge accrued in respect of Financial Indebtedness between Senior Financing Group Companies;

(f) excluding any interest or equivalent finance charge on deferred income or on unwinding a discounted liability;

(g) deducting any interest or equivalent finance charge receivable by any Senior Financing Group Company (after deducting applicable withholding tax) in respect of Cash or Cash Equivalents held by such Senior Financing Group Company;

(h) before taking into account fair value gains or losses on any financial instrument other than any derivative instrument which is accounted for on a hedge accounting basis and only to the extent gains and losses in the hedged item are also included in EBITDA;

(i) excluding any interest or equivalent finance charge which is capitalised, rolled up or deferred during such Test Period; and

(j) excluding any fees, costs and expenses incurred in respect of the implementation of the refinancing of the Existing Bank Facilities and the Existing Hedges,

and taking into account any net payment or net receipt which is payable or receivable under any Hedging Agreements (including, for the avoidance of doubt, any net payment and net receipt under any Inflation Linked Hedging Agreements (but excluding, for the avoidance of doubt, any accretions paid, payable or accruing under any Inflation Linked Hedging Agreements and any mark-to-market termination payments under any Hedging Agreements)).

Senior Inflation Linked Hedge means an Inflation Linked Hedge (as that term is defined in the Common Terms Agreement).

Senior Inflation Linked Hedging Agreements means any Inflation Linked Hedging Agreement (as that term is defined in the Common Terms Agreement).

Senior Issuer Profit Amount means £5,000 per annum in equal instalments on each Senior Issuer/Borrower Interest Payment Date, to be retained by the Senior Issuer as profit;

Senior Obligor means those Senior Financing Group Companies party to the Common Terms Agreement as an Obligor (as defined therein).

Senior Obligor Enforcement Notice has the meaning given to 'Obligor Enforcement Notice' for the purposes of the Common Terms Agreement.

Minimum Maintenance Capex Spend Amount means £15 million (RPI indexed) per financial year.

Senior Trigger Events

The Common Terms Agreement contains a separate category of events, the occurrence of which do not result in a default, but which do result in certain increased operational restrictions and requirements for the Senior Obligors, including the prohibition of distributions from the Senior Parent to Intermediate HoldCo (such event, a **Senior Trigger Event**). Those Senior Trigger Events include:

(a) either the Senior Historic Net Debt to EBITDA Ratio for the Test Period ending on (and including) the immediately preceding Test Date or the Senior Projected Net Debt to EBITDA Ratio for the Projected Test Period commencing on (but excluding) such Test Date (each as calculated for the purposes of the Senior Financial Covenant Ratios above, but subject as provided below in respect of the Senior Projected Net Debt to EBITDA Ratio) is higher than 6.50:1;

(b) either the Senior Historic Cashflow ICR for the Test Period ending on (and including) the immediately preceding Test Date or the Senior Projected Cashflow ICR for the Projected Test Period commencing on (but excluding) such Test Date (each as calculated for the purposes of the Senior Financial Covenant Ratios above, but subject as provided below in respect of the Senior Projected Cashflow ICR) is lower than:

    (i) up to (and including) the Test Date occurring in June 2013, 1.80:1;

    (ii) from (and including) the Test Date occurring in December 2013 to (and including) the Test Date occurring in June 2014, 1.90:1; and

    (iii) from (and including) the Test Date occurring in December 2014 to (and including) each Test Date thereafter, 2.00:1;

(c) either the Senior Historic Cashflow DSCR (together with the Senior Historic Net Debt to EBITDA Ratio and the Senior Historic Cashflow ICR, the **Senior Historic Trigger Event Financial Covenant Ratios**) for the Test Period ending on (and including) the immediately preceding Test Date or the Senior Projected Cashflow DSCR (together with the Senior Projected Net Debt to EBITDA Ratio and the Senior Projected Cashflow ICR, the **Senior Projected Trigger Event Financial Covenant Ratios** and together with the Senior Historic Trigger Event Financial Covenant Ratios, the **Senior Trigger Event Financial Covenant Ratios**) for the Projected Test Period commencing on (but excluding) such Test Date (each as calculated for the purposes of the Senior Financial Covenant Ratios) is lower than 1.30:1;

(d) the occurrence and continuation of an event of default affecting a Senior Obligor;

(e) the Senior Liquidity Facility is drawn;

(f) a shortfall in the amounts available to the Senior Financing Group to cover the operating expenses, capex and debt service of the Senior Financing Group; and

(g) the auditors qualify or restate their report on any audited financial statements of a Senior Obligor so it is no longer a going concern.

The **Senior Projected Net Debt to EBITDA Ratio**, the **Senior Projected Cashflow DSCR** and the **Senior Projected Cashflow ICR** for the purposes of the Senior Trigger Events above will be calculated on the same basis as the Senior Historic Net Debt to EBITDA Ratio, the Senior Historic Cashflow DSCR and the Senior Historic Cashflow ICR respectively for each Test Date for the 12 months commencing on (but excluding) the relevant Test Date (each a **Projected Test Period**) commencing with the Test Date occurring on 30 June 2013 and using management projections which shall be prepared on a consistent basis and the assumptions to which shall be updated by reference to the most recently available relevant financial information and the most recently delivered financial statements.

In the event that a Senior Trigger Event has occurred and is continuing a Senior Financing Group Company may not make a Permitted Disposal pursuant to paragraph (a) of the definition of Permitted Disposal unless made in accordance with a Remedial Plan (as defined below) or unless the Senior Trigger Event has occurred and continuing solely as a result of a breach of the Senior Projected Trigger Event Financial Covenant Ratios and subject to certain restrictions, provided that it can demonstrate that such disposal is permitted under the terms of the Common Terms Agreement, the proceeds of such disposal are used to repay Senior Debt in accordance with the Common Terms Agreement and such a disposal will either cure or improve the relevant breach of Senior Projected Trigger Event Financial Covenant Ratios (a **Disposal Cure**).

In addition, for so long as any Senior Debt is outstanding, if (i) one or both of the ratings assigned to the Senior Notes (if the Senior Notes are rated by two rating agencies) or (ii) two or more ratings assigned to the Senior Notes (if the Senior Notes are rated by three or more rating agencies) fall below BBB−/Baa3 (or equivalent) by a rating agency (a **Rating Downgrade Event**), a Senior Financing Group Company may only make Senior Restricted Payments (to the extent that no Senior Trigger Event has occurred and is continuing) to the extent that such Senior Restricted Payments are used exclusively to pay interest or principal on the Subordinated Loans for the purpose of the Subordinated Lender paying interest or principal to AF No 2 and AF No 2 (in its capacity as the Intercompany Borrower) paying interest and an amount equal to the Issuer Senior Amounts to the Issuer (in its capacity as the Intercompany Lender) on the Intercompany Loans and the Issuer paying interest on the Notes and the Issuer Senior Amounts (as applicable).

Senior Trigger Event Consequences

If a Senior Trigger Event occurs and is continuing, no Senior Financing Group Company may make a Senior Restricted Payment and the Senior Borrower will credit an account with an amount equal to all Excess Cash Flow in respect of each previous Semi-Annual Test Period commencing following that Senior Trigger Event and shall continue to credit such account (the **Lock-Up Account**) with an amount equal to all Excess Cash Flow in respect of each subsequent Semi-Annual Test Period for so long as a Senior Trigger Event is continuing.

In the event that a Senior Trigger Event has been subsisting for 12 months or more and for so long as any Senior Debt remains outstanding then, AF No 1 shall apply all amounts then standing to the credit of the Lock-Up Account in repayment of Senior Debt in accordance with the Common Terms Agreement.

In the event that the Senior Trigger Event is continuing for 6 months or more, the Senior Borrower must discuss plans for remedial action with a view to agreeing a remedial plan (each a **Remedial Plan**). Such Remedial Plan is to be reviewed and amended annually until such time as the relevant Senior Trigger Event is no longer subsisting.

Semi-Annual Test Period means the six months ending on any Test Date.

Senior Restricted Payments are any payments (including distributions, dividends, bonus issues, return of capital, fees, interest, principal or other amounts whatsoever) by way of loan or repayment of any loan or otherwise (in cash or in kind) by any Senior Financing Group Company to any Holding Company, any other non-Senior Financing Group Company (other than the Senior Issuer or Senior FinCo) or any Shareholder (in each case other than otherwise permitted under the Senior Transaction Documents), subject to certain exceptions.

Shareholder means, as at the Closing Date (having the same meaning as "Closing Date" for the purposes of the Common Terms Agreement), the Initial Shareholders and, from time to time, the shareholders in AGL (being as at the date of this Offering Memorandum the "Current Shareholders" as defined in the section "*Certain Definitions*").

Events of Default

The Common Terms Agreement sets out the events of default applying to the Senior Obligors (each a **Senior Obligor Event of Default**). Such Senior Obligor Events of Default, which are subject to customary materiality and grace periods, include, among others: (i) failure to pay any sum when due subject to a five business day grace period; (ii) a breach of the Senior Financial Covenant Ratios; (iii) breach of a material covenant, subject to a 10 business day grace period if capable of remedy; (iv) breach of any other covenant, subject to a 20 business day grace period if capable of remedy; (v) representations or warranties found to be untrue or misleading when made or deemed repeated, subject to a 20 business day remedy period if capable of remedy; (vi) cross default subject to a threshold; (vii) insolvency and insolvency proceedings; and (viii) an event of default in relation to the Senior Issuer.

Governing Law

The Common Terms Agreement is governed by and construed and enforced in accordance with English law.

Senior Hedges

This section describes the hedging position of the Senior Group. Each capitalised term in this section not otherwise defined elsewhere in this Offering Memorandum shall have the meaning given to such term in the section "*Defined Terms for the purposes of the Common Terms Agreement*".

The Senior Borrower has entered into the Senior Interest Rate Hedges, Senior Currency Hedges, Senior Overlay Hedges and Senior Inflation Linked Hedges with a number of Borrower Hedge Counterparties and may enter into further Hedges with one or more Borrower Hedge Counterparties from time to time (together, the **Senior Borrower Hedges**). In addition, the Senior Issuer may enter into Hedges with one or more Issuer Hedge Counterparties from time to time (the **Senior Issuer Hedges**, which expression excludes, for the avoidance of doubt, any Issuer/Borrower Hedges). Each Hedge Counterparty to any one or more Senior Borrower Hedges will be party to the MDA, CTA and the STID and, in the case of the Senior Issuer Hedges, the MDA, CTA, STID and the Issuer Deed of Charge.

The Senior Issuer and the Senior Borrower must at all times comply with the Issuer/Borrower Hedging Policy.

The Senior Borrower and the Senior Issuer may from time to time enter into back to back hedges which match the terms of any Senior Issuer Hedges (the **Issuer/Borrower Hedges**).

Hedged Debt Covenant

Interest Rate Hedging and Inflation Linked Hedging

The Senior Issuer and the Senior Borrower will ensure that at each Hedging Test Date, the amount equal to:

(a) the sum of:

   (i) the total outstanding principal amount of the Senior Notes and the Borrower Loans (excluding any Issuer/Borrower Loans) which either:

      (A) bear interest at a fixed rate; or

      (B) pay a return that is index-linked to inflation; and

(ii) the aggregate notional amount of all outstanding Interest Rate Hedges and Inflation Linked Hedges which are entered into by either the Senior Issuer or the Senior Borrower (excluding any Issuer/Borrower Hedges) (together, the **Rate Hedges**), less

(b) the aggregate notional amount of: (x) any Offsetting Hedges and the portion (which may be a part or the entirety) of any Primary Hedges which have been offset by such Offsetting Hedges, (y) any Overlay Hedges and (z) any Inflation Linked Hedges in respect of which the Senior Borrower or the Senior Issuer (as applicable) receives a fixed rate of interest,

is not less than 80% and not more than 105% of the total outstanding principal amount of the Senior Notes and the Borrower Loans (excluding any Issuer/Borrower Loans) for the period up to (and including) the day that is five years from such Hedging Test Date.

The Senior Issuer and the Senior Borrower will ensure that at each Hedging Test Date the amount equal to:

(a) the sum of:

(i) the total outstanding principal amount of the Senior Notes and the Borrower Loans (excluding any Issuer/Borrower Loans) which either:

(A) bear interest at a fixed rate; or

(B) pay a return that is index-linked to inflation; and

(ii) the aggregate notional amount of all outstanding Rate Hedges, less

(b) the aggregate notional amount of: (x) any Offsetting Hedges and the portion (which may be a part or the entirety) of any Primary Hedges which have been offset by such Offsetting Hedges, (y) any Overlay Hedges and (z) any Inflation Linked Hedges in respect of which the Senior Borrower or the Senior Issuer (as applicable) receives a fixed rate of interest,

is not less than 75% and not more than 110% of the total outstanding principal amount of the Senior Notes and the Borrower Loans (excluding any Issuer/Borrower Loans) for the period up to (and including) the day that is seven years from such Hedging Test Date (the preceding two paragraphs, the **Rate Hedged Debt Covenant**).

Currency Hedging

If any Senior Notes and Borrower Loans (excluding any Issuer/Borrower Loans) are denominated in a currency other than sterling, the Senior Borrower and/or the Senior Issuer (as applicable) will enter into Currency Hedges in respect of such foreign currency with an aggregate notional amount equal to 100% of the aggregate outstanding principal amount of such Senior Notes and Borrower Loans denominated in such foreign currency until the Final Maturity Date or any equivalent or analogous maturity date of such Senior Notes and Borrower Loans. Such Currency Hedges will cover interest and principal payments under the relevant Senior Notes and Borrower Loans (excluding Issuer/Borrower Loans) (the **Currency Hedged Debt Covenant** and together with the Rate Hedged Debt Covenant, the **Hedged Debt Covenant**).

General

No hedging is permitted for speculative purposes, but the Senior Borrower and/or another Obligor may enter into general foreign exchange trades or interest rate risk management trades in the ordinary course of business (which shall be considered Permitted Treasury Transactions).

Ranking of Hedging Agreements

Any liability of the Senior Issuer under the Senior Issuer Hedges (other than Excluded Hedge Counterparty Amounts) will rank senior to (**Super Senior Issuer Hedges**) or pari passu with (**Pari Passu Issuer Hedges**) the Senior Notes, as more fully set out in the provisions relating to the priority of payments applicable to the Senior Issuer in the Common Documents. Any liability of the Senior Borrower under the Senior Borrower Hedges will rank senior to (**Super Senior Borrower Hedges**) or pari passu with (**Pari Passu Borrower Hedges**) the Borrower Facilities (other than the Liquidity Facility, which will rank senior thereto except for Excluded Liquidity Facility Provider Amounts), as more fully set out in the provisions relating to the order of priority of payments applicable to the Senior Borrower in the Common Documents. Pari Passu Issuer Hedges will be subject to a Pari Passu Issuer Hedging Agreement. Pari Passu

Borrower Hedges will be subject to a Pari Passu Borrower Hedging Agreement. Super Senior Issuer Hedges will be subject to a Super Senior Issuer Hedging Agreement. Super Senior Borrower Hedges will be subject to a Super Senior Borrower Hedging Agreement. Accordingly, if a Hedge Counterparty enters into more than one such category of Hedges, it must enter into a separate Hedging Agreement with the Senior Borrower or the Senior Issuer (as applicable) in respect of each category of Hedges.

The ranking of each Hedging Agreement shall be specified as such in that Hedging Agreement.

Hedging (with Breaks) Condition

The Senior Borrower and the Senior Issuer may enter into Hedges with Hedge Counterparties that contain mandatory break clauses (each a **Hedge with Break Clause** and together the **Hedges with Break Clauses**), provided that (i) the aggregate notional amount of all Hedges with Break Clauses does not exceed 10% of Senior Debt and (ii) the mandatory break clause is on or after the tenth anniversary of the entry into such Hedge with Break Clause. For the purpose of calculating the aggregate notional amount of all Hedges with Break Clauses, the following will not be included (i) any Offsetting Hedges and any Hedges which have been offset by such Offsetting Hedges and (ii) any Overlay Hedges.

Overhedging

The Senior Borrower and the Senior Issuer may at any time reduce in part or in whole the notional amount of any Senior Borrower Hedges and Senior Issuer Hedges respectively and of any corresponding Issuer/Borrower Hedges (as required) (a **Reduction**), provided that the Senior Borrower and the Senior Issuer remain in compliance with the Hedged Debt Covenant.

In the event that the Senior Borrower or the Senior Issuer on any Hedging Test Date is overhedged pursuant to the above Hedged Debt Covenant (an **Overhedged Position**), the Senior Borrower or the Senior Issuer (as applicable) must reduce the notional amount of the relevant Currency Hedges or Rate Hedges (as applicable) in accordance with the terms of the relevant Hedging Agreement so that immediately following such Reductions it is in compliance with the above Hedged Debt Covenant.

In the event that an Overhedged Position arises or will arise by virtue of proceeds from a disposal being applied towards repayment of the Senior Debt, the Senior Borrower or the Senior Issuer must effect immediate Reductions across the relevant Currency Hedges or Rate Hedges (as applicable) in accordance with the terms of the relevant Hedging Agreement such that, following such Reductions, the Senior Borrower or the Senior Issuer (as applicable) is in compliance with the Hedged Debt Covenant.

In respect of any Reduction in relation to a Rate Hedge or Currency Hedge (respectively), in the event that the relevant Hedge Counterparty is in-the-money in respect of such Rate Hedge or Currency Hedge (as applicable), the Senior Borrower or Senior Issuer (as applicable) shall pay to the relevant Hedge Counterparty the mark-to-market close-out value in respect of the portion of such Rate Hedge or Currency Hedge (as applicable) being reduced or terminated.

The Senior Borrower and the Senior Issuer may enter into one or more Offsetting Hedges which will be used for the purposes of determining whether or not it is overhedged. Senior FinCo may not enter into any Offsetting Hedges.

Cap on Super Senior Borrower Hedges and Super Senior Issuer Hedges

The Senior Borrower and the Senior Issuer may not enter Super Senior Borrower Hedges and Super Senior Issuer Hedges (other than Overlay Hedges or Offsetting Hedges) if the risk-weighted notional amount of existing Super Senior Borrower Hedges and Super Senior Issuer Hedges is more than 50% of the outstanding principal amount of the Borrower Loans and Senior Notes. The risk-weighting of the existing Super Senior Borrower Hedges and Super Senior Issuer Hedges will be determined by reference to their mark-to-market value.

OVERVIEW OF SENIOR HEDGES

As at 30 June 2018, the Group had a hedging portfolio with a notional amount of approximately £3.1 billion. This portfolio comprises approximately:

- £1.3 billion notional amount of inflation linked swaps (**ILS**) to which the Senior Borrower is party;
- £0.6 billion notional amount of overlay swaps (**OS**) to which the Senior Borrower is party;
- £0.2 billion notional amount of cross-currency swaps (**CCS**) to which the Senior Borrower is party; and
- £1.0 billion notional amount of IRS to which the Senior Borrower is party.

As at such date, FinCo was not party to any swaps.

The summary terms of the hedging portfolio, as at 30 June 2018, are as follows:

Swap	Senior Borrower ILS	Senior Borrower OS	Senior Borrower CCS	Senior Borrower IRS
Notional amount	Approximately £1.3 billion	Approximately £0.6 billion	Approximately £0.2 billion	Approximately £1.0 billion
Maturity	2027	2023 on approximately £0.2 billion 2025 on approximately £0.2 billion 2027 on approximately £0.2 billion	2025	2024 on approximately £0.4 billion 2029 on approximately £0.6 billion
Mandatory breaks	Approximately £0.2 billion of the ILS have a break date falling in 2023 Approximately £1.1 billion of the ILS have no break date	None	None	None
Ranking	Super senior to Senior Borrower Facilities	Super senior to Senior Borrower Facilities	Pari passu with Senior Borrower Facilities	Pari passu with Senior Borrower Facilities
Structural features	Regular scheduled payments of accretion, as follows: Accretion payable annually until maturity Assuming a flat annual inflation rate, accretion payments will grow larger over time due to the compounding effect of inflation	Amortising on approximately £0.2 billion to match the U.S. dollar tranche of the Senior USPP Notes Remaining overlays are bullet maturity	Amortising to match the U.S. dollar tranche of the Senior USPP Notes with principal exchanges on the scheduled amortising dates of the U.S. dollar tranche of the Senior USPP Notes	Amortising on approximately £0.6 billion to match the floating rate GBP tranches of the Senior USPP Notes and Senior Term Facilities
Estimated mark-to-market value as at 30 June 2018	Approximately −£0.8 billion	Approximately £36 million	Approximately £22 million	Approximately −£0.3 billion

Swap	Senior Borrower ILS	Senior Borrower OS	Senior Borrower CCS	Senior Borrower IRS
Coupons paid	3.0% real rate on the ILS with no mandatory break 2.8% real rate on the ILS with 10 year mandatory break The interest payments are calculated on a swap notional amount that increases semi-annually with reference to RPI The ILS have a base index level of 201.6 (i.e. the RPI figure for January 2007). This is the date falling three months before the date when the ILS were initially entered into by the Senior Borrower (in April 2007)	Floating pay leg of 6 month GBP LIBOR on approximately £0.4 billion Floating pay leg of 6 month GBP LIBOR plus 0.1 per cent. per annum on approximately £0.2 billion	Fixed pay leg of 4.5% on GBP notional	Fixed pay leg of 6.0% on approximately £0.2 billion Fixed pay leg of 6.5% on approximately £0.3 billion Fixed pay leg of 8.2% on approximately £0.3 billion Fixed pay leg of 6.7% on approximately £0.2 billion
Coupons received	Approximately £0.5 billion of the ILS with no mandatory break have a fixed receive leg of 2.6% Approximately £0.2 billion of the ILS with a 10 year mandatory break have a fixed receive leg of 2.6% Approximately £0.6 billion of the ILS with no mandatory break have a floating receive leg of 6 month GBP LIBOR	Fixed receive leg of 2.0% on approximately £0.4 billion Fixed receive leg of 2.9% on approximately £0.2 billion	Fixed receive leg of 4.4% on U.S. dollar notional to match coupons of the U.S. dollar tranche of the Senior USPP Notes	Floating receive leg of 6 month GBP LIBOR

(1) Historic RPI fixings can be found on Bloomberg page UKRPI < Index >.

Senior Borrower ILS and Senior Borrower OS

The existing ILS (which have a total notional amount of approximately £1.3 billion) are used to hedge the Group's high proportion of index-linked turnover. The mark-to-market value on the ILS is linked to future expectations of inflation. As the Group's long-term contracts are closely linked to the RPI, higher inflation tends to increase future turnover and offsets the impact of mark-to-market deterioration on the ILS over the life of the swap.

In addition, the Senior Borrower has entered into approximately £0.6 billion notional amount of floating/fixed interest rate swaps (i.e. OS) to overlay the ILS (with no mandatory break and having a floating receive leg of six month GBP LIBOR) and thereby amend the net cash flow characteristics.

Approximately £1.1 billion notional amount of ILS after directly or in conjunction with a portion of the OS (£0.4 billion notional amount) effectively hedges the Senior Issuer's and the Senior PP Issuer's fixed rate GBP coupon payments under the existing fixed rate Senior Notes and the existing fixed rate GBP tranche of the Senior USPP Notes, respectively. The remaining £0.2 billion notional amount of ILS in conjunction with the CCS and a portion of the OS (£0.2 billion notional amount) effectively hedges the Senior PP Issuer's cross-currency exchange rate and interest rate risk in respect of the existing U.S. dollar tranche of the Senior USPP Notes. Approximately £1.1 billion of the ILS do not have mandatory breaks and so will mature on their scheduled maturity date falling in 2027. The remaining £0.2 billion of the ILS have a mandatory break date falling in 2023. At that mandatory break date, these ILS will automatically terminate and the Senior Borrower will be obliged to pay any termination costs. The termination costs for the Senior Borrower will be linked to the mark-to-market value of such portion of the ILS at such time. The Senior Borrower expects to fund the potential termination costs with cash and/or further Senior Debt. Alternatively, the Senior Borrower may be able to extend the mandatory break, subject to an incremental credit charge and the willingness of the relevant Senior Hedge Counterparties that are counterparties under the ILS in extending such break. The mandatory breaks were introduced to optimise the rate paid by the Senior Borrower under the ILS. None of the OS have any mandatory breaks and so will mature on their scheduled maturity date (subject to any scheduled amortisation, if applicable).

On the ILS, the coupon is paid in cash at each semi-annual payment date and is accounted for in the Senior Historic Cashflow ICR and the Senior Projected Cashflow ICR (together, the **Senior ICRs**). The accretion amount to the notional amount which is determined by indexation to inflation is counted as Senior Net Debt in the Senior Historic Net Debt to EBITDA Ratio and the Senior Projected Net Debt to EBITDA Ratio, but not in the Senior ICRs.

The Senior Borrower is required to pay down accretion amounts every year until maturity of the ILS. The Senior Borrower expects to fund this payment from available cash and/or the incurring of new Senior Debt.

The accretion payment on the ILS is calculated according to the following formula:

{([RPI (3 month lag) / 201.6 - 1] × ILS notional) minus the sum of all previous accretion payments}.

Assuming inflation is 3.0% from the 30 June 2018 RPI fixing until 30 June 2019, the accretion paydown on that date would be approximately £553 million ([286.6 / 201.6 - 1] × £1,312.5 million) minus approximately £499 million (aggregate accretion repayments paid as at June 2018) = approximately £54 million.

The interest payments on the ILS are calculated according to the following formula:

{[RPI (3 month lag) / 201.6] × ILS notional × real rate × fraction of year}

As an example, to calculate the semi-annual interest coupon payable at 30 June 2019 on the ILS, the calculation is as follows:

{[286.6 / 201.6] × £0.2 billion × 2.8% × 0.5} = approximately £4.6 million cash interest cost

{[286.6 / 201.6] × £1.1 billion × 3.0% × 0.5} = approximately £22.5 million cash interest cost

(1) 286.6 is the approximate RPI fixing at 30 June 2019 with 3 month lag assuming 3% annual inflation from 30 June 2018 RPI fixing until 30 June 2019.

Management estimates that, as at 30 June 2018, the mark-to-market value on the ILS was approximately £0.8 billion and the PV01 (as explained above) on the ILS was approximately £1.8 million. The PV01 represents the present value of adding one basis point to the fixed rate payable by the Senior Borrower and is a function of interest rates and time (which means that the PV01 will vary from time to time).

Senior Borrower CCS

The Senior Borrower has entered into $0.4 billion notional amount of CCS to fix the sterling cost of future interest and capital repayment obligations relating to the U.S. dollar tranche of the Senior USPP Notes at an exchange rate of USD1.52:GBP1.00.

Senior Borrower IRS

The Senior Borrower has entered into approximately £1.0 billion notional amount of IRS to hedge the floating rate payable by the Senior Borrower under the Senior Group's floating rate GBP debt, specifically the Senior Institutional Term Loan, the Senior EIB Loan, the Senior Term Facility and the floating rate GBP tranches of the Senior USPP Notes. None of the Senior Borrower IRS contains any mandatory break provisions and instead the maturity date of each such Senior Borrower IRS corresponds to the scheduled maturity of the aforementioned Senior Debt that it hedges (subject to any scheduled amortisation, if applicable).

The Senior Borrower IRS represents restructured legacy instruments, meaning that the fixed rate payable by the Senior Borrower is higher than it would be had the Senior Borrower entered into new swaps on on-market terms when the derivative instruments were established.

TERMS AND CONDITIONS

The following is the text of the terms and conditions which (subject to amendment) will be incorporated by reference into each Global Note and (if applicable) each Definitive Note (the ***Conditions****).*

The £625,000,000 % Senior Notes due 2023 (the **Notes**) of Arqiva Broadcast Finance plc (the **Issuer**) are constituted by a trust deed (the **Note Trust Deed**) dated on or about 2018 (the **Issue Date**) and made between the Issuer and Deutsche Trustee Company Limited (in such capacity, the **Note Trustee**) as trustee for the Noteholders (as defined below). Any reference in these terms and conditions (**Conditions**) to a **class** of Notes or of Noteholders shall be a reference to the Notes or to the respective holders thereof.

The expression **Notes** shall, in these Conditions, unless the context otherwise requires, include any Further Notes (as defined below) issued pursuant to Condition 16.1 (*Further Notes*) and forming a single series with the Notes.

The security for the Notes is constituted by a security agreement (the **Security Agreement**) dated the Issue Date and made between, among others, the Issuer and Deutsche Trustee Company Limited (in such capacity, the **Security Trustee**).

Pursuant to an agency agreement (the **Agency Agreement**) dated the Issue Date and made between, *inter alios*, the Issuer, Deutsche Bank AG, London Branch as principal paying agent (the **Principal Paying Agent** and, together with such additional or other paying agents, if any, appointed from time to time pursuant to the Agency Agreement, the **Paying Agents**) and as agent bank (the **Agent Bank**), Deutsche Bank Luxembourg S.A. as registrar with respect to the Global Notes (the **Registrar**) and Deutsche Bank Luxembourg S.A. as transfer agent with respect to the Global Notes (the **Transfer Agent** and together with the Paying Agents, the Agent Bank and the Registrar, the **Agents**) and the Note Trustee, provision is made for the payment of principal, premium (if any) and interest in respect of the Notes of each class.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Note Trust Deed, the Security Agreement and the Intercreditor Agreement between, *inter alios*, the Issuer, the Note Trustee and the Security Trustee dated on or about the Issue Date.

Copies of the Note Trust Deed, the Security Agreement, the Agency Agreement, the Intercreditor Agreement and the other Transaction Documents are available for inspection during normal business hours at the specified office for the time being of each of the Paying Agents and the Registrar and may be obtained free of charge by Noteholders from the Note Trustee upon request. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

1. FORM, DENOMINATION AND TITLE

1.1. The Notes are represented by a Regulation S Global Note (as defined in Condition 18 (*Definitions*)) (the **Global Note**) in registered form in the aggregate principal amount on issue of £625,000,000. The Global Note has been deposited on behalf of the subscribers of the relevant class of Notes with a common depositary for Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) and Euroclear Bank S.A./N.V. (**Euroclear** and, together with Clearstream, Luxembourg, the **Clearing Systems**) on the Issue Date. Upon deposit of the Global Note, the Clearing Systems have credited each subscriber of Notes with the principal amount of Notes of the relevant class equal to the aggregate principal amount thereof for which it had subscribed and paid.

1.2. Interests in a Global Note will be transferable in accordance with the rules and procedures for the time being of the relevant Clearing System.

1.3. For so long as the Notes are represented by a Global Note and the Clearing Systems so permit, the Notes will be tradeable only in the minimum authorised denomination of £100,000 and higher integral multiples of £1,000.

1.4. If, while any of the Notes are represented by a Global Note, any of the Clearing Systems is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no other clearing system is then in existence or (ii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Issue Date, the Issuer or any Paying Agent is or will on the next Interest Payment Date (as defined below) be required to make any deduction or withholding from any payment in respect of such Notes which would not be required were such Notes in definitive form, then the Issuer will issue Notes of the relevant class in definitive form (**Definitive Notes**) in exchange for such Global Note (free of charge to the persons entitled to them) within 30 days of the occurrence of the relevant event. These Conditions and the Transaction Documents will be amended in such manner as the Note Trustee and Security Trustee require to take account of the issue of Definitive Notes.

1.5. Definitive Notes, if issued, will only be printed and issued in denominations of £100,000 and integral multiples of £1,000 in excess thereof. Such Notes will be serially numbered and will be issued in registered form.

1.6. Subject as set out below, title to the Notes will pass upon registration of transfers in the register by the Registrar, in accordance with the provisions of the Agency Agreement. The Issuer, the Note Trustee and any Agent will (except as otherwise required by law) deem and treat the registered holder of any Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out below.

1.7. For so long as any of the Notes are represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular Outstanding Principal Amount (as defined in Condition 18 (*Definitions*)) of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the Outstanding Principal Amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Note Trustee, the Security Trustee and the agents as the holder of such Outstanding Principal Amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the registered holder of the relevant Global Note shall be treated by the Issuer, the Note Trustee, the Security Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

1.8. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Note Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

2. TRANSFERS OF NOTES

2.1. Transfers of interests in Global Notes

Transfers of beneficial interests in Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such Clearing Systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Global Note only in the authorised denominations set out in Condition 1.1 and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Note Trust Deed and the Agency Agreement.

2.2. Transfers of Note in definitive form

Subject as provided in Conditions 2.6 (*Transfers of interests in Global Notes*), upon the terms and subject to the conditions set forth in the Note Trust Deed and the Agency Agreement, a Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in Condition 1.5). In order to effect any such transfer (a) the holder or holders must (i) surrender the Note for registration of the transfer of the Note (or the relevant part of the Note) at the specified office of the Registrar or the

Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, by the Transfer Agent and (b) the Registrar or the Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Note Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 2 and Schedule 3 of the Agency Agreement). Subject as provided above, the Registrar or the Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of such Registrar or such Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the transferee may request, a new Note in definitive form of a like aggregate nominal amount to the Note (or the relevant part of the Note) transferred. In the case of the transfer of part only of a Note in definitive form, a new Note in definitive form in respect of the balance of the Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3. Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 6 (*Redemption, Purchase and Cancellation*), the Issuer shall not be required to register the transfer of any Note, or part of a Note, called for partial redemption.

2.4. Regulations concerning the transfer of Notes

All transfers of Notes and entries on the register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Principal Paying Agent, the Note Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

2.5. Cost of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any cost or expenses of delivery other than by regular uninsured mail and except that the Issuer may require payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

2.6. Transfers of interests in Global Notes

2.6.1 Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Global Note to a transferee in the United States or who is a U.S. person will only be made pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any state of the United States, and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

2.6.2 After expiry of the applicable Distribution Compliance Period (A) beneficial interests in Global Notes registered in the name of a nominee of the common depository for Euroclear or Clearstream, Luxembourg may be held directly or indirectly through a participant in Euroclear or Clearstream, Luxembourg and (B) such certification requirements will no longer apply to such transfers.

2.7. Exchanges and transfers of Notes generally

Holders of Notes in definitive form may exchange such Notes for interests in a Global Note of the same type at any time.

3. STATUS OF NOTES AND THE GUARANTEES

3.1. Status of the Notes

The Notes are direct, secured, unconditional and unsubordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and *pari passu* with any Indebtedness Incurred by the Issuer from time to time that is not subordinated in right of payment to the Notes and senior to any Subordinated Debt or intra-Group liabilities.

3.2. Status of the Guarantees

The payment of principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Note Trust Deed has been unconditionally and irrevocably guaranteed by Arqiva Financing No 2 Limited (the **Intermediate Guarantor**), Arqiva Broadcast Parent Limited (the **Parent Guarantor**) and Arqiva Broadcast Intermediate Limited (the **Intermediate HoldCo** and, together with the Intermediate Guarantor and the Parent Guarantor, the **Guarantors**) (the **Guarantees**). The Guarantees are contained in the Note Trust Deed and are secured pursuant to the Security Agreement.

3.3. Transaction Security

3.3.1 The Notes and the Guarantees will be secured by first ranking fixed and floating security interests over all (or substantially all) of the assets of the Issuer and the Guarantors, including (1) the shares in each of the Issuer and the Intermediate Guarantor held by the Parent Guarantor, (2) the shares in Intermediate HoldCo held by the Intermediate Guarantor and (3) the shares in Arqiva Group Parent Limited held by Intermediate HoldCo.

3.3.2 The security constituted by the Security Agreement is granted by the Issuer and the Guarantors to the Security Trustee, on trust for itself and certain other creditors of the Issuer (including the Noteholders), upon and subject to the terms and conditions of the Security Agreement, the Intercreditor Agreement or any Additional Intercreditor Agreement.

3.3.3 The Noteholders will share in the benefit of the security constituted by the Security Agreement, upon and subject to the terms and conditions of the Security Agreement, the Intercreditor Agreement or any Additional Intercreditor Agreement.

3.4. Note Trust Deed

The Note Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the Noteholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise).

3.5. Further Securities

In the event of an issue of Further Notes (as defined in Condition 16.1 (*Further Notes*), the provisions of these Conditions, the Note Trust Deed, the Security Agreement and the other Transaction Documents, will be modified in such manner as the Note Trustee or, as the case may be, the Security Trustee considers necessary to reflect the issue of such Further Notes and any new Transaction Documents entered into in connection with such Further Notes and the ranking thereof and of the claims of any party to any of such new Transaction Documents in relation to each class of the Notes.

3.6. Note Trustee not responsible for monitoring compliance

The Note Trustee shall not be responsible for monitoring compliance by the Issuer or any other Obligor with any of its obligations under the Note Trust Deed or the other Transaction Documents except by means of receipt of a certificate from the Issuer which will state, among other things, that no Event of Default is outstanding. The Note Trustee shall be entitled to rely on such certificates absolutely. The Note Trustee is not responsible for monitoring compliance by any of the parties with their respective obligations under the Note Trust Deed or the other Transaction Documents. The Note Trustee may call for and is at liberty to accept as sufficient evidence a certificate signed by any one authorised signatory director of the Issuer or any other party to the Note Trust Deed or other Transaction Documents to the effect that any particular dealing, transaction, step or thing is in the opinion of the persons so certifying suitable or expedient or as to any other fact or matter upon which the Note Trustee may require to be satisfied. The Note Trustee is in no way bound to call for further evidence or be responsible to any person for any loss that may be occasioned by acting on any such certificate although the same may contain some error or is not authentic. The Note Trustee is entitled to rely upon any certificate believed by it to be genuine and will not be liable for so acting.

4. COVENANTS

4.1. Indebtedness

4.1.1 None of the Issuer nor any Guarantor shall Incur any Indebtedness, provided that the Issuer and the Guarantors may Incur Indebtedness if, on the date of such Incurrence, the Fixed Charge Coverage Ratio would have been at least 2.0 to 1.0 determined on a pro forma basis (including a pro forma application of the net proceeds therefrom) as if the additional Indebtedness had been Incurred and the application of proceeds therefrom had occurred at the beginning of the relevant Test Period.

4.1.2 Notwithstanding the foregoing Condition 4.1.1, the Issuer and the Guarantors may Incur any or all of the following items of Indebtedness (collectively, the **Permitted Debt**):

(1) the Incurrence by the Issuer and the Guarantors of Indebtedness under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) not to exceed £20 million, *plus* in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) the Incurrence by the Issuer and the Guarantors of Indebtedness represented by the Notes (other than Further Notes) and the related Guarantees (including any future Guarantees);

(3) Indebtedness of the Issuer and the Guarantors outstanding on the Issue Date (other than the Indebtedness described in clauses (1) or (2) of this Condition 4.1.2) after giving *pro forma* effect to the use of proceeds of the Notes Incurred on the Issue Date as set forth in the Offering Memorandum;

(4) the Incurrence by the Issuer and the Guarantors of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by these Conditions to be Incurred under Condition 4.1.1 or clauses (2), (3) or (4) of this Condition 4.1.2;

(5) the Incurrence by the Issuer or a Guarantor of intercompany Indebtedness owed to or held by another Group Company; *provided* that:

(a) if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all Obligations with respect to the Notes, in the case of the Issuer, or the Guarantee, in the case of a Guarantor; and

(b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than a Group Company and (ii) any sale or other transfer of any such Indebtedness to a Person that is not a Group Company, will be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Issuer or such Guarantor, as the case may be, that was not permitted by this clause (5);

(6) the Incurrence by the Issuer and the Guarantors of obligations under Interest Rate Treasury Transactions not for speculative purposes (as determined in good faith by the Issuer or a Guarantor, as the case may be);

(7) the guarantee by the Issuer or a Guarantor of Indebtedness of the Issuer or a Guarantor to the extent that the guaranteed Indebtedness was permitted to be Incurred by another provision of this Condition 4.1; provided that if the Indebtedness being guaranteed is subordinated to the Notes or subordinated to or *pari passu* with a Guarantee, then the guarantee must be subordinated, in the case of the Notes or subordinated to or *pari passu*, as applicable, in the case of a Guarantee, in each case to the same extent as the Indebtedness guaranteed;

(8) the Incurrence by the Issuer and the Guarantors of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five Business Days of such Incurrence; and

(9) the Incurrence by the Issuer and the Guarantors of Indebtedness in respect of (a) any customary cash management, cash pooling or netting or setting-off arrangements, including customary credit card facilities; and (b) any guarantee given in respect of the netting or set-off arrangements permitted pursuant to the definition of Permitted Liens.

4.1.3 For purposes of determining compliance with this Condition 4.1, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clause (1) through (9) of Condition 4.1.2, or is entitled to be Incurred pursuant to Condition 4.1.1, the Parent Guarantor, in its sole discretion, will be permitted to classify such item of Indebtedness on the date of its Incurrence and only be required to include the amount and type of such Indebtedness in one of such clauses and will be permitted on the date of such Incurrence to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in Conditions 4.1.1 and 4.1.2, and from time to time to reclassify all or a portion of such item of Indebtedness, in any manner that complies with this Condition 4.1; *provided* that Indebtedness Incurred pursuant to clause (1) of Condition 4.1.2 may not be reclassified. Indebtedness under the Liquidity Facility outstanding on the Issue Date will be deemed to have been Incurred on such date in reliance on the exception provided in Condition 4.1.2(1). The accrual of interest or Disqualified Stock dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness, the reclassification of Capital Stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Disqualified Stock in the form of additional shares of Disqualified Stock will not be deemed to be an Incurrence of Indebtedness for purposes of this Condition 4.1.

4.1.4 For purposes of determining compliance with any sterling-denominated restriction on the Incurrence of Indebtedness, the Sterling-Equivalent of the aggregate principal amount of Indebtedness denominated in a different currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (1) if such Indebtedness denominated in non-sterling currency is subject to a Currency Exchange Protection Agreement, the amount of such Indebtedness expressed in sterling will be calculated so as to take account of the effects of such Currency Exchange Protection Agreement; and (2) the Sterling-Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date. The principal amount of any refinancing Indebtedness Incurred in the same currency as the Indebtedness being refinanced will be the Sterling-Equivalent of the Indebtedness refinanced determined on the date such Indebtedness was originally Incurred, except that to the extent that

(1) such Sterling-Equivalent was determined based on a Currency Exchange Protection Agreement, in which case the refinancing Indebtedness will be determined in accordance with the preceding sentence; and

(2) the principal amount of the refinancing Indebtedness exceeds the principal amount of the Indebtedness being refinanced, in which case the Sterling-Equivalent of such excess will be determined on the date such refinancing Indebtedness is being Incurred.

4.1.5 Notwithstanding any other provision of this Condition 4.1, the maximum amount of Indebtedness that the Issuer or a Guarantor may Incur pursuant to this Condition 4.1 shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

4.1.6 The amount of any Indebtedness outstanding as of any date will be:

(1) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with the Accounting Principles; and

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness.

4.1.7 For purposes of these Conditions, the Fixed Charge Coverage Ratio, Historic Net Debt to EBITDA Ratio and Historic Senior Secured Net Debt to EBITDA Ratio will be calculated in accordance with the Accounting Principles.

4.2. Restricted Payments

4.2.1 None of the Issuer nor any Guarantor shall, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of the Equity Interests of the Issuer or a Guarantor (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer or a Guarantor) or to the direct or indirect holders of the Equity Interests of the Issuer or a Guarantor in their capacity as holders or otherwise to any Holding Company of the Parent Guarantor or any Subsidiary of such Holding Company (not being a Group Company) or any Shareholder or any Shareholder Affiliate, other than (i) dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Parent Guarantor or in Subordinated Debt; and (ii) dividends, distributions or other payments payable to a Group Company;

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Parent Guarantor) any Equity Interests of the Parent Guarantor or any direct or indirect Holding Company of the Parent Guarantor held by Persons other than a Group Company (other than in exchange for Capital Stock in the Parent Guarantor (other than Disqualified Stock));

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Issuer or any Guarantor that is contractually subordinated in right of payment to the Notes or to any Guarantee (excluding any intercompany Indebtedness between or among the Group Companies), except (i) a payment of interest or principal at the Stated Maturity thereof or (ii) the purchase, repurchase or other acquisition of Indebtedness purchased in anticipation of satisfying a scheduled sinking fund obligation, principal installment or scheduled maturity, in each case due within one year of the date of such purchase, repurchase or other acquisition;

(4) make any cash payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Debt; or

(5) make any Restricted Investment,

(all such payments and other actions set forth in these clauses (1) through (5) above being collectively referred to as **Restricted Payments**).

4.2.2 Condition 4.2.1 will not prohibit any or all of the following items (collectively, the **Permitted Payments**):

(1) the payment of any dividend or distribution or the consummation of any redemption within 60 days after the date of declaration of the dividend or distribution or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend, distribution or redemption payment would have complied with these Conditions;

(2) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale or issuance (other than to a Group Company) of, Equity Interests of the Parent Guarantor (other than Disqualified Stock), Subordinated Debt or from the substantially concurrent contribution of common equity capital to the Parent Guarantor; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will not be considered to be net cash proceeds from an Equity Offering for purposes of Condition 6.2.1;

(3) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Issuer or any Guarantor that is contractually subordinated to the Note or to any Guarantee in respect thereof with the net cash proceeds from an Incurrence of Permitted Refinancing Indebtedness in respect of such subordinated Indebtedness;

(4) the repurchase of Equity Interests deemed to occur upon the exercise of stock options or warrants to the extent such Equity Interests represent a portion of the exercise price of those stock options or warrants;

(5) the declaration and payment of regularly scheduled or accrued dividends or distributions to holders of any class or series of Disqualified Stock of the Issuer or a Guarantor issued on or after the Issue Date in accordance with Condition 4.1;

(6) payments of cash, dividends, distributions, advances or other Restricted Payments by the Issuer or a Guarantor to allow the payment of cash in lieu of the issuance of fractional shares upon (i) the exercise of options or warrants or (ii) the conversion or exchange of Capital Stock of any such Person;

(7) the payment of any dividend or distribution by the Issuer, Intermediate Guarantor or Intermediate HoldCo to the holders of its Equity Interests on no more than a pro rata basis;

(8) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Issuer or any Guarantor that is subordinated in right of payment to the Notes or to any Guarantee upon a Change of Control or Disposition to the extent required by the agreements governing such Indebtedness at a purchase price not greater than 101% of the principal amount of such Indebtedness, in the case of a Change of Control, and 100%, in the case of a Disposition, but only if the Issuer has complied with its obligations under Conditions 6.4 and 4.8.2 and the Issuer repurchased all Notes tendered pursuant to the offer required by Conditions 6.4 and 4.8.2 prior to offering to purchase, purchasing or repaying such Indebtedness;

(9) so long as no Default or Event of Default has occurred and is continuing, any Restricted Payments; *provided* that the Historic Net Debt to EBITDA Ratio does not exceed 6.5 to 1.0 on a *pro forma* basis after giving effect to any such Restricted Payments and any related transaction; and

(10) a payment pursuant to a Permitted Tax Transaction.

4.2.3 The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Issuer or a Guarantor, as the case may be, pursuant to the Restricted Payment.

4.3. Liens

4.3.1 None of the Issuer nor any Guarantor shall, directly or indirectly, create, Incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind securing Indebtedness upon any of their property or assets, now owned or hereafter acquired (such Lien, the **Initial Lien**), except (1) in the case of any property or asset that does not constitute Collateral (a) Permitted Liens, or (b) if such Lien is not a Permitted Lien, to the extent that all payments due under the Note Trust Deed, the Notes and the Guarantees are secured on an equal and ratable basis (or in the case of Indebtedness which is subordinated in right of payment to the Notes or any Guarantees, prior or senior thereto, with the same relative priority as the Notes or such Guarantee, as applicable, shall have with respect to such subordinated Indebtedness) with the obligations so secured until such time as such obligations are no longer secured by a Lien and (2) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

4.3.2 Any such Lien created in favour of the Notes pursuant to clause (1)(b) of Condition 4.3.1 will be automatically and unconditionally released and discharged (i) upon the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth in the Security Documents.

4.4. Restrictive Covenants

Subject to Condition 4.8, so long as any Notes are outstanding:

4.4.1 there shall be no substantial change to the general nature of the business of the Issuer and each Guarantor from that carried on at the Issue Date;

4.4.2 none of the Issuer nor any Guarantor shall enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to acquire any assets, other than by a Permitted Transaction;

4.4.3 none of the Issuer nor any Guarantor shall enter into a single transaction or series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any assets or undertakings, other than any sale, lease, transfer or other disposal which is a Permitted Transaction;

4.4.4 none of the Issuer nor any Guarantor shall enter into any amalgamation, demerger, merger, consolidation or corporate reconstruction, other than a Permitted Reorganisation;

4.4.5 none of the Issuer nor any Guarantor shall enter into any Tax Transaction, other than a Permitted Tax Transaction;

4.4.6 none of the Issuer or any Guarantor shall incorporate or acquire a direct Subsidiary unless it is wholly-owned and subject to the Transaction Security;

4.4.7 none of the Issuer or any Guarantor shall enter into, invest in or acquire any interest in any joint venture entity, whether a company, unincorporated firm, undertaking, association, joint venture or partnership;

4.4.8 none of the Issuer nor any Guarantor shall trade, carry on any business, own any assets or incur any liabilities or enter into any documents, other than:

(1) credit balances in bank accounts, Indebtedness permitted under Condition 4.1, Liens permitted under Condition 4.3, Dispositions permitted under these Conditions and Restricted Payments and Permitted Investments permitted under Condition 4.2, but only if such credit balances and direct Investments are subject to the Transaction Security;

(2) any liabilities under the Note Trust Deed and the other Transaction Documents to which it is a party and under any Facility Agreement and related documents entered into by it from time to time and professional fees and administration costs in the ordinary course of business as a holding company;

(3) the provision of administrative services (excluding treasury services) to other members of the Group of a type customarily provided by a holding company to its Subsidiaries; or

(4) those permitted under, or arising in connection with transactions permitted by, these Conditions, the Note Trust Deed and the other Transaction Documents, including the Permitted Transactions.

4.5. Information covenants

So long as any Notes are outstanding, the Issuer shall (or, in the case of each Guarantor, shall procure that the Issuer):

4.5.1 give to the Note Trustee:

(1) as soon as they are available, but in any event within 120 days after the end of each of the Parent Guarantor's Financial Years, an annual report prepared in accordance with the Accounting Principles containing the following information with a level of detail that is substantially comparable to the Offering Memorandum and the following information:

(a) audited consolidated balance sheet of the Parent Guarantor as of the end of the two most recent Financial Years and audited consolidated income statements and statements of cash flow of the Parent Guarantor for the two most recent Financial Years, including complete footnotes to such financial statements and the report of the independent auditors on such financial statements;

(b) *pro forma* income statement and balance sheet information of the Parent Guarantor, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalisations that have occurred since the beginning of the most recently completed Financial Year as to which such annual report relates (unless such *pro forma* information has been provided in a previous report pursuant to Condition 4.5.1(2), 4.5.1(3) or 4.5.1(4) below), provided that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case, the Issuer (or, in the case of each Guarantor, shall procure that the Issuer) shall provide, in the case of a material acquisition, acquired company financial statements to the extent reasonably available;

(c) an operating and financial review of the audited financial statements of the Parent Guarantor and its Subsidiaries, including a discussion of the results of operations, financial condition and liquidity and capital resources and a discussion of material commitments and contingencies and critical accounting policies;

(d) a description of the business, management and shareholders, material transactions and material debt instruments of the Parent Guarantor and its Subsidiaries; and

(e) material risk factors and material recent developments (to the extent not previously reported pursuant to Condition 4.5.1(3) or 4.5.1(4) below) affecting the Parent Guarantor and its Subsidiaries;

(2) as soon as they are available, but in any event within 60 days (or 90 days, with respect to the financial half year ending on 31 December 2018) following the end of the first financial half year in each of the Parent Guarantor's Financial Years, half yearly financial statements containing the following information prepared in accordance with the Accounting Principles:

(a) an unaudited condensed consolidated balance sheet as of the end of such financial half-year and unaudited condensed statements of income and cash flow for the year to date periods ending on the unaudited condensed balance sheet date, and the comparable prior year period for the Parent Guarantor, together with condensed footnote disclosure, in each case converted to the relevant Accounting Principles under which the audited consolidated statements for the Financial Year in which such financial half-year falls is prepared;

(b) *pro forma* income statement and balance sheet information of the Parent Guarantor, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalisations that have occurred since the beginning of the most recently completed financial half year as to which such report relates (unless such *pro forma* information has been provided in a previous report pursuant to Condition 4.5.1(3) or 4.5.1(4) below);

(c) an operating and financial review of the unaudited financial statements, including a discussion of the consolidated financial condition and results of operations of the Parent Guarantor and its Subsidiaries and any material change between the current financial half-year and the corresponding period of the prior year; and

(d) material recent developments (to the extent not previously reported pursuant to Condition 4.5.1(3) or 4.5.1(4) below) affecting the Parent Guarantor and its Subsidiaries;

(3) as soon as they are available, but in any event within 60 days following the end of each of the first and the third financial quarters in each of the Parent Guarantor's Financial Years, an investor report in substantially the form set out in Schedule 6 of the Note Trust Deed (the **Quarterly Investor Report**);

(4) promptly after the occurrence of any material acquisition, disposition or restructuring of the Parent Guarantor or any of its Subsidiaries, or change in auditors of the Parent Guarantor or any other material event that the Issuer announces publicly, a report containing a description of such event,

and provided further that the reports set forth in Conditions 4.5.1(1), 4.5.1(2), 4.5.1(3) and 4.5.1(4) above will not be required to include separate financial statements for the Issuer, the Intermediate Guarantor or any other Subsidiaries of the Parent Guarantor;

4.5.2 give to the Note Trustee (i) within fifteen days after demand by the Note Trustee and (ii) (without the necessity for any such demand) promptly, as soon as they become available and in any event not later than 120 days after the end of each of the Parent Guarantor's Financial Years a certificate substantially in the form set out in the Note Trust Deed signed by two authorised signatories of the Issuer to the effect that there does not exist and has not existed since the relevant certification date of the previous certificate (or, in the case of the first such certificate, the Issue Date) any Event of Default;

4.5.3 promptly notify in writing to the Note Trustee of the occurrence of a Senior Trigger Event or a Rating Downgrade Event upon becoming aware of such occurrence without waiting for the Note Trustee to take any further action;

4.5.4 within 10 Business Days after the delivery of the report described in Condition 4.5.1(1), have an annual conference call with the holders of the Notes which shall address the information contained in such report, details of which call shall be made available to Noteholders in advance;

4.5.5 make available copies of all reports required by clauses (1), (2), (3) and (4) of Conditions 4.5.1 on a website maintained by the Issuer and, if and so long as the Notes are listed on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, at the specified office of the Paying Agent in Luxembourg; and

4.5.6 following an Initial Public Offering of the Capital Stock of an IPO Entity or the listing of such Capital Stock on an internationally recognised stock exchange, the requirements of clauses (1), (2), (3) and (4) of Condition 4.5.1 above shall be considered to have been fulfilled if the IPO Entity complies with the reporting requirements of such stock exchange.

4.6. Covenants with respect to Senior Obligors

Subject to Condition 4.8, so long as any Notes are outstanding the Issuer and the Guarantors shall each procure that:

4.6.1 other than Permitted Acquisitions or Authorised Investments, no Senior Obligor shall acquire or subscribe for shares or ownership interests in or securities of any company or other person or acquire any business without the prior written consent of the Note Trustee (directed by an Extraordinary Resolution of the Noteholders);

4.6.2 other than a Permitted Disposal or a disposal made in compliance with Condition 4.8 (*Dispositions*), no Senior Obligor may enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, licence, transfer or otherwise dispose of any asset or all or any part of its business or undertaking without the prior written consent of the Note Trustee (directed by an Extraordinary Resolution of the Noteholders);

4.6.3 no modification is agreed by the Senior Obligors to the covenant contained in the Common Terms Agreement regarding Restricted Payments (as defined therein) if this would be more restrictive of the Senior Obligors in any material respect, unless the Note Trustee (directed by an Extraordinary Resolution of the Noteholders) has provided its prior written consent thereto;

4.6.4 no Group Company that is not an Obligor shall make any payment that would constitute a "Restricted Payment", as such term is defined in the Common Terms Agreement, directly or indirectly, provided that (1) for purposes hereof, the term "Shareholder" as used in the definition of Restricted Payment in the Common Terms Agreement shall include any Shareholder Affiliate and (2) to the extent such payment is made by a member of the Group other than a Senior Financing Group Company, the term "Senior Financing Group Company" as used in the definition of Restricted Payment in the Common Terms Agreement shall be deemed to include such member of the Group (such payment, a **Group RP**), except to the Intermediate Holdco or to any other Obligor. The foregoing provision shall not apply to any Group RP if, on a pro forma basis after the making thereof, the Obligors would have been permitted to be make a Restricted Payment pursuant to Condition 4.2.2(9), or if the Note Trustee (directed by an Extraordinary Resolution of the Noteholders) has provided its prior written consent thereto; and

4.6.5 no modification is agreed by the Senior Obligors to the covenant contained in the Common Terms Agreement regarding Permitted Business (except in connection with a Disposition permitted under Condition 4.8) if this would be more permissive of the Senior Obligors in any material respect, unless the Note Trustee (directed by an Extraordinary Resolution of the Noteholders) has provided its prior written consent thereto.

4.7. General Covenants

So long as any Notes are outstanding the Issuer and each Guarantor shall:

4.7.1 comply with and perform all its obligations under the Notes and the Note Trust Deed and the other Transaction Documents;

4.7.2 ensure that at all times any secured and unsubordinated claims of the Note Trustee and each Noteholder against it under the Notes and the Note Trust Deed rank at least *pari passu* to the claims of all its unsecured and unsubordinated creditors, except those creditors whose claims are mandatorily preferred by laws of general application to companies;

4.7.3 hold itself out as a separate entity, conduct its business in its own name and maintain an arm's length relationship with its Affiliates (other than (1) with respect to the Issuer or another

Guarantor, (2) any Permitted Payments and (3) any acquisition or disposition made in compliance with Condition 4.8);

4.7.4 observe all formalities required by its articles of association;

4.7.5 pay and discharge all Taxes imposed upon it or its assets within the time period allowed without incurring material penalties (except to the extent that (a) such payment is being contested in good faith, (b) adequate reserves are being maintained for those Taxes and (c) such payment can be lawfully withheld); and

4.7.6 comply with all judgments, laws, rules, regulations, agreements, orders or decrees to which it is subject, if failure so to comply has or is reasonably likely to have a Material Adverse Effect.

4.8. Dispositions

Notwithstanding anything to the contrary in these Conditions:

4.8.1 *Corporate reorganisation within Group*

A Senior Financing Group Company may sell, lease, transfer or otherwise dispose of a business division or other assets (including the Equity Interests of a Subsidiary owning such business division or other assets) to the Issuer, any Guarantor or any of their respective direct Subsidiaries, provided that (A) such transferred business division, assets and/or Equity Interests are subject to the Transaction Security and (B) in the case of a transfer of Equity Interests of a Subsidiary, such Subsidiary is or becomes wholly owned by the Issuer and/or the Guarantors.

4.8.2 *Disposition by Issuer, Guarantor or Senior Financing Group Company*

(1) The Issuer, a Guarantor or a Senior Financing Group Company may sell, lease, transfer or otherwise dispose of a business division or other assets (including the Equity Interests of a Subsidiary owning such business division or other assets) to a Person that is not a Group Company (each, a **Disposition**) if:

(a) the Issuer, Guarantor or Senior Financing Group Company receives consideration at the time of the Disposition at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(b) at least 75% of the consideration received in the Disposition by the Issuer, Guarantor or Senior Financing Group Company is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

(i) (x) any liabilities, as recorded on the balance sheet or the notes thereto (or, if Incurred since the date of the latest balance sheet that would be recorded on the next balance sheet) of any Group Company (other than contingent liabilities and other than liabilities that are by their terms subordinated in right of payment to the Notes or any Guarantee), that are assumed by the transferee of any such assets and as a result of which the Group is no longer obligated with respect to such liabilities or (y) Indebtedness of a Group Company that is no longer a Group Company as a result of such Disposition, if each Group Company is released from any guarantee of such Indebtedness as a result of such Disposition;

(ii) any securities, notes or other obligations received by any Group Company from such transferee that are converted by such Group Company into cash or Cash Equivalents within 180 days following the closing of the Disposition, to the extent of the cash or Cash Equivalents received in that conversion;

(iii) any Capital Stock or assets of the kind referred to in Condition 4.8.2(2)(a)(iv) or (vi); and

(iv) consideration consisting of Indebtedness of any Group Company of a type set forth in Condition 4.8.2(2)(a), received from Persons who are not a Group Company.

(2) Within 365 days after the receipt of any Net Proceeds from a Disposition, the Issuer, any Guarantor or any Group Company may:

(a) apply such Net Proceeds (at the option of the Issuer, such Guarantor or such Group Company):

(i) to purchase the Notes pursuant to an offer made on a pro rata basis to all of the holders of Notes at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase (a **Notes Offer**) or to redeem the Notes pursuant to Condition 6.2;

(ii) (A) to repay Indebtedness of the Issuer or any Guarantor Incurred under Condition 4.1.2(1) or (B) to repay any Senior Debt of the Senior Financing Group (and any corresponding Indebtedness of the Senior Issuer) and, in each case, if the Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto;

(iii) to purchase, prepay or redeem or repay any Indebtedness that is only secured by Liens on assets or property that do not constitute Collateral and, if the Indebtedness prepaid, redeemed or repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto;

(iv) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Subsidiary (subject, in the case of an acquisition by the Issuer or a Guarantor, to compliance with Condition 4.4.6);

(v) to make a capital expenditure;

(vi) to acquire other assets (other than Capital Stock, cash and Cash Equivalents) that are used or useful in a Permitted Business; or

(vii) any combination of the foregoing; or

(b) enter into a binding commitment to apply the Net Proceeds pursuant to paragraphs (iv), (v) or (vi) of Condition 4.8.2(2)(a); provided that such commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment until the earlier of (i) the date on which such acquisition or expenditure is consummated, and (ii) the 180th day following the expiration of the aforementioned 365 day period.

(3) Pending the final application of any Net Proceeds, the Issuer, a Guarantor or another Group Company may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Conditions.

(4) Any Net Proceeds from Dispositions that are not applied, invested or subject to a Notes Offer as provided in Condition 4.8.2(2) will constitute **Excess Proceeds**. When the aggregate amount of Excess Proceeds exceeds £50 million, within 10 Business Days thereof, or at any earlier time at the Issuer's election, the Issuer will make an offer (a **Disposition Offer**) to all holders of Notes and, to the extent notified by the Issuer in such notice, make an offer to all holders of other Indebtedness that is pari passu with the Notes or any Guarantee to purchase, prepay or redeem with the proceeds of sales of assets, the maximum principal amount of Notes and such other pari passu Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price for the Notes in any Disposition Offer will be equal to 100% of the principal amount and the offer price for any pari passu Indebtedness may be no greater than 100% of the principal amount, in each case, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase, prepayment or redemption, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of a Disposition Offer or any Net Proceeds subject to a Notes Offer remain

after consummation of a Notes Offer, the Issuer, the Guarantors and any other Group Company may use those Excess Proceeds or Net Proceeds for any purpose not otherwise prohibited by the Conditions. If the aggregate principal amount of Notes and other pari passu Indebtedness tendered into (or to be prepaid or redeemed in connection with) such Disposition Offer exceeds the amount of Excess Proceeds or if the aggregate amount of Notes tendered pursuant to a Notes Offer exceeds the amount of the Net Proceeds so applied, the Notes will be selected in the manner described under Condition 6.5, based on the amounts tendered or required to be prepaid or redeemed. The Issuer shall procure the delivery by an agent to the Noteholders of the purchase price of Notes validly tendered and not withdrawn and arrange for the deduction of the appropriate amounts of Notes from such Noteholders' accounts with the relevant clearing systems. Any Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Noteholder thereof. Upon completion of each Disposition Offer, the amount of Excess Proceeds will be reset at zero. For the avoidance of doubt, the Issuer may make a Disposition Offer prior to the expiration of the 365-day period referred to above. None of the Paying Agent, the Note Trustee nor the Registrar will be liable for any selections made in accordance with or pursuant to this paragraph.

(5) To the extent that any portion of Net Proceeds payable in respect of the Notes is denominated in a currency other than pound sterling, as the case may be, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in pound sterling that is actually received by the Issuer upon converting such portion of the Net Proceeds into pound sterling.

(6) The Issuer will comply with the requirements of any applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Disposition Offer or a Notes Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control, Disposition Offer or Notes Offer provisions of these Conditions, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Conditions by virtue of such compliance.

4.9. Amendments to the Intercreditor Agreement and any Additional Intercreditor Agreements

4.9.1 In connection with the Incurrence of any Indebtedness by the Issuer or any Subsidiary of the Issuer that is permitted to share the Collateral, the Note Trustee and the Security Trustee shall, at the written request of the Issuer and without the consent of the Noteholders, enter into with the Issuer and/or the relevant Subsidiary and the holders of such Indebtedness (or their duly authorised representatives) one or more intercreditor agreements or deeds (including a restatement, replacement, amendment or other modification of the Intercreditor Agreement) (an Additional Intercreditor Agreement), on substantially the same terms as the Intercreditor Agreement (or terms as the Note Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders), including with respect to release of Guarantees and priority and release of security interests in respect of the Collateral; provided that such Additional Intercreditor Agreement will not impose any personal obligations on the Note Trustee or Security Trustee or, in the reasonable opinion of the Note Trustee or Security Trustee, adversely affect the personal rights, duties, liabilities, indemnification or immunities of the Note Trustee or the Security Trustee under the Trust Deed, these Conditions or the Intercreditor Agreement. In connection with the foregoing, the Issuer shall furnish to the Note Trustee and the Security Trustee such documentation in relation thereto as it may reasonably require.

In the event that the the Additional Intercreditor Agreement is not substantially on the same terms as the Intercreditor Agreement and (i) the Note Trustee determines that the terms of the Additional Intercreditor Agreement are materially less beneficial to the Noteholders or (ii) the Note Trustee is unable to determine that the terms of the Additional Intercreditor Agreement are not materially less beneficial to the Noteholders, the Note Trustee shall only enter into the Additional Intercreditor Agreement if it is approved by an Extraordinary Resolution of the Noteholders.

4.9.2 At the written request of the Issuer and without the consent of the Noteholders, the Note Trustee and the Security Trustee shall from time to time concur in making one or more amendments and/or restatements to the Intercreditor Agreement or any such Additional Intercreditor Agreement that the Issuer determines is necessary for the purpose of: (1) the Incurrence of Indebtedness permitted under these Conditions (including the addition of provisions relating to new types of Indebtedness), (2) adding Guarantors or other parties (such as representatives of new Incurrences of Indebtedness) thereto, (3) permitting payments to be made to the Issuer that would not otherwise have been permitted pursuant to the terms thereof, (4) further securing the Notes, (5) making provision for equal and ratable Security over the Collateral to secure Further Notes and (6) making provisions for Security over the Collateral to implement any Permitted Collateral Liens (each such amendment and/or restatement to the Intercreditor Agreement or any such Additional Intercreditor Agreement being an **ICA Amendment**), provided that:

(1) the Issuer certifies to the Note Trustee and the Security Trustee in writing that such amendment(s) and/or restatement to the Intercreditor Agreement or any such Additional Intercreditor Agreement is solely for the purpose set out in the relevant paragraph above of this Condition 4.9.2 (the **ICA Amendment Certificate**);

(2) the Issuer pays (or arranges for the payment of) all fees, costs and expenses (including legal fees) incurred by the Note Trustee and the Security Trustee in connection with such ICA Amendment;

(3) the Note Trustee shall not consider the interests of the Noteholders, any other Secured Creditor or any other person and shall act and rely solely and without investigation or liability on any ICA Amendment Certificate or other certificate or evidence provided to it by the Issuer and shall not be liable to the Noteholders, any other Secured Creditor or any other person for so acting or relying; and

(4) neither the Note Trustee nor the Security Trustee shall be obliged to agree to any amendment which, in the sole opinion of the Note Trustee and/or the Security Trustee would have the effect of (i) exposing the Note Trustee and/or the Security Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights, powers, authorisations, discretions, indemnification or protections, of the Note Trustee and/or the Security Trustee in the Transaction Documents and/or these Conditions.

4.9.3 Neither the Note Trustee nor the Security Trustee shall be responsible or liable in damages or otherwise to any party or person for any loss incurred by reason of the Note Trustee and/or the Security Trustee consenting to or concurring in such amendments, modifications and/or restatements.

4.9.4 The Issuer shall not otherwise request the Note Trustee or the Security Trustee to enter into any amendment to the Intercreditor Agreement or, if applicable, any Additional Intercreditor Agreement, except to the extent approved by an Extraordinary Resolution of the Noteholders or as permitted by the terms of such Intercreditor Agreement or, if applicable, any Additional Intercreditor Agreement.

4.9.5 Each Noteholder, by accepting a Note, shall be deemed to have agreed to and to have accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement (including, in each case, the limitations on payment, enforcement and the obligations to turnover contained therein) whether then entered into or entered into in the future pursuant to the provisions described in this Condition 4.9, and to have authorised the Note Trustee and the Security Trustee to enter into the Intercreditor Agreement and any Additional Intercreditor Agreement on each Noteholder's behalf.

4.9.6 The Conditions are subject to the terms of the Intercreditor Agreement and/or any Additional Intercreditor Agreement.

5. INTEREST

5.1. Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from and including the date for its redemption unless upon due presentation in accordance with Condition 7 (*Payments*), payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

5.1.1 the date on which all amounts due in respect of such Note have been paid and/or all assets deliverable in respect of the Transaction Security have been delivered; and

5.1.2 five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 15 (*Notices*).

5.2. Interest Rate and Interest Payment Dates

The Notes bear interest on their respective Outstanding Principal Amounts from and including the Issue Date at the rate of % per annum (the **Interest Rate**), payable semi-annually in arrear on 31 March and 30 September (each an **Interest Payment Date**) in respect of the Interest Period (as defined below) ended immediately prior thereto. The first payment shall be due on 31 March 2019. The period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next succeeding Interest Payment Date is called an **Interest Period**.

5.3. Calculation of Fixed Rate Interest

Interest in respect of the Notes shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

The interest amount payable by the Issuer for any Interest Period shall be calculated by:

5.3.1 while the Notes are represented by a Global Note, multiplying the Interest Rate by the Outstanding Principal Amount of the Notes represented by such Global Note; or

5.3.2 while the Notes are in definitive form, for any given definitive note, multiplying the Interest Rate by the Outstanding Principal Amount of such definitive note.

The resulting figure shall be rounded downwards to the nearest penny.

6. REDEMPTION, PURCHASE AND CANCELLATION

6.1. Final Redemption

If any class of the Notes have not previously been redeemed in full, or purchased and cancelled, the Notes will be finally redeemed at the then Outstanding Principal Amount plus accrued but unpaid interest on 2023 (the **Maturity Date**).

6.2. Optional Redemption

6.2.1 At any time prior to , the Issuer may on any one or more occasions, upon not less than 10 nor more than 60 days' notice, redeem up to 40% of the aggregate principal amount of the Notes originally issued under the Note Trust Deed at a redemption price equal to % of the principal amount of the Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption (subject to the rights of holders of the Notes on the relevant record date to receive interest on the relevant interest payment date), with the net cash proceeds of an Equity Offering of (1) the Parent Guarantor or (2) any Holding Company of the Parent Guarantor to the extent the proceeds from such Equity Offering are contributed to the Parent Guarantor's common equity capital or are paid to the Parent Guarantor as consideration for the issuance of ordinary shares of the Parent Guarantor or as Subordinated Debt; *provided* that:

(1) at least 60% of the aggregate principal amount of the Notes, originally issued under the Note Trust Deed (excluding the Notes held by the Issuer or a Guarantor) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 180 days of the date of the closing of such Equity Offering.

6.2.2 At any time prior to , the Issuer may on any one or more occasions, upon not less than 10 nor more than 60 days' notice, redeem all or a part of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and additional amounts, if any, to the date of redemption, subject to the rights of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date.

6.2.3 Except pursuant to Conditions 6.2.1, 6.2.2 and 6.3, the Notes will not be redeemable at the Issuer's option prior to .

6.2.4 On or after , the Issuer may on any one or more occasions redeem all or a part of the Notes, upon not less than 10 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and additional amounts, if any, on the Notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on of the years indicated below, subject to the rights of holders of the Notes on the relevant record date to receive interest on the relevant interest payment date:

Date	Notes
20	%
20	%
20 and thereafter	100.0000%

6.2.5 Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

6.2.6 Any redemption or notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, provided that no notice of redemption shall be revocable after two Business Days prior to the date specified for redemption in any such notice of redemption.

6.3. Redemption for Taxation or Other Reasons

If at any time the Issuer satisfies the Note Trustee that:

6.3.1 by reason of a change in law (or the application or official interpretation thereof), which change becomes effective on or after the Issue Date, the Issuer would, on the next Interest Payment Date, become obliged to deduct or withhold from any payment of interest, premium or principal in respect of the Notes (other than in respect of default interest), any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the UK or any political subdivision thereof, or any other authority thereof or any change in the application or official interpretation of such laws or regulations (**Taxes**);

6.3.2 the Issuer or any Paying Agent would be required to deduct or withhold any amount from any payment in respect of any Notes pursuant to FATCA;

6.3.3 the Intercompany Borrower would on the next Interest Payment Date be required to make any withholding or deduction for or on account of any Taxes from payments under the Intercompany Loan Agreement in respect of any Intercompany Loan corresponding to the Notes; or

6.3.4 by reason of a change of law (or the application or official interpretation thereof), which change becomes effective on or after the Issue Date, it has or will become unlawful for the Issuer to perform any of its obligations under the Intercompany Loan Agreement in respect of any Intercompany Loan corresponding to the Notes or to fund or to maintain its participation in any Intercompany Loan corresponding to the Notes,

then the Issuer may, in order to prevent the relevant deduction, withholding or illegality but is not obliged to, use its reasonable endeavours to arrange the substitution of a company incorporated under the laws of another jurisdiction approved by the Note Trustee as principal debtor under the Notes and as lender under the Intercompany Loan Agreement upon satisfying the conditions for substitution of the Issuer as set out in Condition 13 (*Meetings of Noteholders, Modification, Waiver and Substitution*). The Issuer may, upon giving not more than 15 nor less than five Business Days' notice to the Note Trustee and the Noteholders in accordance with Condition 15 (*Notices*), redeem all (but not some only) of the Notes at any time at their Outstanding Principal Amount plus accrued but unpaid interest thereon. Before giving any such notice of redemption, the Issuer shall provide to the Note Trustee a certificate signed by an authorised signatory of the Issuer (a) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have been satisfied (together with evidence satisfactory to the Note Trustee that such conditions have been satisfied, including such legal opinions as the Note Trustee may require) and (b) confirming that the Issuer will have sufficient funds on such Interest Payment Date to effect such redemption and to discharge any amounts to be paid in priority to, or *pari passu* with, the Notes being redeemed.

6.4. Change of Control

6.4.1 If at any time there occurs a Change of Control, a **Change of Control Event** shall be deemed to have occurred. Within 30 days following a Change of Control Event, the Issuer shall give notice to the Noteholders of the occurrence of such Change of Control Event (such notice, a **Change of Control Event Notice**), any such notice to be delivered in accordance with the provisions of Condition 15 (Notices). The Issuer shall specify in the Change of Control Event Notice the date on which the tendered Notes will be repurchased (the **Change of Control Payment Date**), which date will be no earlier than 30 days and no later than 60 days from the date such Change of Control Event Notice is mailed or delivered. Upon the Issuer receiving at least five Business Days' notice from any Noteholder (any such notice, a **Put Event Notice**), the Notes of such Noteholder as specified in the Put Event Notice shall become due and repayable on the Change of Control Payment Date and the Issuer will redeem each Note which is the subject of such Put Event Notice on the Change of Control Payment Date at 101% of its principal amount together with interest accrued to (but excluding) the Change of Control Payment Date (the **Change of Control Payment**).

6.4.2 The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Condition 6.4 and the related provisions of the Agency Agreement, the Issuer will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Condition 6.4 and the related provisions of the Agency Agreement by virtue of compliance with such securities laws or regulations.

6.4.3 Pursuant to the above provisions, any Noteholder having the right to require early redemption of any Notes held by it pursuant to this Condition 6.4, to exercise the right to require redemption of such Notes such Noteholder must, if such Note is in definitive form and held outside Euroclear, Clearstream, Luxembourg, as the case may be, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent prior to the Change of Control Payment Date, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Exercise Notice**) and in which the Noteholder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 6.4 accompanied by such Note or evidence satisfactory to the Paying Agent concerned that such Note will, following delivery of the Put Exercise Notice, be held to its order or under its control. If such Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of such Notes the holder of such Note must, prior to the Change of Control Payment Date, give notice to the Paying Agent of such exercise in accordance with the standard procedures of Euroclear or Clearstream, Luxembourg, as the case may be, (which may include notice being given on instruction of the relevant Noteholder by Euroclear or Clearstream, Luxembourg, as the case may be, or any common service provider for them to the Paying Agent by electronic means) in a form acceptable to Euroclear or Clearstream, Luxembourg, as the case may be, from time to time and, if such Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Paying Agent for notation accordingly.

6.4.4 Any Put Exercise Notice or other notice given by a holder of any Note in accordance with the standard procedures of Euroclear or Clearstream, Luxembourg, as the case may be, pursuant to this Condition 6.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Note Trustee has declared the Notes to be due and repayable pursuant to Condition 9 (*Events of Default*), in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.4.

6.4.5 The Issuer will not be required to give a Change of Control Event Notice in connection with a Change of Control if (1) a third party gives a Change of Control Event Notice in the manner, at the times and otherwise in compliance with the requirements set forth in these Conditions applicable to a Change of Control Event Notice given by the Issuer and purchases all Notes properly tendered and not withdrawn pursuant to a Put Event Notice, or (2) a notice of redemption has been given pursuant to Condition 6.2, unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained in this Condition 6.4, a Change of Control Event Notice may be given in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Event Notice is given.

6.4.6 If Noteholders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes pursuant to a Put Event Notice and the Issuer, or any third party giving a Change of Control Event Notice in lieu of the Issuer as described above, purchases all of the Notes validly tendered and not withdrawn by such Noteholders, the Issuer or such third party will have the right, upon not less than 30 days nor more than 60 days' prior notice (provided that such notice is given not more than 30 days following such purchase pursuant to the Change of Control Event Notice described above) to redeem all Notes that remain outstanding following such purchase at a redemption price in cash equal to the applicable Change of Control Payment plus, to the extent not included in the Change of Control Payment, accrued and unpaid interest and additional amounts, if any, on the Notes to, but excluding, the date of redemption.

6.5. Selection and Notice

6.5.1 In the case of a partial redemption, the Notes shall be selected for redemption either (a) in accordance with the procedures of the relevant clearing systems; or (b) if the relevant clearing systems prescribe no method of selection or the Notes are not held in a clearing system, the Notes shall be redeemed on a pro rata basis according to the holding of each Noteholder; subject, in each case, to compliance with any applicable laws and stock exchange or other relevant regulatory requirements. None of the applicable Paying Agent, the Note Trustee nor the Registrar will be liable for any selections made by it in accordance with this paragraph.

6.5.2 No notes of £100,000 in principal amount or less shall be redeemed in part; provided that the Notes in excess of £100,000 may be redeemed in part in integral multiples of £1,000.

6.5.3 If any series of Notes is to be redeemed in part only, the notice of redemption that relates to that series of Notes shall state the portion of the principal amount thereof to be redeemed. In the case of a Note in definitive form, a new Definitive Note in a principal amount equal to the unredeemed portion of any Definitive Note redeemed in part will be issued in the name of the Noteholder thereof upon cancellation of the original Definitive Note. In the case of a Note represented by a Global Note, an appropriate notation will be made on such Global Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Notes called for redemption become due on the date fixed for redemption. If such redemption is subject to the satisfaction of one or more conditions precedent, the related notice may, for the avoidance of doubt, state that, in the Issuer's discretion, the redemption date may be automatically delayed until such time as any or all such conditions shall be satisfied or waived (provided that in no event shall such date of redemption be delayed to a date later than 60 days after the date on which such notice was sent), or such redemption may not occur and such notice may be rescinded if any or all such conditions shall not have been satisfied or waived by the redemption date, or by the redemption date so delayed.

6.6. Purchase of Notes

6.6.1 The Issuer or any Obligor may, at any time, purchase Notes in the open market or otherwise at any price.

6.6.2 All such Notes purchased by the Issuer must be surrendered to any Paying Agent and/or the Registrar for cancellation. All Notes purchased by any Guarantor may be held, resold or, at the option of the relevant Guarantor, may be surrendered to any Paying Agent and/or the Registrar for or to the order of the Principal Paying Agent or the Registrar, as the case may be, for cancellation in accordance with Condition 6.7 (*Cancellation*).

6.6.3 If not all the Notes which are in registered and definitive form are to be purchased, upon surrender of the existing Definitive Note, the Registrar shall forthwith upon the written request of the Noteholder concerned issue a new Definitive Note in respect of the Notes which are not to be purchased and despatch such Definitive Note to the Noteholder (at the risk of the Noteholder and to such address as the Noteholder may specify in such request).

6.6.4 While the Notes are represented by a Global Note, the relevant Global Note will be endorsed to reflect the Outstanding Principal Amount of Notes to be so purchased and cancelled.

6.7. Cancellation

Any Notes purchased by or on behalf of the Issuer must be surrendered to or to the order of any Paying Agent or the Registrar, as the case may be, for cancellation and, if so surrendered, will, together with all Notes redeemed by the Issuer or Notes purchased and surrendered by either Guarantor in accordance with Condition 6.6 (*Purchase of Notes*), be cancelled forthwith. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantors in respect of any such Notes shall be discharged.

7. PAYMENTS

7.1. Payments of principal and interest

7.1.1 Payments of principal and premium, if any, in respect of Notes will be made to the holder (or the first named of joint holders) of such Note against presentation and surrender of the relevant Note at the specified office of the Registrar.

7.1.2 Interest on Notes payable on any Interest Payment Date will be paid to the holder (or the first named of joint holders) (i) in respect of a Global Note, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date and (ii) in respect of a Note in definitive form, on the 15th day before the due date for payment thereof (the **Record Date**). Payment of interest on each Note will be made in the currency in which such payment is due by cheque drawn on a bank in the principal financial centre of the country of the currency concerned and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the register. Upon application by the Noteholder to the specified office of the Registrar before the relevant Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank in the principal financial centre of the country of that currency.

7.1.3 On the occasion of each payment a record of each payment so made will be endorsed on the schedule to the Global Note or the Note in definitive form by or on behalf of the Principal Paying Agent or the Registrar, as the case may be, which endorsement shall be *prima facie* evidence that such payment has been made.

7.1.4 Holders of Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Note as a result of a cheque posted in accordance with this Condition 7 arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Notes.

7.1.5 None of the Issuer, the Note Trustee or the agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

7.2. General Provisions Applicable To Payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

7.3. Payment Day

If the date for payment of any amount in respect of any Note is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 11 (*Prescription*)) is:

7.3.1 (in the case of Notes in definitive form only) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation; and

7.3.2 in relation to any sum payable in respect of the Notes, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London.

7.4. Payments subject to fiscal laws; payments on Global Notes

7.4.1 All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of this Condition 7. No commission or expenses shall be charged to the Noteholders in respect of such payments.

7.4.2 The holder of a Global Note shall be the only person entitled to receive payments of principal, premium, if any, and interest on the Global Note (as the case may be) and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount paid.

7.5. Appointment of the Agents

7.5.1 The agents appointed by the Issuer (and their respective specified offices) are listed in the Agency Agreement. The agents act solely as agents of the Issuer (and, in the circumstances as set out in the Agency Agreement, the Note Trustee) and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right, with the prior written consent of the Note Trustee, at any time to vary or terminate the appointment of any Agent, and to appoint additional or other agents, provided that the Issuer will at all times maintain:

(1) a Principal Paying Agent;

(2) a Registrar which, for so long as the Notes are listed on the Euro MTF Market, shall have offices in Luxembourg;

(3) an Agent Bank;

(4) a transfer agent in Luxembourg (the Transfer Agent); and

(5) one or more paying agents (each, a **Paying Agent**), including: (a) a paying agent in the City of London (which may be the Principal Paying Agent); and (b) for so long as the Notes are listed on the Euro MTF market of the Luxembourg Stock Exchange (the **Euro MTF Market**), a paying agent in Luxembourg (the **Luxembourg Paying Agent**). Notice of any such variation, termination, resignation or appointment shall be given promptly to the Noteholders in accordance with Condition 15 (*Notices*).

7.5.2 The initial Registrar will be Deutsche Bank Luxembourg S.A. in Luxembourg. The initial Transfer Agent will be Deutsche Bank Luxembourg S.A. in Luxembourg.

7.5.3 The Registrar will maintain a register reflecting ownership of the Notes outstanding from time to time and will facilitate transfer of the Notes on the behalf of the Issuer.

7.5.4 The Issuer may change any Paying Agents, the Registrar or the Transfer Agent without prior notice to the holders of Notes. For so long as the Notes are listed on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper having a general circulation in Luxembourg (which is expected to be Luxemburger Wort) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

8. TAXATION

8.1. All payments in respect of the Notes will be made (whether by the Issuer, either Guarantor, any Paying Agent or the Note Trustee) free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature unless the Issuer, either Guarantor, any Paying Agent or the Note Trustee, as the case may be, is required by applicable law to make any payment in respect of the Notes, subject to any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature. In that event, the Issuer, such Guarantor, such Paying Agent or the Note Trustee, as the case may be, shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted, but without limitation to Condition 6.3 (*Redemption for Taxation or Other Reasons*). The Issuer, the Guarantors, any Paying Agent, the Registrar or the Note Trustee may require holders to provide such certifications and other documents as required by applicable law in order to qualify for exemptions from applicable tax laws.

8.2. The Issuer or, as the case may be, the Guarantors will pay such additional amounts in respect of any taxes imposed by the Tax Jurisdiction as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and premium (if applicable) and interest which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction in respect of such taxes, except that no such additional amounts shall be payable with respect to any Note:

8.2.1 the holder of which is liable for such taxes or duties in respect of such Note by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note; or

8.2.2 presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7.3 (Payment Day)).

As used herein:

(1) Tax **Jurisdiction** means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax; and

(2) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Note Trustee or the relevant Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15 (*Notices*).

8.3. For the avoidance of doubt, payments will be subject in all cases, to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the Code) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement). Any such amounts withheld or deducted will be treated as paid for all purposes under the Notes, and no additional amounts will be paid on the Notes with respect to any such withholding or deduction.

9. EVENTS OF DEFAULT

9.1. Events of Default

Each and any of the following events will be an **Event of Default**:

9.1.1 *Non-payment*: if default is made in the payment of any principal, premium or interest due in respect of the Notes or any of them and the default continues for a period of five days in the case of principal or premium or 30 days in the case of interest;

9.1.2 [Reserved];

9.1.3 *Breach of other obligations*: if the Issuer, any Guarantor or an Intra Group Lender fails to perform or observe any of its other obligations under these Conditions, the Note Trust Deed or any other

Transaction Document to which it is a party and (except in any case where the Note Trustee or, in the case of the Security Agreement, the Security Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 60 days (or such longer period as the Note Trustee may permit) of the earlier of (1) the service by the Note Trustee or, as the case may be, the Security Trustee on the Issuer of notice requiring the same to be remedied or (2) the party that failed to perform or observe its obligation becoming aware of the failure to comply.

9.1.4 *Non-payment cross default and cross acceleration:*

(1) there is a failure to pay on any Indebtedness of an Obligor (other than in relation to the Notes) within the applicable grace period, provided that the aggregate amount of the Indebtedness which is not incurred under a Transaction Document in respect of which the events mentioned in this Condition 9.1.4(1) have occurred equals or exceeds £10,000,000 (as adjusted by the RPI on the first day of each Financial Year) or its equivalent; or

(2) any Indebtedness owed by an Obligor (other than in relation to the Notes) is declared to be, or otherwise becomes, due and payable prior to its specified maturity date by reason of any actual event of default (howsoever described), provided that the aggregate amount of the Indebtedness in respect of which the events mentioned in this Condition 9.1.4(2) have occurred equals or exceeds £25,000,000 (as adjusted by the RPI on the first day of each Financial Year) or its equivalent;

9.1.5 *Enforcement proceedings*: expropriation, sequestration, distress, attachment or execution is enforced against any material part of the property, assets or revenues of any Obligor and is not discharged within 30 days;

9.1.6 *Security enforced*: any security granted by any Obligor becomes enforceable and steps are taken to enforce it;

9.1.7 *Insolvency*: any Obligor (A) is insolvent, bankrupt, unable to pay its debts as they fall due, (B) suspends making payments on any of its debts or a moratorium is declared in respect of any of its indebtedness, (C) by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness, or (D) makes a general assignment for the benefit of or a composition with its creditors;

9.1.8 *Winding up*: an administrator is appointed to any Obligor, an order for the winding-up or dissolution is passed of any Obligor, any Obligor applies for winding-up or administration in respect of itself or any Obligor ceases to carry on all or substantially all of its business;

9.1.9 *Analogous events*: any event which has analogous effect to paragraphs 9.1.5 to 9.1.8 above occurs in relation to any Obligor;

9.1.10 *Ownership*: the Parent Guarantor ceases to be wholly-owned and controlled by AF No 3 or the Issuer and the Intermediate Guarantor cease to be wholly-owned and controlled by the Parent Guarantor or Intermediate HoldCo ceases to be wholly-owned and controlled by the Intermediate Guarantor or the Senior Parent ceases to be wholly-owned and controlled by Intermediate HoldCo;

9.1.11 *Illegality*: (1) it becomes unlawful for the Issuer, any Guarantor or an Intra Group Lender to perform or comply with any one or more of its material obligations under the Notes, the Note Trust Deed and the other Transaction Documents or (2) any Transaction Security created or expressed to be created or evidenced by the Security Agreement ceases to be effective or (3) any Transaction Document ceases to be in full force and effect or any Lien or any subordination created under the Intercreditor Agreement ceases to be legal, valid, binding, enforceable or effective;

9.1.12 *Guarantee*: the Guarantee of the Notes, the Security Agreement or the Intercreditor Agreement are not in full force and effect;

9.1.13 *Senior Financing payment default or cross acceleration*: a non-payment Senior Obligor Event of Default occurs under the Common Terms Agreement or any Senior Debt is declared to be or otherwise becomes due and payable prior to its maturity date by reason of a Senior Obligor Event of Default under the Common Terms Agreement;

9.1.14 *Expropriation*: the authority or ability of any Obligor to conduct its business is limited or wholly or substantially curtailed by any seizure, expropriation, nationalisation, intervention, restriction or other action by or on behalf of any governmental, regulatory or other authority or other person;

9.1.15 *Repudiation and rescission of agreements*: an Obligor rescinds or purports to rescind or repudiates or purports to repudiate the Note Trust Deed or any other Transaction Document or any of the Transaction Security or evidences an intention to rescind or repudiate the Note Trust Deed or any other Transaction Document or any Transaction Security or an Intra Group Lender rescinds or purports to rescind or repudiates or purports to repudiate the Intercreditor Agreement in whole or in part; and

9.1.16 *Litigation*: any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced against the Issuer or any Guarantor (or against any of their directors) or any of their respective assets which have or are reasonably likely to have a Material Adverse Effect.

9.2. Delivery of an Issuer Acceleration Notice

9.2.1 If any Event of Default occurs the Note Trustee: (i) may, at any time, at its discretion and (ii) shall, upon being so directed in writing by the holders of at least one-quarter in aggregate Outstanding Principal Amount of any class of the Notes then outstanding or if so directed by an Extraordinary Resolution of any class of the Noteholders deliver a notice (the **Issuer Acceleration Notice**) to the Issuer provided that, in both cases, it is indemnified and/or secured and/or prefunded to its satisfaction (but, in the case of the happening of any of the events described in Condition 9.1.3, only if the Note Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders).

9.2.2 Upon delivery of an Issuer Acceleration Notice, the Notes then outstanding shall thereby immediately become due and repayable at their respective Outstanding Principal Amount plus accrued but unpaid interest as provided in the Note Trust Deed.

9.3. Confirmation of no Event of Default

The Issuer, pursuant to the terms of the Note Trust Deed, shall provide written confirmation to the Note Trustee, on an annual basis (and at any other time on the request of the Note Trustee), that no Event of Default have occurred.

9.4. Consequences of the delivery of an Issuer Acceleration Notice

Upon delivery of an Issuer Acceleration Notice in accordance with Condition 9.2 (*Delivery of an Issuer Acceleration Notice*) the Transaction Security shall become enforceable by the Security Trustee in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement.

10. ENFORCEMENT AGAINST ISSUER AND GUARANTORS

10.1. The Note Trustee may, at any time, at its discretion and without notice, take such action under or in connection with any of the Transaction Documents as it may think fit (including, without limitation, directing the Security Trustee to take any action under or in connection with any of the Transaction Documents or, after the occurrence of an Event of Default, (subject to the Intercreditor Agreement or any Additional Intercreditor Agreement) to take steps to enforce the Transaction Security, provided that:

10.1.1 the Note Trustee shall not be bound to take any such action unless it shall have been so directed by an Extraordinary Resolution of the Noteholders or so directed in writing by the holders of at least one-quarter in aggregate Outstanding Principal Amount of the Notes;

10.1.2 (except where expressly provided otherwise) the Security Trustee shall not, and shall not be bound to, take any such action unless it shall have been so directed by (i) the Note Trustee and/or (ii) any or all of the Secured Creditors (other than the Note Trustee and the Noteholders) in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement; and

10.1.3 neither the Note Trustee nor the Security Trustee shall be bound to take any such action unless it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

10.2. No Noteholder or other Secured Creditor is entitled to take any action against the Issuer or against any assets of the Issuer to enforce its rights in respect of the Notes or to enforce any of the Transaction Security unless the Note Trustee or, as the case may be, the Security Trustee, having become bound so to proceed, fails or neglects to do so within a reasonable period and such failure or neglect is continuing.

11. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect thereof.

12. REPLACEMENT OF NOTES

If any Note is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws and requirements of the Luxembourg Stock Exchange, at the specified office of the Principal Paying Agent or, as the case may be, the Registrar, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

13. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

13.1. Meetings of Noteholders, Modifications and Waiver

13.1.1 The Note Trust Deed contains provisions for convening meetings of holders of one or more classes of the Notes, to consider matters affecting their interests, including the modification of these Conditions, the Note Trust Deed and any other Transaction Document and any other document to which the Note Trustee is a party or in relation to which the Security Trustee holds security. Subject to Condition 13.2 (*Modification and waiver*) and Condition 4.9.2, any modification may be made if sanctioned by a resolution passed at a meeting or meetings of the Noteholders of the relevant class or classes duly convened and held in accordance with the Note Trust Deed by a majority of not less than three-quarters of the votes cast (an **Extraordinary Resolution**) of such Noteholders. Such a meeting may be convened by the Note Trustee or the Issuer and shall be convened by the Issuer upon the request in writing of the Noteholders holding not less than one-tenth of the aggregate Outstanding Principal Amount of the outstanding Notes of the relevant class.

13.1.2 The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing not less than 50% of the aggregate Outstanding Principal Amount of the relevant outstanding Notes or, at any adjourned meeting, one or more persons being or representing Noteholders, whatever the Outstanding Principal Amount of the relevant outstanding Notes held or represented, provided, however, that certain proposals (the **Basic Terms Modifications**) in respect of any particular class of Notes, being any proposal:

(1) to change any date fixed for payment of principal or interest in respect of such Notes, to change the amount of principal or the rate of interest payable on any date in respect of such class of Notes or (other than as specified in Conditions 6 (*Redemption, Purchase and Cancellation*) and 7 (*Payments*)) to alter the method of calculating the amount of any payment in respect of such Notes on redemption or maturity;

(2) other than pursuant to Condition 13.2 (*Modification and waiver*), to effect the exchange, conversion or substitution of such Notes for, or their conversion into shares, Notes or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed and/or for cash;

(3) to change the currency in which amounts due in respect of such Notes are payable;

(4) to change the quorum required at any meeting or the majority required to pass an Extraordinary Resolution;

(5) the sanctioning of any such scheme or proposal or substitution as is described in paragraphs 20(i) and 20(j) of Schedule 5 of the Note Trust Deed;

(6) to change (a) the requirements to redistribute any recoveries made other than in accordance with the priority of payments; (b) the priority of payments and/or the subordination

arrangements; or (c) the right to give instructions to the Security Trustee and subject to the provisions concerning meetings of particular combinations of classes of Notes as set out in this Condition 13 and the Note Trust Deed; or

(7) to amend this definition or this Condition 13,

may be sanctioned only by an Extraordinary Resolution passed at a meeting of holders of such class of Notes at which one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate Outstanding Principal Amount of the relevant outstanding Notes form a quorum. Any resolution duly passed at any such meeting shall be binding on all the relevant Noteholders whether present or not.

13.1.3 In addition, a resolution in writing signed, or an approval given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s), in each case, by or on behalf of the holders of not less than 75% or (in the case of any Basic Terms Modification) 90% of the aggregate Outstanding Principal Amount of the relevant class or classes of Notes will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more relevant Noteholders.

13.1.4 A meeting of such Noteholders will also have the power (exercisable by Extraordinary Resolution) to advise or instruct the Note Trustee (including to instruct the Note Trustee to instruct the Security Trustee) in connection with the exercise by the Note Trustee and/or the Security Trustee (at the direction of the Note Trustee), as the case may be, of any of their rights, powers and discretions under the Note Trust Deed, the Security Agreement or the other Transaction Documents including to appoint any persons (whether Noteholders or not) as a committee to represent the interests of such Noteholders and to confer upon such committee any powers which such Noteholders could themselves exercise by Extraordinary Resolution.

13.1.5 For the avoidance of doubt, the provisions of articles 86 to 94-8 of the Luxembourg Act dated 10 August 1915 on commercial companies, as amended, shall not apply in respect of the Notes.

13.2. Modification and waiver

13.2.1 The Note Trustee may (subject to the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement and subject to Condition 4.9 (*Amendments to the Intercreditor Agreement and any Additional Intercreditor Agreement)*), without the consent of the Noteholders or (subject as provided below) any other Secured Creditor, concur with, or direct the Security Trustee to concur with, the Issuer, any Guarantor or any other relevant parties in making (i) any modification to these Conditions, Notes, the Note Trust Deed, the Security Agreement or the other Transaction Documents or other document to which the Note Trustee or the Security Trustee is a party or, in respect of which the Security Trustee holds security, if in the opinion of the Note Trustee such modification is made to correct a manifest error or is of a formal, minor or technical nature or (ii) any modification (other than a Basic Terms Modification) to these Conditions, Notes, the Note Trust Deed, the Security Agreement or the other Transaction Documents (subject as provided in the Intercreditor Agreement or any Additional Intercreditor Agreement) or other document to which the Note Trustee or the Security Trustee is a party or in respect of which the Security Trustee holds security, if the Note Trustee is of the opinion that such modification is not materially prejudicial to the interests of the Noteholders then outstanding, provided that any modification that has the effect of changing or which relates to (i) the requirements to redistribute any recoveries made other than in accordance with the priority of payments; (ii) the priority of payments and/or the subordination arrangements; or (iii) the right to give instructions to the Security Trustee shall not be made without the consent of the Noteholders (in accordance with these Conditions), the Facility Providers and the Security Trustee. The Note Trustee and the Security Trustee are authorised to execute and deliver on behalf of each Secured Creditor other than the affected Secured Creditors all documentation required to implement such modification and such execution by the Note Trustee and/or the Security Trustee, as the case may be, shall bind each of the Noteholders and such Secured Creditors as if (in the case of such Secured Creditors) such documentation had been duly executed by it.

13.2.2 The Note Trustee may, without the consent of the Noteholders or (subject as provided below) any other Secured Creditor and without prejudice to its rights in respect of any subsequent breach or Event of Default, from time to time, and at any time but only if and in so far as in its opinion the interests of the Noteholders then outstanding shall not be materially prejudiced thereby, (subject to the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement) waive or authorise, or direct the Security Trustee to waive or authorise, any breach or proposed breach by the Issuer, any Guarantor or any other relevant party of any of the covenants or provisions contained in these Conditions or the Note Trust Deed or the other Transaction Documents or other document to which the Note Trustee or the Security Trustee is a party or in respect of which the Security Trustee holds security, or determine that any event which would otherwise constitute an Event of Default shall not be treated as such for the purposes of the Note Trust Deed, provided that, to the extent such event, matter or thing relates to a matter or thing that has the effect of changing or which relates to (i) the requirements to redistribute any recoveries made other than in accordance with the priority of payments; (ii) the priority of payments and/or the subordination arrangements; or (iii) the right to give instructions to the Security Trustee, shall not be made without the consent of the Noteholders (in accordance with these Conditions), the Facility Providers and the Security Trustee and provided further that the Note Trustee shall not exercise such powers in contravention of the Intercreditor Agreement or any Additional Intercreditor Agreement, of any express direction given by Extraordinary Resolution of the holders of the Notes then outstanding or of a request in writing made by holders of not less than one-quarter in aggregate of the principal amount of the Notes then outstanding (but no such direction or request shall affect any waiver, authorisation or determination previously given or made) or so as to authorise or waive any proposed breach or breach relating to any matter which is the subject of a Basic Terms Modification.

13.2.3 Any such modification, waiver, authorisation or determination may be given or made on such terms and subject to such conditions (if any) as the Note Trustee may determine, shall be binding on the Noteholders and the other Secured Creditors and, unless the Note Trustee agrees otherwise, notice thereof shall be given by the Issuer to the Noteholders in accordance with Condition 15 (*Notices*) as soon as practicable thereafter.

13.2.4 Notwithstanding that none of the Note Trustee, the Security Trustee, the Noteholders or the other Secured Creditors has any right of recourse against the Rating Agencies in respect of any confirmation from the Rating Agencies which is relied upon by the Note Trustee or the Security Trustee, as the case may be, and the Note Trustee and the Security Trustee shall be entitled to assume, for the purposes of exercising any power, trust, authority, duty or discretion under or in relation to the Notes, the Note Trust Deed, any other Transaction Documents or any other document to which the Note Trustee or the Security Trustee is a party or in respect of which the Security Trustee holds security, that such exercise will not be materially prejudicial to the interests of the Noteholders if the Rating Agencies have provided confirmation that such exercise will not have an adverse effect on the then ratings of the Notes. Without prejudice to the foregoing, the Noteholders are deemed to agree for the benefit of the Rating Agencies only that a credit rating is, however, an assessment of credit and does not address other matters that may be of relevance to Noteholders. The Note Trustee, the Security Trustee and the Noteholders agree and acknowledge that being entitled to rely on the fact that the Rating Agencies have delivered confirmation that the ratings of their Notes will not be adversely affected does not impose or extend any actual or contingent liability for the Rating Agencies to the Note Trustee, the Security Trustee, the Noteholders, any other Secured Creditor or any other person or create any legal relations between the Rating Agencies and the Note Trustee, the Security Trustee, the Noteholders, any other Secured Creditor or any other person whether by way of contract or otherwise.

13.3. Substitution of the Issuer

13.3.1 The Note Trustee may without the consent of the Noteholders at any time agree with the Issuer to the substitution in place of the Issuer (or of the previous substitute under this Condition) as the principal debtor under the Notes and the Note Trust Deed of any holding company of the Issuer, any Subsidiary of such holding company or any Subsidiary of the Issuer (such substituted company being hereinafter called the **New Company**) provided that a trust deed is executed or some other form of undertaking is given by the New Company in form and manner, satisfactory to the Note Trustee, agreeing to be bound by the provisions of the Note Trust Deed and these Conditions with any consequential amendments which the Note Trustee may deem appropriate as fully as if the New Company had been named as the principal debtor in place of the Issuer (or of the previous substitute under this Condition 13.3) and provided further that except where all of the assets and undertakings of the Issuer are transferred to the New Company the Issuer unconditionally and irrevocably guarantees all amounts payable under the Notes to the satisfaction of the Note Trustee.

13.3.2 The following further conditions shall apply to substitution of the Issuer as set out above:

(1) the New Company is a single purpose company similar to, and with like constitution as, and having substantially the same restrictions and prohibitions on its activities and operations as the Issuer, and undertakes to be bound by provisions corresponding to those set out in these Conditions;

(2) the Note Trustee is satisfied that in accordance with all applicable requirements of law and regulatory directions:

(3) the New Company has obtained all governmental and regulatory approvals and consents necessary for its assumption of liability as principal debtor in respect of the Notes and the other Secured Liabilities of the Issuer; and

(a) such approvals and consents are at the time of substitution in full force and effect;

(b) the Issuer and the New Company shall comply with such other requirements as the Note Trustee may direct in the interests of the Noteholders;

(4) (where applicable) Condition 6.3 (*Redemption for Taxation or Other Reasons*) shall be modified accordingly;

(5) undertakings or covenants shall be given by the New Company in terms corresponding to the provisions of these Conditions;

(6) without prejudice to the rights of reliance of the Note Trustee under paragraph (7) below, the Note Trustee is satisfied that the relevant transaction is not materially prejudicial to the interests of the Noteholders; and

(7) if two directors of the New Company (or other officers acceptable to the Note Trustee) shall certify that the New Company is solvent both at the time at which the relevant transaction is proposed to be effected and immediately thereafter (which certificate the Note Trustee may rely upon absolutely), the Note Trustee shall not be under any duty to have regard to the financial condition, profits or prospects of the New Company or to compare the same with those of the Issuer or the previous substitute under this Condition 13.3, as applicable.

14. NOTE TRUSTEE PROTECTIONS

14.1. Trustee Considerations

14.1.1 The Note Trust Deed contains provisions for the indemnification of the Note Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction.

14.1.2 In connection with the exercise by the Note Trustee under these Conditions, the Note Trust Deed or the other Transaction Documents of its rights, powers, trusts, authorities and discretions (including any modification, consent, waiver or authorisation), the Note Trustee shall where it is required to have regard to the interests of the holders of the Notes, have regard to the general interests of the holders of the Notes as a class and will not have regard to the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Note Trustee shall not be entitled to require from the Issuer, nor shall any Noteholders be entitled to claim from the Issuer or the Note Trustee, any indemnification or other payment in respect of any consequence (including any tax consequence) for individual Noteholders of any such exercise.

14.2. Reliance on certificates

The Note Trustee shall be entitled to rely absolutely on a certificate or report of any director of the Issuer in relation to any matter and to accept without liability any such certificate or report as sufficient evidence of the relevant fact or matter stated in such certificate.

15. NOTICES

15.1.1 Notices to holders of Notes will be posted to them at their respective addresses in the register and deemed to have been given on the date of posting. Other notices to Noteholders will be valid if published in a leading daily newspaper having general circulation in Luxembourg (which is expected to be Luxemburger Wort) or if published on the Luxembourg Stock Exchange official website (*www.bourse.lu)*. The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of the Luxembourg Stock Exchange and any other listing authority, stock exchange and/or quotation system on which the Notes are for the time being listed. Any such notice (other than to holders of Notes as specified above) shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

15.1.2 For Notes which are represented by Global Notes held on behalf of Euroclear or Clearstream, Luxembourg, notices may be given by delivery of the relevant notices to Euroclear or Clearstream, Luxembourg for communication to entitled account holders in substitution for the aforesaid mailing. So long as any Notes are listed on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, any such notice to the holders of the relevant Notes shall also be published in a newspaper having a general circulation in Luxembourg (which is expected to be Luxemburger Wort) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*), and, in connection with any redemption, the Issuer will notify the Luxembourg Stock Exchange of any change in the Outstanding Principal Amount of the Notes.

16. FURTHER NOTES

16.1. Further Notes

The Issuer may, without the consent of the Noteholders, raise further funds, from time to time, on any date by the creation and issue of further notes (**Further Notes**) carrying the same terms and conditions in all respects (or in all respects except for the first Interest Period) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, any class of the Notes provided that:

16.1.1 the aggregate principal amount of all Further Notes to be issued on such date is not less than £5,000,000;

16.1.2 any Further Notes are assigned the same ratings as are then applicable to the class of Notes with which they are to be consolidated and form a single series;

16.1.3 the ratings of each class of Notes at that time outstanding are not downgraded, withdrawn or qualified as a result of such issue of Further Notes and none of such ratings is lower than it was upon the date of issue of any of the Notes;

16.1.4 an amount equal to the aggregate principal amount of such Further Notes will be on-lent by the Issuer pursuant to the provisions of the Intercompany Loan Agreement; and

16.1.5 application will be made, in respect of the Further Notes, for such notes to be admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange and listed on the official list of the Luxembourg Stock Exchange or, if the Notes then issued are no longer admitted to trading on that exchange, such exchange, if any, on which the Notes then issued are then admitted to trading on.

16.2. Supplemental trust deeds and security

Any such Further Notes will be constituted by a further deed or deeds supplemental to the Note Trust Deed and have the benefit of the security constituted by the Security Agreement. Any of the Transaction Documents may be amended as provided in Condition 13 (*Meetings of Noteholders, Modification, Waiver and Substitution*) or otherwise, and further Transaction Documents may be entered into, in connection with the issue of such Further Notes and the claims of any of the parties to any amended Transaction Document or any further Transaction Document may rank ahead of, *pari passu* with, or behind, any class or classes of the Notes, provided, in each case, that the condition set out in Condition 16.1.3 is satisfied, *mutatis mutandis*.

17. MISCELLANEOUS

17.1. Governing law

The Notes, the Note Trust Deed, the Security Agreement and the other Transaction Documents and any non-contractual obligations arising out of or in connection with them shall be governed by, and shall be construed in accordance with, English law.

17.2. Jurisdiction

The Issuer irrevocably agrees, for the benefit of the Note Trustee and the Noteholders that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Note Trust Deed and/or the Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with the Note Trust Deed and/or the Notes) and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.

17.3. Third Party Rights

No person shall have any right to enforce any term or condition of the Notes or the Note Trust Deed under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or in available apart from that Act.

17.4. Rights Against Issuer

Under the Note Trust Deed, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to interests in the Notes will (subject to the terms of the Note Trust Deed) acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Note became void, they had been the registered holders of Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear or Clearstream, Luxembourg (as the case may be).

17.5. Clearing System Accountholders

References in these Conditions of the Notes to **Noteholder** are references to the person shown in the register as the holder of the Global Note.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg, as the case may be, as being entitled to an interest in a Global Note (each an **Accountholder**) must look solely to Euroclear and/or Clearstream, Luxembourg (as the case may be) for such Accountholder's share of each payment made by the Issuer to such Accountholder and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note will be determined by the respective rules and procedures of any relevant Clearing System (as the case may be) from time to time. For so long as the relevant Notes are represented by a Global Note, Accountholders shall have no claim directly against the Issuer or in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the registered holder of the Global Note.

18. DEFINITIONS

In these Conditions, the following expressions shall have the following meanings:

AGL means Arqiva Group Limited (formerly Arqiva Broadcast Holdings Limited);

Acceptable Bank means:

(1) a bank or financial institution which has a rating for its long term unsecured debt obligations of A- or higher by S&P or Fitch or A3 or higher by Moody's or a comparable rating from an internationally recognised credit rating agency; or

(2) any other bank or financial institution selected by the Issuer and approved by the Note Trustee;

Accounting Principles means accounting principles, policies, standards, bases and practises which are generally accepted under UK GAAP or IFRS, in each case as in effect on the date hereof, or, with respect to Condition 4.5 (*Information Covenants*), as in effect from time to time;

Administrative Parties means the Note Trustee, the Security Trustee, any Facility Agent and their replacements or successors;

AF No 3 means Arqiva Financing No 3 plc (formerly Macquarie UK Broadcast Service plc), a company incorporated in England and Wales with limited liability (registered number 05253998);

Affiliate means a Subsidiary or a Holding Company of a person or any other Subsidiary of that Holding Company.

Applicable Premium means, with respect to any Note on any redemption date, the greater of:

(1) 1.0% of the principal amount of such Note; or

(2) the excess of:

   (a) the present value at such redemption date of (i) the redemption price of such Note at (such redemption price being set forth in the table appearing under Condition 6.2.4), *plus* (ii) all required interest payments due on such Note through (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Gilt Rate as of such redemption date plus 50 basis points; over

   (b) the principal amount of the Note;

Authorised Investments has the same meaning as for the purposes of the Common Terms Agreement;

Beneficial Owner has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The term "**Beneficially Owns**" and "**Beneficially Owned**" have a corresponding meaning;

Board of Directors means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the board of directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

Business Day means a day (other than a Saturday or Sunday) on which banks are open for general business in London;

Capital Stock means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

Cash means cash deposits with any bank or financial institution, other than any cash deposits standing to the credit of the Minimum Maintenance Capex Reserve Account;

Cash Equivalents means at any time:

(1) certificates of deposit, overnight bank deposits, time deposit accounts, banker's acceptances and money market deposits (and similar instruments) maturing within one year after the relevant date of calculation, issued by an Acceptable Bank;

(2) any investment in marketable securities issued or guaranteed by the government of the United States of America, the United Kingdom or provided that it has a credit rating of A-1 or higher by S&P or F-1 or higher by Fitch, any member state of the European Economic Area or any Participating Member State, or by an instrumentality or agency of any of them having an equal credit rating which:

  (a) matures within one year after the relevant date of calculation; and

  (b) is not convertible to any other security;

(3) commercial paper not convertible to any other security:

  (a) for which a recognised trading market exists;

  (b) issued in the United States of America, the United Kingdom or any member state of the European Economic Area or any Participating Member State;

  (c) which matures within one year after the relevant date of calculation; and

  (d) which has a credit rating of or higher than either A-1 by S&P or F-1 by Fitch or P-1 by Moody's or, if no rating is available in respect of such commercial paper, the issuer of which has, in respect of its long-term unsecured debt obligation, an equivalent rating;

(4) sterling bills of exchange eligible for rediscount at the Bank of England and accepted by an Acceptable Bank (or any dematerialised equivalent);

(5) investments in money market or liquid funds which invest substantially all their assets in securities of the types described in paragraphs (1) to (4) above; or

(6) any other debt security or investment approved by the Security Trustee acting in accordance with instructions under and in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement,

in each case, which is not issued or guaranteed by any Group Company or subject to any Liens (other than any Liens securing Senior Debt or Junior Debt) or, for the purposes of Condition 4.6.1, has the same meaning as for the purposes of the Common Terms Agreement;

Change of Control means:

(1) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Parent Guarantor and its Subsidiaries, taken as a whole, to any Person (including any "person" (as that term is used in Section 13(d)(3) of the United States Exchange Act of 1934, as amended)) other than a Subsidiary or one or more Permitted Holders;

(2) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that (i) any Person (including any "person" as defined above), other than one or more of the Permitted Holders, becomes the Beneficial Owner, directly or indirectly, of shares with the right to vote more than 50% of the issued share capital of the Parent Guarantor, measured by number of shares;

(3) the adoption of a plan relating to liquidation or dissolution of the Parent Guarantor or the Issuer; or

(4) the Parent Guarantor ceases to Beneficially Own, directly or indirectly, shares with the right to vote 100% of the issued share capital of the Issuer;

Collateral means the rights, property and assets securing the Notes and the Guarantees as described under Condition 3.3 and any rights, property or assets over which a Lien has been granted to secure the obligations of the Issuer and the Guarantors under the Notes, the Guarantees and the Note Trust Deed;

Common Terms Agreement means the common terms agreement dated 22 February 2013 entered into by (among others) Arqiva Financing No 1 Limited as a Senior Obligor and applying in respect of the facilities entered into by it;

Credit Facilities means, one or more debt facilities, instruments or arrangements Incurred by the Issuer or a Guarantor (including the Liquidity Facility Agreement or commercial paper facilities and overdraft facilities) or commercial paper facilities or indentures or trust deeds or note purchase agreements, in each case, with banks, other institutions, funds or investors, providing for revolving credit loans, term loans, performance guarantees, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit, bonds, notes debentures or other corporate debt instruments or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustees or other banks or institutions and whether provided under the Liquidity Facility Agreement or one or more other credit or other agreements, indentures, trust deeds, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term Credit Facilities shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding other Group Companies as additional borrowers, issuers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof;

Currency Exchange Protection Agreement means, in respect of any Person, any Treasury Transaction agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates as to which such Person is a party;

Current Shareholders means, with respect to the shareholders in AGL, any one or more of Frequency Infrastructure Communications Assets Limited (of which Canada Pension Plan Investment Board is an 86% shareholder as at the date of the Offering Memorandum), Macquarie European Infrastructure Fund II, Macquarie Global Infrastructure Funds 2 S.à r.l. and Macquarie Prism Proprietary Limited, Conyers Trust Company (Cayman) Limited in its capacity as trustee of the IFM Global Infrastructure Fund, First State Super and Motor Trades Association of Australia Superannuation Fund (advised by Whitehelm Capital).

Debtor means each Guarantor and the Issuer;

Default means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default;

Distribution Compliance Period means the period that ends 40 days after the completion of the distribution of each class of Notes, as certified by the relevant Joint Global Coordinator and Joint Bookrunner;

EBITDA means, for any Test Period, the consolidated earnings of the Group calculated in accordance with the Accounting Principles during the applicable Test Period before (and without double counting):

(1) the deduction of taxation;

(2) the deduction of any interest, commission, fees, discounts, prepayment fees, premiums or charges and other payments in the nature of a finance charge whether paid, payable or capitalised by any Group Company (calculated on a consolidated basis);

(3) the addition of interest receivable;

(4) the deduction of any amount attributable to amortisation of goodwill or other intangible assets and any deduction for depreciation or impairment;

(5) the deduction or addition (as applicable) of any non-cash charges resulting from fair value adjustments and mark-to-market adjustments;

(6) the deduction of any non-cash charges relating to long-term compensation schemes;

(7) taking into account any non-cash charges relating to recognition of pension plan deficits; and

(8) taking into account fair value gains or losses on any financial instrument other than any derivative instrument which is accounted for on a hedge accounting basis,

and after adjusting to (a) exclude exceptional items which shall include (but not be limited to) transaction costs, integration costs, separation costs, restructuring costs, reorganisation costs and other one-off expenditure and (b) deduct any amounts paid by a member of the Senior Financing Group to a Subsidiary of AGL which is not a member of the Group pursuant to paragraph (e) of the definition of Restricted Payments (as defined in the Common Terms Agreement);

less the consolidated earnings (before the deductions and adjustments referred to above) of the Senior Financing Group Companies that are incorporated outside of the United Kingdom and in aggregate exceed 5% of the consolidated earnings (before the deductions and adjustments referred to above) of the Senior Financing Group.

Equity Interests means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock);

Equity Offering means a sale of Capital Stock (other than to a Group Company) (a) that is a sale of Capital Stock of the Parent Guarantor (other than Disqualified Stock) other than offerings registered on Form S-8 (or any successor form) under the U.S. Securities Act or any similar offering in other jurisdictions, or (b) the proceeds of which are contributed as Subordinated Debt or to the equity (other than through the issuance of Disqualified Stock) of the Issuer or a Guarantor;

Escrowed Property means the proceeds from the offering of any debt securities or other Indebtedness paid into segregated escrow accounts with an independent escrow agent on the date of the applicable offering or Incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term **Escrowed Property** shall include any interest earned on the amounts held in escrow;

Exchange Act means the U.S. Securities Exchange Act of 1934, as amended;

Existing Senior Debt means (a) the Senior Term Facility, the Senior Capex Facility, the Senior Working Capital Facility, the Senior Liquidity Facility, the Senior USPP NPAs, the Senior USPP Notes, the Senior Institutional Term Loan, the Senior EIB Loan (each, as defined in the Offering Memorandum) and any other facilities authorised under the Common Terms Agreement and (b) the £600.0 million 9.50% senior notes due 2020 issued by the Issuer, in each case as amended, restated, modified, renewed or refinanced in whole or in part from time to time;

Existing Hedges has the same meaning as for the purposes of the Common Terms Agreement, except that for purposes hereof, the term "Existing Bank Facilities" referred to in the Common Terms Agreement shall mean the Existing Senior Debt and "Signing Date" shall mean either the Senior Signing Date or the Issue Date, as applicable;

Facility Agent means any entity which has become a party to the Intercreditor Agreement or any Additional Intercreditor Agreement as a facility agent (or any equivalent term) in accordance with the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement;

Facility Agreement means any facility agreement entered into by the Issuer, a Facility Provider and a Facility Agent;

Facility Provider means any entity which has become a party to the Intercreditor Agreement or any Additional Intercreditor Agreement as a facility provider or lender (or any equivalent term) in accordance with the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement;

Fair Market Value means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress of either party, determined in good faith by any of the Parent Guarantor's chief executive officer, chief financial officer or other responsible financial or accounting Officer;

FATCA means Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof and including any agreement described in Section 1471(b)) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement);

Finance Lease has the same meaning as for the purposes of the Common Terms Agreement;

Financial Statistics means financial statistics published monthly by the Office for National Statistics and containing information on, among other things, public sector finance and money supply and credit in the United Kingdom;

Financial Year means the annual accounting period of the Group ending on or about 30 June in each year;

Fitch means Fitch Ratings Ltd.;

Fixed Charge Coverage Ratio means, as of any date of determination, the ratio of (a) the EBITDA of the Group for the Test Period ending on (and including) the Test Date immediately preceding such date of determination to (b) the Fixed Charges of the Group for such Test Period.

In the event that the Group Incurs, assumes, guarantees, issues, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than Incurrences or repayments of ordinary working capital borrowings) subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (for the purpose of this definition, the **Calculation Date**) (but not giving effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to Condition 4.1.2 or (ii) the repayment, repurchase, redemption, defeasance or other discharge of any Indebtedness on the Calculation Date, to the extent that such repayment, repurchase, redemption, defeasance or other discharge is made with the proceeds of Indebtedness Incurred pursuant to Condition 4.1.2), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect (as determined in good faith by the Parent Guarantor's chief financial officer or a responsible financial or accounting Officer of the Parent Guarantor) to such Incurrence, assumption, guarantee, issuance, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable Test Period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions or Investments that have been made by the Group, including through mergers or consolidations, or by any Person or any of its Subsidiaries acquired by the Group, and including all related financing transactions and including increases in ownership of Subsidiaries, during the relevant Test Period or subsequent to such Test Period and on or prior to the relevant Calculation Date, or that are to be made on the relevant Calculation Date, will be given pro forma effect (as determined in good faith by a responsible financial or accounting Officer of the Parent Guarantor and may include cost savings, expense reductions and cost synergies reasonably expected to be realised within 18 months after the applicable Test Date and in the aggregate amount not exceeding 10% of the EBITDA of the Group for the relevant Test Period (calculated after fully taking into account such cost savings, expense reductions and cost synergies)) as if they had occurred on the first day of the relevant Test Period;

(2) the EBITDA attributable to discontinued operations, as determined in accordance with the Accounting Principles, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with the Accounting Principles, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the Group following the Calculation Date;

(4) any Person that is a Subsidiary on the Calculation Date will be deemed to have been a Subsidiary at all times during the relevant Test Period;

(5) any Person that is not a Subsidiary on the Calculation Date will be deemed not to have been a Subsidiary at any time during the relevant Test Period; and

(6) if any Indebtedness bears a floating rate of interest and such Indebtedness is to be given pro forma effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Treasury Transactions applicable to such Indebtedness if such Treasury Transactions has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness).

Fixed Charges means, for any Test Period, the interest, fees (including commitment fees (but excluding, for the avoidance of doubt, any Senior Issuer/Borrower Facilities Fees)), charges, commissions or equivalent finance charges that are paid, or payable (excluding, for the avoidance of doubt, non-cash charges and imputed interest) or accrued as an obligation of any Group Company in respect of the Indebtedness of the

Group Companies during the applicable Test Period and all Finance Lease payments in respect of interest payable and equivalent financial charges during the applicable Test Period, but (without double counting):

(1) excluding any upfront or amortised fees or costs;

(2) excluding the fees and expenses of the Senior Administrative Parties and the Administrative Parties;

(3) excluding any break costs;

(4) excluding the mark-to-market under any Treasury Transactions;

(5) excluding any interest or equivalent finance charge accrued in respect of Indebtedness between Group Companies;

(6) excluding any interest or equivalent finance charge on deferred income or on unwinding a discounted liability;

(7) deducting any interest or equivalent finance charge receivable by any Group Company (after deducting applicable withholding tax) in respect of Cash or Cash Equivalents held by such Group Company;

(8) before taking into account fair value gains or losses on any financial instrument other than any derivative instrument which is accounted for on a hedge accounting basis and only to the extent gains and losses in the hedged item are also included in EBITDA;

(9) excluding any interest or equivalent finance charge which is capitalised, rolled up or deferred during such Test Period; and

(10) excluding any fees, costs and expenses incurred in respect of the implementation of the refinancing of the Existing Senior Debt and the Existing Hedges,

and taking into account any net payment or net receipt which is payable or receivable under any Senior Hedging Agreements (including, for the avoidance of doubt, any net payment and net receipt under any Inflation Linked Hedging Agreement (but excluding, for the avoidance of doubt, any accretions paid, payable or accruing under any Inflation Linked Hedging Agreements and any mark-to-market termination payments under any Senior Hedging Agreements or any Treasury Transactions));

Gilt Rate means, with respect to any Interest Payment Date that any Note is redeemed, the yield to maturity as of such Interest Payment Date of UK Government Securities with a fixed maturity (as complied by the Office for National Statistics and published in the most recent Financial Statistics that have become publicly available at least two Business Days in London prior to such Interest Payment Date (or, if such Financial Statistics are no longer published, any publicly available source of similar market date)) most nearly equal to the period from such redemption date to ; *provided*, *however*, that if the period from such Interest Payment Date to is less than one year, the weekly average yield on actually traded UK Government Securities denominated in sterling adjusted to a fixed maturity of one year shall be used.

Global Notes means the Regulation S Global Note;

Group means the Parent Guarantor and its Subsidiaries;

Group Company means each company that is a member of the Group;

Historic Net Debt to EBITDA Ratio means, as of any date of determination, the ratio of (a) Net Debt of the Group as of the Test Date immediately preceding such date of determination to (b) EBITDA of the Group for the Test Period ending on (and including) the Test Date immediately preceding such date of determination (calculated on a pro forma basis to take into account the earnings from any asset acquired during the Test Period from the start of such Test Period (and may include cost savings, expense reductions and cost synergies reasonably expected to be realised within 18 months after the applicable Test Date and in the aggregate amount not exceeding 10% of the EBITDA of the Group for the relevant Test Period (calculated after fully taking into account such cost savings, expense reductions and cost synergies) as if they had occurred on the first day of the applicable Test Period as determined in good faith by a responsible financial or accounting Officer of the Parent Guarantor) and to exclude the earnings from any asset disposed of during the Test Period for the entire Test Period);

Historic Senior Secured Net Debt to EBITDA Ratio means, as of any date of determination, the ratio of (a) Net Senior Secured Debt of the Group as of the Test Date immediately preceding such date of determination to (b) EBITDA of the Group for the Test Period ending on (and including) the Test Date immediately preceding such date of determination (calculated on a pro forma basis to take into account the earnings from any asset acquired during the Test Period from the start of such Test Period (and may include cost savings, expense reductions and cost synergies reasonably expected to be realised within 18 months after the applicable Test Date and in the aggregate amount not exceeding 10% of the EBITDA of the Group for the relevant Test Period (calculated after fully taking into account such cost savings, expense reductions and cost synergies) as if they had occurred on the first day of the applicable Test Period as determined in good faith by a responsible financial or accounting Officer of the Parent Guarantor) and to exclude the earnings from any asset disposed of during the Test Period for the entire Test Period);

Holding Company means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary, except that for the definition of Permitted Tax Transaction only, Holding Company shall mean AF No 3 and AGL only;

IFRS means the International Financial Reporting Standards.

Incur means issue, create, assume, enter into any guarantee of, incur or otherwise become liable for, and the terms **Incurred** and **Incurrence** have meanings correlative to the foregoing; *provided, however*, that any Indebtedness pursuant to any revolving credit or similar facility shall only be **Incurred** at the time any funds are borrowed thereunder;

Indebtedness means (without double counting) any indebtedness of any Group Company for or in respect of:

(1) moneys borrowed or raised (whether or not for cash);

(2) any amounts drawn under acceptance credit or bill discounting facility;

(3) any bond, note, debenture, loan stock or other similar instrument;

(4) any Finance Lease;

(5) any share in any Group Company which is not held by another Group Company and which is capable of redemption prior to the Maturity Date of any Notes (**Disqualified Stock**);

(6) the acquisition cost of any asset or service to the extent payable after its acquisition or possession by the party liable where one of the primary reasons for which the deferred payment is arranged is as a method of raising finance or financing the acquisition or construction of that asset or the supply of that service (but excluding trade credit on customary commercial terms) or is due more than six months after the date of acquisition or supply;

(7) receivables sold or discounted (other than on a non-recourse basis);

(8) net liability under any Treasury Transaction including, for the avoidance of doubt, any portion in respect of accretion (but excluding any mark-to-market);

(9) any other transaction which has the commercial effect of a borrowing or otherwise is treated as such under the Accounting Principles;

(10) any counter indemnity obligation in respect of any guarantee, indemnity, bond, letter of credit or any other instrument issued by a bank or financial institution in respect of an underlying liability of any person which is of the nature referred to above; and

(11) any guarantee in respect of an underlying liability of any person which is of the nature referred to in the above paragraphs (but excluding any guarantee permitted under these Conditions (other than Condition 4.1.1) or any Permitted Guarantee (as defined in the Common Terms Agreement)),

provided that "Indebtedness" shall not include:

(a) any amount owed by one Group Company to another Group Company;

(b) any lease, concession or license of property (or guarantee thereof) which would be considered an operating lease under the Accounting Principles as in effect on the Closing Date (as defined in the Common Terms Agreement);

(c) Subordinated Debt; and

(d) any pension deficit;

Inflation Linked Hedging Agreement has the same meaning as for the purposes of the Common Terms Agreement;

Initial Public Offering means the first Public Equity Offering of common stock or common equity interests of the Parent Guarantor or any Holding Company of the Parent Guarantor (the **IPO Entity**) following which there is a Public Market;

Intercompany Borrower means Arqiva Financing No. 2 Limited as borrower under the Intercompany Loan Agreement.

Intercompany Lender means Arqiva Broadcast Finance plc as lender under the Intercompany Loan Agreement.

Intercompany Loan Agreement means loan agreement dated on or about the date of this Agreement between, amongst others, the Intercompany Lender and the Intercompany Borrower.

Intercompany Loans means the loans made under the Intercompany Loan Agreement by the Intercompany Lender to the Intercompany Borrower.

Intercreditor Agreement means the intercreditor agreement to be entered into on or before the Issue Date between, amongst others, the Obligors, the Note Trustee and the Security Trustee initially and from time to time any Facility Providers and any Facility Agents;

Interest Rate Treasury Transactions means any interest rate hedging transactions related to any Indebtedness Incurred by the Issuer or any Guarantor pursuant to Condition 4.1 (*Indebtedness*).

Intra Group Lenders means each Group Company which has made a loan available to, granted credit to or made any other financial arrangement having similar effect with, a Debtor and which is or becomes a party as an Intra Group Lender in accordance with the terms of Clause 18 (Changes to the Parties) of the Intercreditor Agreement or any Additional Intercreditor Agreement;

Investments means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees or other obligations, but excluding advances or extensions of credit to customers or suppliers made in the ordinary course of business), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as Investments on a balance sheet (excluding the notes) prepared in accordance with the Accounting Principles. Except as otherwise provided in these Conditions, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value and, to the extent applicable, shall be determined based on the equity value of such Investment;

Investors means (a) the Original Investor and (b) each party that enters into a creditor/creditor representative accession undertaking as an Investor in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement;

Investor Documents means any agreement providing for a loan by an Investor to the Parent Guarantor and any other document or agreement providing for the payment of any amount by the Parent Guarantor to an Investor;

Joint Global Coordinators and Joint Bookrunners means Merrill Lynch International and HSBC Bank plc, each a Joint Global Coordinator and Joint Bookrunner.

Junior Debt means any Indebtedness of the Obligors that is not Subordinated Debt;

Lien means any mortgage, pledge, lien, charge (fixed or floating), assignment, assignation, hypothecation, set-off or trust arrangement for the purpose of creating security, reservation or title or security interest, any arrangement giving rise to a Quasi Security or any other agreement or arrangement having a substantially similar effect;

Liquidity Facility means the revolving credit facility governed by the Liquidity Facility Agreement;

Liquidity Facility Agreement means the liquidity facility agreement, dated on or about the Issue Date, by and among, amongst others, Arqiva Broadcast Finance plc as borrower, the arrangers named therein and HSBC Bank plc as liquidity facility agent, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, and, in each case, as amended, restated, modified, renewed, refunded, replaced in any manner (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time;

Material Adverse Effect means a material adverse effect on:

(1) the business, assets or financial condition of the Group taken as a whole;

(2) (taking into account the resources available to an Obligor from other Obligors and/or members of the Group and any guarantees given by other Obligors and/or members of the Group) the ability of such Obligor to perform any of its payment obligations under any of the Note Trust Deed and the other Transaction Documents; or

(3) the legality, validity or enforceability of any of the Note Trust Deed or the other Transaction Documents, in each case in a manner which is prejudicial to the interests of the Noteholders or the Secured Creditors;

Minimum Maintenance Capex Reserve Account has the same meaning as for the purposes of the Common Terms Agreement;

Moody's means Moody's Investors Service Limited;

Net Debt means, as of any Test Date, the aggregate outstanding principal amount of Indebtedness of the Group Companies, (excluding amounts under any Senior Hedging Agreements except to the extent as provided in paragraphs (1) to (3) below) as at such Test Date (and without double counting):

(1) plus (for the avoidance of doubt) any accretion by indexation to the notional amount under any Senior Hedging Agreements and the accretion portion of any other Indebtedness of the Group Companies;

(2) plus in respect of any Senior Hedging Agreement, the amount (if any) that is payable by the Senior Borrower to the relevant Senior Hedge Counterparty if an Early Termination Date (as defined in the Senior Hedging Agreement) has been designated on or prior to such date of determination in respect of the transaction or transactions arising under the Senior Hedging Agreement and is outstanding on such Test Date;

(3) in respect of two Senior Hedging Transactions, that are subject to and part of the same Senior Hedging Agreement, one of which is a Senior Offsetting Hedge in respect of the other or a portion thereof, the net amount which would be payable (if any) by the Senior Borrower to the Senior Hedge Counterparty if an Early Termination Date (as defined in the Senior Hedging Agreement) were to occur on such date with respect to both such Senior Hedging Transactions and with the Senior Borrower as sole Affected Party (as defined in the Senior Hedging Agreement);

(4) less the aggregate amount of any such Indebtedness purchased and held by any Group Company; and

(5) less Cash and Cash Equivalents held by any Group Company,

Net Proceeds means the aggregate cash proceeds received by the Issuer, a Guarantor or a Senior Financing Group Company in respect of any Disposition (including, without limitation, any cash received upon the sale or other disposition of any consideration received in non-cash form or Cash Equivalents substantially concurrently received in any Disposition), net of the direct costs relating to such Disposition and the sale of such consideration received in non-cash form, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Disposition, taxes paid or payable as a result of the Disposition and any reserve for adjustment or indemnification obligations in respect of the sale price of such asset or assets established in accordance with the Accounting Principles.

Net Senior Secured Debt means, as of any Test Date, the aggregate outstanding principal amount of Indebtedness of the Group Companies, (excluding amounts under any Senior Hedging Agreements except to the extent as provided in paragraphs (1) to (3) below) that is secured by a Permitted Collateral Lien (other than any Indebtedness secured by such a Lien on a junior priority basis) as at such Test Date (and without double counting):

(1) plus (for the avoidance of doubt) any accretion by indexation to the notional amount under any Senior Hedging Agreements and the accretion portion of any other Indebtedness of the Group Companies;

(2) plus in respect of any Senior Hedging Agreement, the amount (if any) that is payable by the Senior Borrower to the relevant Senior Hedge Counterparty if an Early Termination Date (as defined in the Senior Hedging Agreement) has been designated on or prior to such date of determination in respect

of the transaction or transactions arising under the Senior Hedging Agreement and is outstanding on such Test Date;

(3) in respect of two Senior Hedging Transactions, that are subject to and part of the same Senior Hedging Agreement, one of which is a Senior Offsetting Hedge in respect of the other or a portion thereof, the net amount which would be payable (if any) by the Senior Borrower to the Senior Hedge Counterparty if an Early Termination Date (as defined in the Senior Hedging Agreement) were to occur on such date with respect to both such Senior Hedging Transactions and with the Senior Borrower as sole Affected Party (as defined in the Senior Hedging Agreement);

(4) less the aggregate amount of any such Indebtedness purchased and held by any Group Company; and

(5) less Cash and Cash Equivalents held by any Group Company;

in the case of paragraphs (1), (2) and (3) above, to the extent the amounts under such Senior Hedging Agreements are secured by a Permitted Collateral Lien on a pari passu or senior basis;

Obligations means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness;

Obligors means the Issuer and the Guarantors;

Offering Memorandum means the offering memorandum issued in relation to the Notes approved as a prospectus by the Luxembourg Stock Exchange and dated 2018.

Officer means, with respect to any Person, the chief executive officer, chief financial officer, president, any executive vice president, senior vice president, vice president, the treasurer, the secretary, director or a member of the Board of Directors of such Person or any other person that the Board of Directors of such Person shall designate for such purpose;

Original Investor means AF No 3;

Outstanding Principal Amount means in respect of a Note the principal amount thereof as at the Issue Date as reduced by any payment of principal to the holder of such Note up to (and including) that time;

Participating Member State means a member state of the European Union that adopts or has adopted the euro as its lawful currency under the legislation of the European Union for European Monetary Union.

Payment Amount means such amount as results from multiplying the amount of Tax losses surrendered by the full percentage rate of UK corporation tax in force for the accounting period in respect of which the surrender is made, provided that where there is more than one rate of corporation tax in force for an accounting period, the Payment Amount shall be calculated by reference to a weighted average of the corporation tax rates in force in such period calculated on a time basis;

Permitted Acquisitions has the same meanings as for the purposes of the Common Terms Agreement except that for the purposes of the proviso in paragraph (iv) "5%" shall be replaced with "7.5%";

Permitted Business has the same meaning as for the purposes of the Common Terms Agreement;

Permitted Collateral Liens means:

(1) Liens on the Collateral to secure the Notes (or the Guarantees) (but not any Further Notes (or any guarantee of Further Notes)) issued on the Issue Date and any Permitted Refinancing Indebtedness in respect thereof (and Permitted Refinancing Indebtedness in respect of Permitted Refinancing Indebtedness); *provided* that each of the parties thereto or their representatives will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; *provided further* that all property and assets (including, without limitation, the Collateral) securing such Permitted Refinancing Indebtedness secures the Notes or the Guarantees on a senior or *pari passu* basis;

(2) Liens on the Collateral to secure (a) Indebtedness that is permitted by Condition 4.1.2(1)); (b) Indebtedness permitted by Condition 4.1.1, provided that after giving *pro forma* effect thereto and the application of net proceeds therefrom, the Historic Senior Secured Net Debt to EBITDA Ratio would have been no more than 6.5 to 1.0; (c) Indebtedness permitted by Condition 4.1.2(7) (to the extent such guarantee is in respect of Indebtedness otherwise permitted to be secured by Permitted Collateral Liens pursuant to this definition of Permitted Collateral Liens); and (d) Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace or discharge, any Indebtedness which is secured by a Permitted Collateral Lien

pursuant to the preceding clause (b) or this clause (d); *provided* that, in each case, all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes and the Guarantees on a senior or *pari passu* basis (although Indebtedness described under Condition 4.1.2(1) may have super senior priority status in respect of the proceeds from (i) the enforcement of the Collateral or (ii) certain distressed disposals not materially less favorable to the Noteholders than pursuant to the Intercreditor Agreement as in effect on the Issue Date); and *provided further* that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) Liens on the Collateral to secure obligations under Treasury Transactions permitted by Condition 4.1.2(6); *provided* that, all property and assets securing such obligations under Treasury Transactions also secure the Notes and any Guarantees on a senior or *pari passu* basis (although Indebtedness that is incurred under Condition 4.1.2(6) and entered into with respect to the Notes or other Indebtedness that ranks senior or *pari passu* with the Notes may have super senior priority status in respect of the proceeds from (i) the enforcement of the Collateral or (ii) certain distressed disposals not materially less favorable to the Noteholders than that accorded to the hedging counterparties pursuant to the Intercreditor Agreement as in effect on the Issue Date); and *provided further* that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; and

(4) Liens on the Collateral that are described in one or more of clauses (3), (4), (8), (9), (10) (13) and (15) of the definition of "**Permitted Liens**";

Permitted Disposals has the same meanings as for the purposes of the Common Terms Agreement except that for the purposes of the proviso in paragraph (iii) "5%" shall be replaced with "7.5%";

Permitted Holders means the Shareholder Controllers/Affiliates. Any Person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Event Notice is given in accordance with Condition 6.4 will thereafter, together with its Affiliates and its Shareholder Affiliates, constitute an additional Permitted Holder.

Permitted Investments means:

(1) any Investment in a Group Company;

(2) any Investment in cash and Cash Equivalents;

(3) any Investment by the Issuer or a Guarantor in a Person, if as a result of such Investment:

  (a) such Person becomes a Subsidiary (subject to compliance with Condition 4.4.6); or

  (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, a Group Company;

(4) any Investment made as a result of the receipt of non-cash consideration from a Disposition that was made pursuant to and in compliance with Condition 4.8.2;

(5) any Investments received in compromise or resolution of (a) obligations of trade creditors or customers that were Incurred in the ordinary course of business of the Group, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (b) litigation, arbitration or other disputes;

(6) Investments represented by obligations under Treasury Transactions, which obligations are permitted by Condition 4.1.2(6);

(7) Investments in the Notes (including any Further Notes) and any other Indebtedness of the Issuer or a Guarantor;

(8) any guarantee of Indebtedness permitted to be Incurred by Condition 4.1 (*Indebtedness*) and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(9) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or a Guarantor of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or a Guarantor in a transaction that is not prohibited by Condition 4.4.4 after the Issue Date to the extent that such Investments were not made in contemplation of such acquisition, merger,

amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation; and

(10) any Investment to the extent made using as consideration Capital Stock of the Parent Guarantor (other than Disqualified Stock), Subordinated Debt or Capital Stock of any Holding Company of the Parent Guarantor;

Permitted Liens means:

(1) Liens in favor of a Group Company;

(2) Liens existing on the Issue Date;

(3) Liens for taxes, assessments or governmental charges or claims that (a) are not yet due and payable or (b) are being contested in good faith by appropriate proceedings and for which a reserve or other appropriate provision, if any, as will be required in conformity with the Accounting Principles will have been made;

(4) (a) Liens imposed by law or by agreement having the same effect, such as carriers', warehousemen's, landlord's, banks' and mechanics' Liens, in each case, Incurred in the ordinary course of business of the Group and (b) any other Liens arising under statute or by operation of law and not as a result of a default by an Obligor;

(5) Liens created for the benefit of (or to secure) the Notes and Guarantees;

(6) Liens securing Indebtedness in respect of obligations under Treasury Transactions, which obligations are permitted by Condition 4.1.2(6);

(7) Liens to secure any Permitted Refinancing Indebtedness permitted to be Incurred under these Conditions; *provided, however*, that:

(a) the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

(b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (i) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (ii) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(8) bankers' Liens, rights of set-off or similar rights and remedies as to deposit accounts (including any Lien created or subsisting over any asset held in any securities depository or any clearing house pursuant to the standard terms and procedures of the relevant securities depository or clearing house applicable in the normal course of trading), Liens arising out of judgments or awards not constituting an Event of Default and notices of *lis pendens* and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(9) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(10) (a) Liens created in the ordinary course of banking arrangements (including any netting or set-off arrangements, banker's liens or other security interests arising by operation of law or pursuant to the relevant bank's standard terms and conditions) and (b) any Liens arising by reason of any payment or close out netting or set-off arrangement pursuant to any Treasury Transaction which is permitted by Condition 4.1.2(6);

(11) Liens on any proceeds loan made by the Issuer or a Guarantor in connection with any future Incurrence of Indebtedness permitted under the Note Trust Deed and securing that Indebtedness;

(12) Liens on property at the time the Issuer or a Guarantor acquired the property, including any acquisition by means of a merger or consolidation with or into the Issuer or a Guarantor; *provided* that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such acquisition and do not extend to any other property owned by the Issuer or a Guarantor;

(13) any Liens permitted under the terms of the Intercreditor Agreement and any Additional Intercreditor Agreement or as otherwise agreed by the Security Trustee (acting in accordance with instructions received under the Intercreditor Agreement and any Additional Intercreditor Agreement);

(14) Liens (a) on Escrowed Property for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or (b) on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in the case of this clause (b) to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose; and

(15) Liens Incurred in connection with a cash management program established in the ordinary course of business;

Permitted Refinancing Indebtedness means any Indebtedness of the Issuer or a Guarantor issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, exchange, defease or discharge other Indebtedness of the Issuer or a Guarantor (other than intercompany Indebtedness (other than any proceeds loan)); *provided* that:

(1) the aggregate principal amount (or accreted value, if applicable), or, if issued with original issue discount, aggregate issue price, of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of the Indebtedness renewed, refunded, refinanced, replaced, exchanged, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has (i) a final maturity date that is either (A) no earlier than the final maturity date of the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged or (B) after the final maturity date of the Notes and (ii) has a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged;

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is expressly, contractually, subordinated in right of payment to the Notes or any Guarantee, as the case may be, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes or such Guarantee, as the case may be, on terms at least as favorable to the holders of Notes or the Guarantee, as the case may be, as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged;

(4) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is secured by a Lien that ranks junior to Liens securing the Notes or any Guarantee, Liens securing such Permitted Refinancing Indebtedness, if secured, rank junior to the Liens securing the Notes or such Guarantee, as the case may be, and are subordinated on terms at least as favorable to the holders of Notes or the Guarantee, as the case may be, as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged; and

(5) if the Issuer or any Guarantor was the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged, such Indebtedness is Incurred either by the Issuer or by a Guarantor;

Permitted Reorganisations means the subscription for shares in, or reduction in the share capital of, any Obligor as part of the reorganisation of the Group, provided that:

(1) any payments made or assets distributed by an Obligor as a result of such reorganisation are paid or distributed to another Obligor or to the Senior Parent or, if by any Obligor to any Holding Company or any Subsidiary of any such Holding Company (other than a Group Company) or any Shareholder comply with Condition 4.2 (*Restricted Payments*);

(2) such reorganisation does not result in the direct shareholders, as at the Issue Date, of the entire issued share capital of each Obligor ceasing to be the 100% direct shareholders of the entire issued share capital of such Obligor;

(3) the same or equivalent security is provided after such reorganisation as is provided by the Obligors before such reorganisation;

Permitted Tax Transaction means any surrender of Tax losses or agreement relating to any tax benefit or relief (including, but not limited to, an election under section 171A of the Taxation of Chargeable Gains Act 1992) or any other agreement in relation to Tax (including, but not limited to, the payment of any balancing payment pursuant to and in accordance with the provisions of section 195 to 198 inclusive of the Taxation (International and Other Provisions) Act 2010 and the allocation of disallowances pursuant to Part 7 of that Act) between:

(1) two Obligors;

(2) an Obligor and any Holding Company or any Subsidiary of any such Holding Company (not being an Obligor), provided in the case of this subparagraph (2) that:

(a) where the relevant transaction is a surrender of Tax losses (other than in the circumstances described in (c) below), this is for a sum at least equal to, in the case of a surrender by an Obligor, or no more than, in the case of a surrender to an Obligor, the Payment Amount;

(b) where the transaction is any transaction other than a surrender of Tax losses it leaves the Obligors, taken together, in no worse net economic position (taking into account, without limitation, the overall net Tax position of the Obligors) than they would have been in had the transaction not taken place; and

(c) where the relevant transaction is a surrender of Tax losses from an Obligor to the Senior Borrower which Tax losses arise as a result of a corresponding adjustment in respect of a disallowance of deductions in the Senior Borrower under Part 4 Taxation (International and Other Provisions) Act 2010, the surrender may be made for no consideration;

Permitted Transactions means:

(1) any Permitted Investments and any other Investments permitted under Condition 4.2 (*Restricted Payments*);

(2) any Permitted Payments;

(3) any Permitted Reorganisations;

(4) any Permitted Tax Transactions;

(5) any other transactions under or as permitted by the Note Trust Deed and the other Transaction Documents;

(6) any other transactions between Group Companies (including, but not limited to, any payments to Group Companies not otherwise prohibited under the Note Trust Deed (but excluding, for the avoidance of doubt, any Tax Transactions that are not Permitted Tax Transactions));

(7) any transactions agreed to by the Note Trustee (if directed by an Extraordinary Resolution of the Noteholders);

(8) any subscription by the Intermediate Guarantor for share capital in Intermediate HoldCo provided that the newly-issued shares become subject to the Transaction Security on the same terms as the existing shares in Intermediate HoldCo;

(9) the disposal of cash for a purpose not prohibited under the Transaction Documents;

(10) the acquisition of a business division or other assets (including the Equity Interests of a Subsidiary owning such business division or other assets) in compliance with Condition 4.8.1; and

(11) the sale, lease, transfer or other disposition of a business division or other assets (including the Equity Interests of a Subsidiary owning such business division or other assets) in compliance with Condition 4.8 (*Dispositions*).

Person means any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organisation or government or other entity;

Public Equity Offering means, with respect to any Person, a bona fide underwritten primary public offering of the shares of common stock or common equity interests of such Person, either:

(1) pursuant to a flotation on the main market of the London Stock Exchange or any other nationally recognized regulated stock exchange or listing authority in a member state of the European Union; or

(2) pursuant to an effective registration statement under the U.S. Securities Act (other than a registration statement on Form S-8 or otherwise relating to Equity Interests issued or issuable under any employee benefit plan);

Public Market means any time after:

(1) a Public Equity Offering of the IPO Entity has been consummated; and

(2) at least 20% of the total issued and outstanding shares of common stock or common equity interests of the IPO Entity has been distributed pursuant to such Public Equity Offering;

Quasi Security means an arrangement or transaction whereby an Obligor would:

(1) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by an Obligor;

(2) sell, transfer or otherwise dispose of any of its receivables on recourse terms;

(3) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or

(4) enter into any other preferential arrangement having a similar effect,

in circumstances where the arrangement or transaction is entered into primarily as a method of, in each case, raising Indebtedness or of financing the acquisition of an asset;

Rating Agencies means the relevant rating agencies that are appointed by the Issuer from time to time, being at the Issue Date, Fitch and Moody's;

Rating Downgrade Event has the same meaning as for the purposes of the Common Terms Agreement;

Regulation S means Regulation S under the Securities Act;

Regulation S Global Note means a Global Note representing Notes which are offered and sold to non-U.S. persons only outside the United States in reliance on Regulation S;

Regulation S Notes means those Notes which are offered and sold to non-U.S. persons only outside the United States in reliance on Regulation S;

Restricted Investment means an Investment other than a Permitted Investment;

RPI means UK Retail Price Index as published by the UK Office for National Statistics (or if the UK Office for National Statistics ceases to exist, its successor);

S&P means Standard & Poor's Ratings Service;

Secured Creditor has the meaning given to the term "Secured Parties" in the Intercreditor Agreement or any Additional Intercreditor Agreement.

Secured Liabilities has the meaning given to that term in the Security Agreement.

Securities Act means the United States Securities Act of 1933, as amended;

Security Documents means the Security Agreement and any other agreement purporting to grant a Lien by any Obligor in favour of the Security Trustee for itself and on behalf of the other Secured Creditors;

Senior Administrative Parties has the same meaning as "Administrative Parties" for the purposes of the Common Terms Agreement;

Senior Borrower means Arqiva Financing No 1 Limited;

Senior Debt has the same meaning as for the purposes of the Common Terms Agreement;

Senior Financing Group means the Senior Group other than the Senior Issuer and Senior FinCo;

Senior Financing Group Company has the same meaning as for the purposes of the Common Terms Agreement;

Senior FinCo means Arqiva Senior Finance Limited;

Senior Group means the Senior Parent and its Subsidiaries;

Senior Hedge Counterparty has the same meaning as "Hedge Counterparty" in the Common Terms Agreement;

Senior Hedging Agreement has the same meaning as "Hedging Agreement" for the purposes of the Common Terms Agreement;

Senior Hedging Transaction means each transaction under a Senior Hedging Agreement;

Senior Issuer means Arqiva Financing plc;

Senior Issuer/Borrower Facilities Fees has the same meaning as "Issuer/Borrower Facilities Fee" for the purposes of the Common Terms Agreement;

Senior Obligor Event of Default has the same meaning as "Obligor Event of Default" for the purposes of the Common Terms Agreement;

Senior Obligors means those Senior Financing Group Companies party to the Common Terms Agreement as an Obligor (as defined therein);

Senior Offsetting Hedges has the same meaning as "Offsetting Hedges" in the Common Terms Agreement;

Senior Parent means Arqiva Group Parent Limited;

Senior Signing Date has the same meaning as "Signing Date" in the Common Terms Agreement;

Senior Trigger Event has the same meaning as "Trigger Event" for the purposes of the Common Terms Agreement;

Shareholder Affiliate means:

(1) any manager or adviser (including as trustee, general partner or limited partner), controlling stockholder, partner or member, or immediate family member (in the case of an individual), of the persons listed in paragraph (1) of the definition of Shareholder Controllers/Affiliates;

(2) any direct or indirect Holding Company or Subsidiary of (a) the persons listed in paragraph (1) of the definition of Shareholder Controllers/Affiliates or (b) any person referred to in paragraph (1) above; or

(3) any fund, partnership, trust or other entity that is managed or advised (including as trustee, general partner or limited partner) by any person referred to in paragraphs (1) or (2) above.

For this purpose, the terms "**adviser**" and "**advised**" means being in receipt of and implementing advice in relation to the management of investments of that legal entity which (other than in relation to actually making decisions to implement such advice) is substantially the same as the services which would be provided by a fund manager of the relevant legal entity;

Shareholder Controllers/Affiliates means:

(1) Canada Pension Plan Investment Board, Macquarie Global Infrastructure Funds 2 S.à r.l., Macquarie Prism Proprietary Limited, Macquarie European Infrastructure Fund II, IFM Global Infrastructure Fund, Motor Trades Association of Australia Superannuation Fund and First State Super; and

(2) in each case, any Shareholder Affiliate;

Shareholders means the Current Shareholders together with any transferees from time to time.

Stated Maturity means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date or the date of Incurrence, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof;

Sterling-Equivalent means, with respect to any monetary amount in a currency other than sterling, at any time of determination thereof by the Issuer or the Note Trustee, the amount of sterling obtained by converting such currency other than sterling involved in such computation into sterling at the spot rate for the purchase of sterling with the applicable currency other than sterling as published in *The Financial Times* in the "Currency Rates" section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, such source as may be selected in good faith by the Issuer) on the date of such determination;

Subordinated Debt means all money and liabilities now or in the future due or owing to any Investor by the Parent Guarantor under or in connection with any Investor Document in any currency, whether actual or contingent, whether incurred solely or jointly with any other person and whether as principal or surety, together with all accrued interest, all related costs, charges and expenses;

Subsidiary means a subsidiary within the meaning of Section 1159 of the Companies Act 2006 and, unless the context otherwise requires, a subsidiary undertaking within the meaning of Section 1162 of the Companies Act 2006, which, in each case, for this purpose shall be treated as including any person the shares or ownership interests in which are subject to any Liens and where the legal title to the shares or ownership interests so secured are registered in the name of the secured party or its nominee pursuant to such Liens;

Tax Transaction means any surrender of tax losses or agreement relating to any tax benefit or relief (including, but not limited to, an election under section 171A of the Taxation of Chargeable Gains Act 1992) or any other agreement in relation to tax (including, for the avoidance of doubt, but not limited to the payment of any balancing payment pursuant to and in accordance with the provisions of section 195 to 198 inclusive of the Taxation (International and Other Provisions) Act 2010) and the allocation of disallowances pursuant to Part 7 of that Act;

Test Date means 30 June and 31 December in each year;

Test Period means each 12 month period ending on (and including) a Test Date;

Transaction Documents means the Notes, the Note Trust Deed, the Agency Agreement, the Security Agreement, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Intercompany Loan Agreement.

Transaction Security means the security in favour of the Security Trustee under or pursuant to the Security Agreement;

Treasury Transaction means any currency or interest rate purchase, cap or collar agreement, forward rate agreement, interest rate agreement, index linked agreement, interest rate or currency or future or option contract, foreign exchange or currency purchase or sale agreement, interest rate swap, currency swap, basis rate swap or combined similar agreement, any energy, oil or other commodity derivative transaction or any derivative transaction protecting against or benefiting from fluctuations in any rate, index or price;

UK GAAP means generally accepted accounting principles in the United Kingdom.

UK Government Securities means direct obligations of, or obligations guaranteed by, the United Kingdom, and the payment for which the United Kingdom pledges its full faith and credit;

U.S. person has the meaning in the Regulation S;

Voting Stock of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person;

Weighted Average Life to Maturity means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amounts of such Indebtedness.

DEFINED TERMS FOR THE PURPOSES OF THE COMMON TERMS AGREEMENT

For the purposes of this Offering Memorandum, any terms defined by reference to the Common Terms Agreement shall have the following meanings:

Acceptable Bank means:

(a) a bank or financial institution which has a rating for its long term unsecured debt obligations of A- or higher by S&P and Fitch or A3 or higher by Moody's or a comparable rating from another rating agency; or

(b) any other bank or financial institution approved by the Obligor Security Trustee as directed in accordance with the STID.

Accession Memorandum means: (a) with respect to the STID, each memorandum to be entered into pursuant to Clause 2 (Accession), Clause 4 (Accession of Additional Obligors) or Clause 29 (Benefit of Deed) (as applicable) of the STID and which is substantially in the form set out in Schedule 1 (Form of Accession Memorandum) to the STID; and (b) with respect to the CTA, each memorandum to be entered into pursuant to Clause 1.4(a) (Obligors) of the CTA and which is substantially in the form set out in Schedule 11 (Form of Accession Memorandum) to the CTA.

Accounting Principles means accounting principles, policies, standards, bases and practices which, from time to time, are generally accepted under UK GAAP or IFRS.

Additional Equity means (in each case in addition to such amounts subscribed, committed or incurred on or before the Closing Date or the relevant Test Date):

(a) any amount subscribed by the Subordinated Lender in cash for shares in the Parent or any other form of capital contribution in cash to the Parent by the Subordinated Lender (which is not Financial Indebtedness and provided that repayment (if any) of such amounts is subject to the terms of the STID); or

(b) the incurrence of Subordinated Debt by the Parent from the Subordinated Lender.

Additional Issuer Secured Creditor means any person that as at the Closing Date is not already an Issuer Secured Creditor and which becomes an Issuer Secured Creditor pursuant to the provisions of Clause 2.5 (Accession of Additional Issuer Secured Creditor) of the Issuer Deed of Charge.

Administrative Party means the Obligor Security Trustee, the Issuer Security Trustee, the Borrower Account Bank, the Issuer Account Bank, any Agent or any Facility Agent and their replacements or successors.

AF No 1 means Arqiva Financing No 1 Limited, a company incorporated in England and Wales with limited liability (registered number 06137924).

AF No 2 means Arqiva Financing No 2 Limited, a company incorporated in England and Wales with limited liability (registered number 06137899).

AF No 3 means Arqiva Financing No 3 plc, a public limited company incorporated in England and Wales with limited liability (registered number 05253998).

Affected Liquidity Facility Provider means a Liquidity Facility Provider which has advanced a Standby Drawing.

Affected Obligor Secured Creditor means each Obligor Secured Creditor (and, where the Issuer is the Affected Obligor Secured Creditor, each Issuer Secured Creditor (an **Affected Issuer Secured Creditor**) whose Entrenched Rights are affected by a STID Proposal given by the Borrower to the Obligor Security Trustee pursuant to the STID (together the **Affected Secured Creditors**).

Agency Agreement means the agreement dated on or about the Signing Date between, *inter alios*, the Issuer, Principal Paying Agent and Note Trustee pursuant to which the Agents provide agency services to the Issuer and, for the purposes of Clause 2.7 thereof only, the Note Trustee.

Agent means each of the Paying Agents, the Principal Paying Agent, the Transfer Agent, the Agent Bank, the Registrar, any Calculation Agent and the Exchange Agent or any other agent appointed by the Issuer pursuant to the Agency Agreement and **Agents** means all of them.

Agent Bank means Deutsche Bank AG, London Branch, or any successors or replacement thereto, in its capacity as the agent bank to the Issuer under the Agency Agreement.

AGL means Arqiva Group Limited, a company incorporated in England and Wales with limited liability (registered number 05254001).

Agreed Form Borrower Master Agreement shall have the meaning given to such term in paragraph 3.1 of the Issuer/Borrower Hedging Policy.

Ancillary Facility means a facility made available to the Borrower by an Ancillary Facility Provider on a bilateral basis and on normal commercial terms in place of all or part of a Working Capital Facility Provider's participation in a Working Capital Facility.

Ancillary Facility Provider means a consenting Working Capital Facility Provider or an affiliate of a Working Capital Facility Provider that makes an Ancillary Facility available to the Borrower.

Arqiva Group means AGL and its subsidiaries.

ATIL means Arqiva Telecoms Investment Limited (registered number 03696564), a company incorporated in England and Wales with limited liability.

AUKBL means Arqiva UK Broadcast Holdings Limited (registered number 05254048), a company incorporated in England and Wales with limited liability.

Authorised Facility means any facility, agreement, security, derivative or finance lease entered into by the Borrower for Senior Debt as permitted by the terms of the CTA, the providers of which are parties to or have acceded to the MDA, the STID and the CTA, and includes (amongst others) the Issuer/Borrower Facilities Agreement, the Capex and Working Capital Facilities Agreement, the Liquidity Facility Agreement, the Borrower Hedging Agreements and the Issuer/Borrower Hedging Agreements and (a) any fee letter or commitment letter entered into in connection with the foregoing facilities, agreements, securities or finance leases or the transactions contemplated in the foregoing facilities, agreements, securities or finance leases and (b) any other document (not being a Common Document) that has been entered into in connection with or to refinance any of the foregoing facilities, agreements, securities or finance leases or the transactions contemplated in the foregoing facilities, agreements, securities or finance leases that has been designated as a document that should be deemed to be an Authorised Facility for the purposes of this definition by the parties thereto (including the Borrower).

Authorised Facility Provider means a lender or other provider of credit or financial accommodation to the Borrower under any Authorised Facility (including, for the avoidance of doubt, the Issuer and each Borrower Hedge Counterparty).

Authorised Investments means investments in Cash Equivalents.

BBF Agents means the CF&WCF Agent and the LF Agent.

Base Case Model means the base case financial model referred to in Schedule 1 of the CP Agreement.

Borrower means AF No 1 or any successor thereto appointed in accordance with the CTA.

Borrower Account Bank means National Westminster Bank plc, or any successor thereto, appointed to act as the account bank to the Borrower pursuant to the Borrower Account Bank Agreement.

Borrower Account Bank Agreement means the account bank agreement dated on or about the Signing Date between the Borrower, the Borrower Account Bank, the Borrower Cash Manager, the LF Agent, the Issuer, the Issuer Security Trustee and the Obligor Security Trustee.

Borrower Bank Facilities means each Capex Facility, Working Capital Facility, Liquidity Facility, any Ancillary Facility, any Permitted Facility and any other Authorised Facility other than a Finance Lease, Issuer/Borrower Facility or Borrower Hedge (each a **Borrower Bank Facility**).

Borrower Bank Facility Agreements means the agreements pursuant to which the Borrower Bank Facilities are provided.

Borrower Bank Facility Providers and **BBF Providers** means the providers of the Borrower Bank Facilities under the Borrower Bank Facility Agreements.

Borrower Cash Manager means the Initial Borrower Cash Manager and any successor or replacement.

Borrower Facilities means the Borrower Bank Facilities and the Issuer/Borrower Facilities.

Borrower Hedge Counterparties means those financial institutions listed in Part 6 (Borrower Hedge Counterparties) of Schedule 13 (Financial Institutions) to the CTA and each other Obligor Secured

Creditor that accedes to the CTA and the STID and enters into an Agreed Form Borrower Master Agreement with the Borrower (but excluding, for the avoidance of doubt, the Issuer).

Borrower Hedges means the New Hedges entered into by the Borrower (but excluding, for the avoidance of doubt, any Issuer/Borrower Hedges).

Borrower Hedging means all of the Borrower Hedges.

Borrower Hedging Agreement means each Pari Passu Borrower Hedging Agreement and each Super Senior Borrower Hedging Agreement.

Borrower Liquidity DSR Account means an account opened in the name of the Borrower and maintained with the Borrower Account Bank pursuant to the terms of the Borrower Account Bank Agreement and credited with a cash reserve for the purpose of satisfying the Debt Service Shortfall Test or such other account as may be opened, with the consent of the Obligor Security Trustee, at any branch of the Borrower Account Bank in replacement of such account.

Borrower Loans means the loans made under the Borrower Facilities.

Borrower Payment Priorities means the Borrower Pre-Enforcement Payment Priorities, the Borrower Post-Enforcement (Pre-Acceleration) Payment Priorities and the Borrower Post-Enforcement (Post-Acceleration) Payment Priorities.

Borrower Post-Enforcement Payment Priorities means the provisions relating to the order of the priority of payments as set out in Schedule 2 (Borrower Post-Enforcement Payment Priorities) to the STID.

Borrower Post-Enforcement (Post-Acceleration) Payment Priorities means the provisions relating to the order of priority of payments following the delivery of an Obligor Acceleration Notice to the Borrower as set out in Part 2 of Schedule 2 (Borrower Post-Enforcement (Post-Acceleration) Payment Priorities) to the STID.

Borrower Post-Enforcement (Pre-Acceleration) Payment Priorities means the provisions relating to the order of priority of payments following the delivery of an Obligor Enforcement Notice to the Borrower but prior to an Obligor Acceleration Notice being delivered to the Borrower as set out in Part 1 of Schedule 2 (Borrower Post-Enforcement (Pre-Acceleration) Payment Priorities) to the STID.

Borrower Pre-Enforcement Payment Priorities means the provisions relating to the order of priority of payments prior to the delivery of an Obligor Enforcement Notice and/or an Obligor Acceleration Notice to the Borrower as set out in Schedule 8 (Borrower Pre-Enforcement Pre-Acceleration Payment Priorities) to the CTA.

Business Days means a day (other than a Saturday or a Sunday) (a) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and Luxembourg; or (b) if a payment in U.S Dollars is required to be made on that day, is a day on which banks generally are open for business in London and New York City, unless (in either case) specified otherwise in the Conditions, Final Terms or any Transaction Document.

Calculation Agency Agreement means, in relation to any Series of Notes, an agreement in or substantially in the form set out in Schedule 1 (Form of Calculation Agency Agreement) to the Agency Agreement.

Calculation Agent means the entity, or any successor thereto, appointed to act as the calculation agent to the Issuer and shall include any successor calculation agent.

Capex means any capital expenditure by a Senior Financing Group Company (net of any associated non-refundable grants and contributions received) incurred (or, in respect of any future period, forecast to be incurred) relating to increases in capacity or enhancement of service levels, quality or security of supply in relation to a Permitted Business.

Capex and Working Capital Facilities Agreement means the Initial Capex and Working Capital Facilities Agreement and any other facility agreement under which a Capex Facility and a Working Capital Facility is made available to the Borrower after the Signing Date.

Capex Facility means the Initial Capex Facility and any other facility made available to the Borrower after the Signing Date to fund the Borrower's capex requirements (or, as the context requires, the agreements pursuant to which they are made available).

Capex Facility Providers means the Initial Capex Facility Providers and any other bank or financial institution which provides the Borrower with credit under a Capex Facility and who accedes to the MDA, the CTA and the STID after the Signing Date.

Capex Loans means the Initial Capex Loans and any other term loans made after the Signing Date and in accordance with the terms of the relevant Capex and Working Capital Facilities Agreement.

Cash means cash deposits with any bank or financial institution (including for the avoidance of doubt, any cash deposits standing to the credit of any Liquidity DSR Account or any Liquidity Standby Account), but excluding any cash deposits standing to the credit of the Minimum Maintenance Capex Reserve Account.

Cash Equivalents means at any time:

(a) certificates of deposit issued by an Acceptable Bank;

(b) any investment in marketable securities issued or guaranteed by the government of the United States of America, the United Kingdom or provided that it has a credit rating of A-1 or higher by S&P or F-1 or higher by Fitch, any member state of the European Economic Area or any Participating Member State, or by an instrumentality or agency of any of them having an equal credit rating which is not convertible to any other security;

(c) commercial paper not convertible or exchangeable to any other security:

   (i) for which a recognised trading market exists;

   (ii) issued in the United States of America, the United Kingdom or any member state of the European Economic Area or any Participating Member State; and

   (iii) which has a credit rating of or higher than either A-1 by S&P and F-1 by Fitch, or, if no rating is available in respect of such commercial paper, the issuer of which has, in respect of its long-term unsecured debt obligation and non-credit enhanced debt obligations, an equivalent rating;

(d) investments accessible within 30 days in money market or liquid funds which:

   (i) have a credit rating of or higher than A-1 by S&P and F-1 by Fitch; and

   (ii) invest substantially all their assets in securities of the types described in Paragraphs (a) to (c) above; or;

(e) any other debt security or investment with a fixed principal amount due at its maturity and (i.e., it is not callable, putable, or convertible), unless full payment of principal is paid in cash upon the exercise of the embedded option, that (i) is issued or guaranteed by the government of the United States of America, the United Kingdom or provided that it has a credit rating of A-1 or higher by S&P or F-1 or higher by Fitch, any member state of the European Economic Area or any Participating Member State or by an instrumentality or agency or (ii) has a credit rating of or higher than either A-1 by S&P and F-1 by Fitch and is approved by the Obligor Security Trustee as directed in accordance with the STID,

   in each case:

   (i) which is not issued or guaranteed by any Senior Financing Group Company or the Issuer or subject to any Security Interest (other than one arising under the Obligor Security Documents)

   (ii) such instrument or investment provides for payment of a pre-determined fixed amount of principal on maturity that is not subject to change; and

   (iii) has a Stated Maturity (giving effect to any applicable grace period) which is not more than 365 days, and either (a) has a Stated Maturity (giving effect to any applicable grace period) which is not later than the Business Day immediately preceding the next following Payment Date or (b) is capable of being liquidated at par on demand without penalty.

Cash Sweep Period means any Test Period in respect of which the Borrower is required to deposit Excess Cash Flow into the Lock-up Account, for application in accordance with Part 5 (Mandatory Prepayment and Voluntary Prepayment) of Schedule 2 (Covenants) to the CTA.

Cashflow means, for any Test Date, Net Cash Flow during the Test Period ending on (and including) such Test Date (without double counting):

(a) plus any insurance proceeds related to business interruption (where to be applied to cover operating losses in respect of which the relevant insurance claim was made) and third party liability received by a member of the Senior Financing Group (to the extent such amounts are not subsequently paid to a third party);

(b) plus any Finance Lease payments in respect of interest payable and equivalent financial charges included in Net Cash Flow; and

(c) plus any dividends or other distributions received in cash by any Senior Financing Group Company from any entity which is not a Senior Financing Group Company, including any cash receipts from joint ventures,

in each case during the Test Period ending on (and including) such Test Date.

CF&WCF Agent means the Initial CF&WCF Agent and any other agent appointed after the Signing Date under the relevant Capex and Working Capital Facilities Agreement.

Closing Date means the date of issue of the first Series of Notes under the Programme.

Common Documents means the CTA, the STID, the Security Deed, the other Security Documents, the Master Definitions Agreement, the CP Agreement, the Borrower Account Bank Agreement and the Tax Deed of Covenant and any other agreement, instrument or deed designated by the Obligor Security Trustee and at least one Obligor as a Common Document.

Common Terms Agreement or **CTA** means the common terms agreement dated on or about the Signing Date between, among others, the Obligors, the Obligor Secured Creditors (including the Borrower Bank Facility Providers and the Issuer), the Obligor Security Trustee and the Issuer Security Trustee.

Companies Act means the Companies Act 2006.

Compliance Certificate means the compliance certificate prepared by the Borrower or on the Borrower's behalf in substantially the form set out in the Common Terms Agreement.

Compliance Certificate Date means the date on which a Compliance Certificate is dated.

Conditions means the terms and conditions of the Notes set out in the Note Trust Deed as modified and/or supplemented by the Final Terms in relation to a particular Series of Notes, as the same may, from time to time be modified in the manner permitted under the Note Trust Deed.

Conditions Precedent means the various conditions precedent, as detailed in the CP Agreement, which must be satisfied before the Closing Date.

CP Agreement means the agreement dated on or about the Signing Date to be entered into by all of the parties to the Master Definitions Agreement which sets out all of the Conditions Precedent.

Currency means sterling, U.S. dollars, euro and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer (each a **Currency**) as specified in the applicable Final Terms.

Currency Hedges means any Treasury Transaction forming part of and subject to a Hedging Agreement pursuant to which amounts payable by a party are determined by reference to a currency exchange rate.

Currency Hedging means all of the Currency Hedges.

Dealers means HSBC Bank plc, Barclays Bank plc, Lloyds Bank Corporate Markets plc, Mitsubishi UFJ Securities International plc and The Royal Bank of Scotland plc appointed to act in the capacity of dealer in respect of the initial issuance under the Programme on the Closing Date, any new dealer (as defined in the Programme Agreement) appointed in accordance with Clause 14 (Changes in Dealers) of the Programme Agreement and excludes any entity whose appointment has been terminated pursuant to Clause 14 (Changes in Dealers) of the Programme Agreement and references in the Programme Agreement to the relevant Dealer shall, in relation to any Note, be references to the Dealer or Dealers with whom the Issuer has agreed the initial issue and purchase of such Note.

Debt Service means, for any Test Date, the sum of Net Interest Payable during the relevant Test Period ending on (and including) such Test Date and scheduled amortisation in respect of the Senior Debt due as an obligation of any Senior Financing Group Company during the Test Period ending on (and including) such Test Date (without double counting):

(a) excluding any principal payment due on the Final Maturity Date (other than any final scheduled repayment for fully amortising debt) of any Senior Debt; and

(b) taking into account any interim principal exchange payments that are payable and receivable under any Hedging Agreements (but excluding, for the avoidance of doubt, (i) any final principal exchange payments that are payable and receivable under any Hedging Agreements (other than in respect of any final scheduled repayment of fully amortising debt) and (ii) any accretions by indexation to the notional amount under any Inflation Linked Hedging Agreements).

Debt Service Test Shortfall Test means the sum of interest, recurring fees and commissions (that are accounted for as interest under IFRS), scheduled principal amounts and other scheduled amounts payable by the Borrower on the Borrower Facilities (other than the Issuer/Borrower Facilities) and under any Issuer/Borrower Hedges and Borrower Hedges or by the Issuer on the Notes and under any Issuer Hedges, in each case without double counting consolidating obligations (including any Issuer Hedge with a corresponding Issuer/Borrower Hedge), for the Projected Test Period commencing on (but excluding) such Test Date (but excluding any principal payment due on the Final Maturity Date (other than any final scheduled repayment for fully amortising debt) of the Borrower Facilities (other than the Issuer/Borrower Facilities) and of the Notes, and taking into account:

(a) (in the case of the Borrower) any interest payments receivable by the Borrower and any interim principal exchange payments payable and receivable by the Borrower under any Issuer/Borrower Hedging Agreements other than in respect of any final scheduled repayment except for fully amortising debt and Borrower Hedging Agreements (but excluding, for the avoidance of doubt, (i) any final principal exchange payments that are payable and receivable by the Borrower under any Borrower Hedging Agreements other than in respect of any final scheduled payment in respect of fully amortising debt and Issuer/Borrower Hedging Agreements and (ii) any accretions by indexation to the notional amount under any Inflation Linked Hedging Agreements or corresponding Issuer/Borrower Hedging Agreements entered into by the Borrower); and

(b) (in the case of the Issuer) any interest payments receivable by the Issuer under any Issuer Hedging Agreements (but excluding, for the avoidance of doubt, any final principal exchange payments that are payable and receivable by the Issuer under any Issuer Hedging Agreements other than in respect of any final exchange payment in respect of fully amortising debt),

is more than the sum of amounts available to the Borrower and the Issuer for drawing under the Liquidity Facility and the balance (if any) on the Liquidity Standby Account, the Borrower Liquidity DSR Account and the Issuer Liquidity DSR Account.

Debt Service Shortfall Test has the meaning given to it in Paragraph 3 of Part 1 (Trigger Events) of Schedule 3 (Trigger Events) to the CTA.

Decision Period means the period of time within which the approval of the Obligor Security Trustee is sought as specified in relation to each type of voting matter in the STID.

Discretion Matters means a matter in relation to which the Obligor Security Trustee may exercise its discretion to approve any request made in a STID Proposal without any requirement to seek the approval of any Obligor Secured Creditor, Issuer Secured Creditor or any of their representatives.

Disposal Cure has the meaning given to it in Paragraph 6 of Part 2 (Trigger Event Consequences) of Schedule 3 (Trigger Events) to the CTA.

Distressed Disposal means a disposal of an asset of a member of the Senior Financing Group which is:

(a) being effected pursuant to instruction in accordance with the STID in circumstances where the Obligor Security has become enforceable;

(b) being effected by enforcement of the Obligor Security; or

(c) being effected, after the occurrence of an Enforcement Action, by an Obligor to a person or persons outside of the Senior Financing Group.

Downgraded Liquidity Facility Provider means a Liquidity Facility Provider which does not on any day have a minimum long term rating of at least equal to the Liquidity Facility Provider Requisite Rating.

Drawing means a Liquidity Loan Drawing or a Standby Drawing.

Early Termination Date has the meaning given to it in the relevant Hedging Agreement.

EBITDA means for any Test Date, the consolidated earnings of the Senior Financing Group calculated in accordance with IFRS during the Test Period ending on (and including) such Test Date before (without double counting):

(a) the deduction of taxation;

(b) the deduction of any interest, commission, fees, discounts, prepayment fees, premiums, charges or other payments in the nature of a finance charge whether paid, payable or capitalised by any member of the Senior Financing Group (calculated on a consolidated basis);

(c) the addition of interest receivable;

(d) the deduction of any amount attributable to amortisation of goodwill or other intangible assets and any deduction for depreciation or impairment;

(e) the deduction or addition (as applicable) of any non-cash charges resulting from fair value adjustments and mark-to-market adjustments;

(f) the deduction of any non-cash charges relating to long-term compensation schemes;

(g) taking into account any non-cash charges relating to recognition of pension plan deficits; and

(h) taking into account fair value gains or losses on any financial instrument other than any derivative instrument which is accounted for on a hedge accounting basis,

and after adjusting to (i) exclude exceptional items which shall include (but not be limited to) transaction costs, integration costs, separation costs, restructuring costs, reorganisation costs and other one-off expenditure and (ii) deduct any amounts paid by a Senior Financing Group Company to a Non-Senior Financing Group Company pursuant to paragraph (e) of the definition of Restricted Payments,

less the consolidated earnings (before the deductions and adjustments referred to above) of the Senior Financing Group Companies that are incorporated outside of the United Kingdom and in aggregate exceed 5% of the consolidated earnings (before the deductions and adjustments referred to above) of the Senior Financing Group.

Enforcement Action means any step that an Obligor Secured Creditor is entitled to take to enforce its rights against an Obligor under an Obligor Transaction Document following the occurrence of an Obligor Event of Default including, but not limited to, the declaration of an Obligor Event of Default, the institution of proceedings, the making of a demand for payment under a guarantee, the making of a demand for cash collateral under a guarantee or the acceleration of Obligor Secured Liabilities by an Obligor Secured Creditor or Obligor Secured Creditors pursuant to the terms of the applicable Obligor Transaction Documents or the enforcement of the Obligor Security, provided that the making of a demand under a Hedging Agreement shall not constitute Enforcement Action for the purposes of this definition.

Enforcement Instruction Notice has the meaning given to it in Clause 18.2 (Enforcement Instruction Notices) of the STID.

Entrenched Rights means any modification to, consent or waiver under or in respect of, any term of any Common Document if the proposed modification, consent or waiver:

(a) would delay the date fixed for payment of any amount of the debt owed to the relevant Obligor Secured Creditor or would reduce the amount payable in respect of such debt;

(b) other than pursuant to an Obligor Acceleration Notice, would bring forward the date fixed for payment of principal, interest or other amount in respect of the debt owed to an Obligor Secured Creditor or would increase the amount of principal or other amount or the rate of interest payable on any date in respect of the debt owed to the Obligor Secured Creditor;

(c) would have the effect of adversely changing any of the Borrower Post-Enforcement Payment Priorities or application thereof in respect of an Obligor Secured Creditor (including, in the case of the Issuer, any Issuer Secured Creditor that would be adversely affected by such change);

(d) would have the effect of adversely changing any of the Borrower Pre-Enforcement Payment Priorities or application thereof in respect of an Obligor Secured Creditor (including, in the case of the Issuer, any Issuer Secured Creditor that would be adversely affected by such change);

(e) would change or would have the effect of changing:

  (i) any of the following definitions: Affected Obligor Secured Creditor, Qualifying Debt, Voted Qualifying Debt, Qualifying Secured Creditors, Secured Creditor Representatives, STID Proposal, Discretion Matters, Ordinary Voting Matters, Extraordinary Voting Matter, Enforcement Instruction Notice, Further Enforcement Instruction Notice, Reserved Matters, Entrenched Rights, Obligor Secured Liabilities and/or Distressed Disposal;

  (ii) the Decision Period, Quorum Requirement or voting majority required in respect of any Ordinary Voting Matter, Extraordinary Voting Matter, Enforcement Instruction Notice or Further Enforcement Instruction Notice;

  (iii) any of the matters that give rise to Entrenched Rights under the STID; or

  (iv) Clause 16.1 (Scope of Entrenched Rights) of the STID;

(f) would result in the exchange of the debt owed to the relevant Obligor Secured Creditor for, or the conversion of such debt into, shares, bonds or other obligations of any other person;

(g) would have the effect of changing or would relate to the currency of payments due in respect of the debt owed to the relevant Obligor Secured Creditor (other than due to the United Kingdom becoming one of the countries participating in the third stage of European economic and monetary union pursuant to the Treaty or otherwise participating in European economic and monetary union in a manner with similar effect to such third stage);

(h) would have the effect of changing or would relate to the rights of the relevant debt provider to receive any sums owing to it for its own account in respect of fees, costs, charges, liabilities, taxes, damages, proceedings, claims and demands in relation to any Transaction Document to which it is a party;

(i) would change or would relate to any existing obligation of an Obligor to gross up any payment in respect of the debt owed to the relevant Obligor Secured Creditor in the event of the imposition of withholding taxes (including, in the case of the Issuer, any Issuer Secured Creditor that would be adversely affected by such change);

(j) would change or have the effect of changing Clause 10.2 (Participating Secured Creditors) of the STID;

(k) would change or have the effect of changing Schedule 3 (Reserved Matters) to the STID;

(l) would have the effect of changing the nature or the scope or would release any of the Obligor Security (unless equivalent replacement security is taken at the same time) unless such release is permitted in accordance with the terms of the Common Documents, for the avoidance of doubt, the taking of any Enforcement Action shall not be an Entrenched Right;

(m) in respect of each Liquidity Facility Provider, would change or have the effect of changing Clause 20.4 (Borrower Post-Enforcement (Post-Acceleration) Payment Priorities) of the STID and Paragraph 7 (Disposals) of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA or would affect the ability of such Liquidity Facility Provider to enforce its rights under the Liquidity Facility Agreement;

(n) would effect the exchange, conversion or substitution of the debt owed to the relevant Obligor Secured Creditor for, or their conversion into, shares, notes or other obligations or securities of the Borrower or any other person or body corporate formed or to be formed;

(o) would change or have the effect of changing the definitions of Obligor Acceleration Notice, Obligor Enforcement Notice or Issuer Enforcement Notice or the consequences of the delivery of an Obligor Acceleration Notice, the Borrower Payment Priorities, the Borrower Pre-Enforcement Payment Priorities, the Borrower Post-Enforcement (Pre-Acceleration) Payment Priorities or the Borrower Post-Enforcement (Post-Acceleration) Payment Priorities;

(p) in respect of each Pari Passu Borrower Hedge Counterparty, each Pari Passu Issuer Hedge Counterparty, each Super Senior Borrower Hedge Counterparty and each Super Senior Issuer Hedge

Counterparty (in addition to those matters specified in paragraphs (a) to (o) above (inclusive) and subject to Clause 16.2(a) of the STID):

(i) would change or have the effect of changing the Minimum Rating Agency Requirement that either (A) each Hedge Counterparty must satisfy, or (B) the guarantor of such Hedge Counterparty's obligations under the relevant Hedging Agreement must satisfy, as the case may be, at any time, other than a change required by a Rating Agency in respect of the Minimum Rating Agency Requirements that apply to any Hedge Counterparty or guarantor of any Hedge Counterparty on the date on which it enters into any Hedge or becomes the transferee in respect of the novation of any Hedge in order to maintain the current rating of the Notes of BBB or to restore the rating of the Notes to BBB, as the case may be;

(ii) would change or have the effect of changing the provisions of paragraphs 5, 9, 10 and 12 of the Issuer/Borrower Hedging Policy;

(iii) would deny or have the effect of denying a Borrower Hedge Counterparty or an Issuer Hedge Counterparty the right to receive the same information as provided to the other parties pursuant to part 1 (Information Covenants) of schedule 2 (Covenants) to the CTA; or

(iv) would change or would have the effect of changing any of the following definitions in a manner that relates to, and is materially prejudicial to the rights and obligations of such Hedge Counterparty (as applicable): Agreed Form Borrower Master Agreement; Borrower Hedge Counterparties; Borrower Hedges; Borrower Hedging; Borrower Hedging Agreement; Currency Hedges; Currency Hedging; the proviso to the definition of Enforcement Action; Hedge Counterparties; Hedge with Break Clause; Hedged Debt Covenant; Hedges; Hedging; Hedging (with Breaks) Condition; Hedging Agreements; Hedging Policy; Hedging Test Date; Inflation Linked Hedges; Inflation Linked Hedging; Inflation Linked Hedging Agreement; Interest Rate Hedges; Interest Rate Hedging; Issuer Hedges; Issuer Hedging; Issuer Hedging Agreements; Issuer Qualifying Debt; Issuer Qualifying Secured Creditors; Issuer Secured Creditor Entrenched Right; Issuer Secured Creditors; Issuer Secured Liabilities; Issuer Security; Issuer Transaction Documents; Issuer/Borrower Hedges; Issuer/Borrower Hedging Agreements; Issuer/Borrower Hedging Policy; Issuer/Borrower Rate Hedge; Mark Statement; New Hedges; New Pari Passu Hedges; New Super Senior Hedges; Obligor Secured Creditors; Obligor Secured Liabilities; Obligor Transaction Documents; Offsetting Hedge Annuity; Offsetting Hedges; the sub-paragraphs of the definition of Outstanding Principal Amount relating to Hedging Agreements; Pari Passu Borrower Hedge Counterparty; Pari Passu Borrower Hedges; Pari Passu Borrower Hedging Agreement; Pari Passu Hedges; Pari Passu Hedging Agreement; Pari Passu Hedging Transaction; Pari Passu Issuer Hedge Counterparty; Pari Passu Issuer Hedges; Pari Passu Issuer Hedging Agreement; Pari Passu Issuer/Borrower Hedges; Pari Passu Issuer/Borrower Hedging Agreement; Permitted Hedge Termination; Permitted Treasury Transaction; Proposed Super Senior Trade Date; Qualifying Debt; Qualifying Secured Creditors; Rate Hedge Type; Rate Hedges; Risk Weighted Notional Amount; Secured Creditors; Super Senior Borrower Hedges; Super Senior Borrower Hedging Agreement; Super Senior Ceiling; Super Senior Hedge Counterparty; Super Senior Hedging Agreement; Super Senior Issuer Hedges; Super Senior Issuer Hedging Agreement; Super Senior Issuer/Borrower Hedge; Super Senior Issuer/Borrower Hedging Agreements and Super Senior Test Date;

(q) in respect of each Super Senior Hedge Counterparty (in addition to those matters specified in Paragraphs (a) to (p) above (inclusive) and subject to Clause 16.2(a) of the STID), would change or have the effect of changing the provisions of Subparagraphs 4.1 (a) and (b) (Interest Rate Hedging and Inflation Linked Hedging) of Schedule 5 (Hedging Policy and Overriding Provisions Relating To Hedging Agreements) to the CTA but only in so far as such change relates to:

(a) any increase to, or waiver in respect of, the maximum percentage specified in such Subparagraph 4.1(a) such that the amount equal to:

(i) the sum of:

(A) the total outstanding principal amount of the Notes and the Borrower Loans (excluding any Issuer/Borrower Loans) which either:

I. bear interest at a fixed rate; or

II. pay a return that is index-linked to inflation; and

(B) the aggregate notional amount of all outstanding Interest Rate Hedges and Inflation Linked Hedges which are entered into by either the Issuer or the Borrower (excluding any Issuer/Borrower Hedges) (together, the **Rate Hedges**), less

(ii) the aggregate notional amount of: (x) any Offsetting Hedges and the portion (which may be a part or the entirety) of any Primary Hedges which have been offset by such Offsetting Hedges, (y) any Overlay Hedges, and (z) any Inflation Linked Hedges in respect of which the Borrower or the Issuer (as applicable) receives a fixed rate of interest,

would be permitted to be greater than 110% of the total outstanding principal amount of the Notes and the Borrower Loans (excluding any Issuer/Borrower Loans) for the period up to (and including) the day that is five years from the relevant Hedging Test Date, and/or

(b) any increase to, or waiver in respect of the maximum percentage specified in such Subparagraph 4.1(b) such that the amount equal to:

(i) the sum of:

(A) the total outstanding principal amount of the Notes and the Borrower Loans (excluding any Issuer/Borrower Loans) which either:

I. bear interest at a fixed rate; or

II. pay a return that is index-linked to inflation; and

(B) the aggregate notional amount of all outstanding Rate Hedges, less

(ii) the aggregate notional amount of: (x) any Offsetting Hedges and the portion (which may be a part or the entirety) of any Primary Hedges which have been offset by such Offsetting Hedges, (y) any Overlay Hedges, and (z) any Inflation Linked Hedges in respect of which the Borrower or the Issuer (as applicable) receives a fixed rate of interest,

would be permitted to be greater than 115% of the total outstanding principal amount of the Notes and the Borrower Loans (excluding any Issuer/Borrower Loans) for the period up to (and including) the day that is seven years from such Hedging Test Date; and

(c) would change or have the effect of changing the provisions of subparagraphs 7.3, 7.4 or 8 of the Issuer/Borrower Hedging Policy, but only in so far as such change would be materially prejudicial to the rights of such Super Senior Issuer Hedge Counterparty and/or such Super Senior Borrower Hedge Counterparty (as applicable).

Equivalent Amount means the amount in question expressed in the terms of pounds sterling, calculated on the basis of the Exchange Rate.

Excess Cash Flow means, in respect of the six month period ending on any Test Date, the Cashflow for such period:

(a) plus any exceptional or one-off items that represent cash receipts by the Senior Financing Group and were excluded from EBITDA;

(b) minus any exceptional or one-off items that represent expenditure by the Senior Financing Group and were excluded from EBITDA;

(c) minus the aggregate Debt Service, any voluntary prepayments of Senior Debt (other than any voluntary prepayments made after an Obligor becoming aware of a Trigger Event or during any Cash Sweep Period other than (and therefore to be deducted from Cashflow), any voluntary prepayments of the Capex Loans if the Borrower exercises its right of voluntary prepayment under the relevant Capex Loan) and all other payments due in respect of the Senior Debt (but excluding any payments excluded from Debt Service under paragraphs (a) and (b) of that definition to the extent funded by Permitted Financial Indebtedness) and (without double counting) all termination payments due to a Hedge Counterparty under any Hedging Agreements in respect of all such payments and prepayments;

(d) minus any costs paid by the Senior Financing Group (including any costs paid to or on behalf of the Issuer by a Senior Financing Group Company) (where payment of such costs was permitted or, in the case of the Issuer, contemplated under the Obligor Transaction Documents);

(e) minus any amount required to be retained by the Senior Financing Group to meet reasonably anticipated net operating expenses for the next Test Period plus any amount retained by the Senior

Financing Group at the end of the last Test Period to meet reasonably anticipated net operating expenses for the Test Period;

(f) plus or minus the amount of any decrease or increase respectively in working capital;

(g) (i) unless (a) a Trigger Event has occurred and is continuing or (b) any Issuer/Borrower Loan remains outstanding after its Expected Maturity Date, minus the amount of any Permitted Acquisitions (including any Growth Capex in accordance with Paragraph 2 (Growth Capex) of Part 7 (Capex Expenditure) of Schedule 2 (Covenants) to the CTA, but excluding any Growth Capex or Permitted Acquisitions to the extent funded by Permitted Financial Indebtedness and any Maintenance Capex that has already been deducted in the calculation of Net Cash Flow) and (ii) if (a) a Trigger Event has occurred and is continuing or (b) any Issuer/Borrower Loan remains outstanding after its Expected Maturity Date, minus the amount of any Permitted Acquisitions (including any Growth Capex in accordance with Paragraph 2 (Growth Capex) of Part 7 (Capex Expenditure) of Schedule 2 (Covenants) to the CTA, but excluding any Growth Capex or Permitted Acquisitions solely to the extent funded by Permitted Financial Indebtedness and any Maintenance Capex that has already been deducted in the calculation of Net Cash Flow) to the extent that such acquisitions are already contractually obliged to be made by reference to contractual commitments entered into prior to an Obligor becoming aware of the occurrence of the Trigger Event;

(h) minus the amount of any payment to and/or plus any payment received from a pension benefit scheme (without double counting any amounts included in Cashflow);

(i) minus Smart Metering bid costs incurred up to the licence award;

(j) minus payments that are made within paragraphs (a) to (d) of the definition of Restricted Payments;

(k) unless (i) an Obligor has become aware of a Trigger Event having occurred which is continuing or (ii) any Issuer/Borrower Loan remains outstanding after its Expected Maturity Date, minus interest payable in respect of the Subordinated Debt which shall be in an amount permitted to be paid by way of Restricted Payment under the Rating Downgrade Event covenant.

Exchange Agent means Deutsche Bank AG, London Branch, or any successor thereto, appointed to act as the exchange agent to the Issuer appointed pursuant to the Agency Agreement.

Exchange Rate means the strike rate specified in a confirmation evidencing the terms of a Currency Hedge or, failing that, the spot rate at which the relevant currency is converted to pounds sterling as quoted by the Agent Bank:

(a) for the purposes of Clause 12.7 (STID Voting Request) of the STID or Paragraph 2.3 (STID Notices) of Schedule 5 (Provisions for voting in respect of STID Notices) to the Note Trust Deed, on the date that the STID Voting Request is dated; and

(b) in any other case:

  (i) on the date specified in the Issuer Transaction Document; or

  (ii) on the date as of which the calculation of the Equivalent Amount of the Outstanding Principal Amount is required.

Excluded Hedge Counterparty Amounts means (i) any termination amount payable to a Hedge Counterparty under a Hedging Agreement following the occurrence of an "Event of Default" under and (as defined in the relevant Hedging Agreement) where that Hedge Counterparty is the "Defaulting Party" (as defined in the relevant Hedging Agreement) and (ii) any amount payable to a Borrower Hedge Counterparty under Part 1(g), Part 1(h), Part 1(i) or Part 1(j) of the Schedule to the relevant Borrower Hedging Agreement if at such time that Borrower Hedge Counterparty is a Defaulting Party (as defined in the relevant Borrower Hedging Agreement).

Excluded Report Recovery Proceeds means any proceeds of a Recovery Claim which are, or are to be, applied within 12 months of receipt:

(a) to satisfy (or reimburse a Senior Financing Group Company which has discharged) any liability, charge or claim upon a person which is not a member of the Senior Financing Group as a result of the events or circumstances giving rise to that Recovery Claim; and

(b) in the replacement, reinstatement and/or repair of assets of a Senior Financing Group Company which have been lost, destroyed or damaged as a result of the events or circumstances giving rise to that Recovery Claim.

Existing Bank Facilities means (a) £2,925,000,000 senior facilities agreement dated 3 April 2007 (as amended and restated on 31 July 2007) between, among others, Macquarie UK Broadcast Ventures Limited, Barclays Capital and others as mandated lead arrangers and Dresdner Bank AG, Niederlassung Luxembourg as facility agent and security agent, and (b) the £475,000,000 junior facility agreement dated 3 April 2007 (as amended and restated on 31 July 2007) between, among others, Macquarie UK Broadcast Enterprises Limited, Barclays Capital and others as mandated lead arrangers and Dresdner Bank AG, Niederlassung Luxembourg as facility agent and security agent.

Existing Hedging Agreements means each of the ISDA Master Agreements governing the Existing Hedges existing on the day immediately prior to the Signing Date including all Treasury Transactions forming part thereof and subject thereto.

Existing Hedges means the Existing Interest Rate Hedges and the Existing Inflation Linked Hedges.

Existing Inflation Linked Hedges means the Treasury Transactions hedging risks arising in connection with the utilisation of the Existing Bank Facilities, pursuant to which amounts payable by the Borrower are determined by reference to a rate of inflation and the amounts payable by the Existing Hedge Counterparty are determined by reference to a rate of interest.

Existing Interest Rate Hedges means the Treasury Transactions, hedging risks arising in connection with the utilisation of the Existing Bank Facilities, pursuant to which amounts payable by the Borrower are determined by reference to a fixed rate of interest and the amounts payable by the Existing Hedge Counterparty are determined by reference to a floating benchmark rate of interest.

Expected Maturity Date means the expected maturities as may be agreed between

(i) in respect of each Issuer/Borrower Loan, the Issuer and the Borrower (and reflected in the relevant Issuer/Borrower Loan Tranche Supplement); or

(ii) in respect of the Notes, the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Currency, as specified in the applicable Final Terms,

and each subject to the Maturity Concentration Limit.

Extraordinary Voting Matter means a matter which:

(a) would change (i) any provision (including any definition) which would materially affect the voting mechanics in relation to the Extraordinary Voting Matters or (ii) any of the matters constituting Extraordinary Voting Matters;

(b) would materially change any Obligor Events of Default or any Trigger Events each in relation to non-payment, the making of Restricted Payments, financial ratios or credit rating downgrade;

(c) would relate to the waiver of an Obligor Event of Default in respect of any Obligor or a waiver of any Trigger Events in relation to non-payment, credit rating downgrade or financial ratios or the making of Restricted Payments;

(d) would materially change or have the effect of materially changing the definition of Permitted Business;

(e) would change or have the effect of changing the provisions or would relate to a waiver of the test for Permitted Financial Indebtedness set out in Paragraph 8.2 (Financial Indebtedness and Maturity Concentration Limits) of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the Common Terms Agreement;

(f) would change in any adverse respect any mandatory prepayment provisions set out in any Common Document (including, without limitation, the amount to be prepaid or the time by which such amount is to be applied in prepayment); or

(g) would materially change any Material Borrower Covenant.

Final Maturity Date means in relation to:

(a) the Notes, the legal maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Currency, as specified in the applicable Final Terms and subject to the Maturity Concentration Limit covenant set out in the CTA;

(b) the Liquidity Facility, the first anniversary of the Closing Date (but on a renewable basis);

(c) the Issuer/Borrower Facilities, that date set out in the applicable Issuer/Borrower Loan Tranche Supplement;

(d) the Capex Facility and the Working Capital Facility, 5 years after the Closing Date;

(e) Facility A, the third anniversary of the Closing Date; and

(f) Facility B, the fifth anniversary of the Closing Date.

Final Terms means the final terms issued in relation to each Tranche of Notes as a supplement to the Conditions and giving details of the Tranche.

Finance Lease means any finance or capital lease (as determined by the Accounting Principles as at the Closing Date) entered into by a Senior Financing Group Company in respect of which a Senior Financing Group Company is the lessee.

Finance Lessor means a lessor of a Finance Lease.

Financial Covenant Ratios means the Historic Net Debt to EBITDA Ratio; the Historic Cashflow DSCR and the Historic Cashflow ICR as set out in Part 3 (Financial Covenants) of Schedule 2 (Covenants) to the CTA.

Financial Indebtedness means (without double counting) any indebtedness of any Senior Financing Group Company for or in respect of:

(a) moneys borrowed or raised (whether or not for cash) (calculated net of applicable credit balances where such monies are borrowed by a Senior Financing Group Company as part of netting arrangements with a financial institution);

(b) any amounts drawn under acceptance credit or bill discounting facility;

(c) any bond, note, debenture, loan stock or other similar instrument;

(d) any finance or capital lease which would, in accordance with the Accounting Principles as at the Closing Date, be treated as such;

(e) any share in a Senior Financing Group Company which is not held by another Senior Financing Group Company and which is capable of redemption prior to the final maturity date;

(f) the acquisition cost of any asset or service to the extent payable after its acquisition or possession by the party liable where one of the primary reasons for the deferred payment is arranged is as a method of raising finance or financing the acquisition or construction of that asset or the supply of that service (but excluding trade credit on customary commercial terms) or if such amount is due more than six months after the date of acquisition or supply;

(g) receivables sold or discounted (other than on a non-recourse basis);

(h) any amount due, but unpaid, in respect of any Treasury Transaction, any Offsetting Hedge Annuity and any amount in respect of amounts that have accreted but not yet become due and payable (but excluding for the avoidance of doubt any mark-to-market value that has not yet become payable);

(i) any other transaction which has the commercial effect of a borrowing or otherwise is treated as such under the Accounting Principles;

(j) (without double counting) any counter indemnity obligation in respect of any guarantee, indemnity, bond, letter of credit or any other instrument issued by a bank or financial institution in respect of an underlying liability of any person which is of the nature referred to above; and

(k) any guarantee in respect of an underlying liability of any person which is of the nature referred to in the above paragraphs (but excluding any Permitted Guarantee),

provided that:

(i) any amount owed by one Senior Financing Group Company to another Senior Financing Group Company shall not be taken into account;

(ii) any amounts outstanding under any Subordinated Debt shall not be taken into account; and

(iii) any pension deficit shall not be taken into account.

FinCo means Arqiva Senior Finance Limited, (registered number 08127157) a private limited liability company incorporated under the laws of England and Wales.

Fitch means Fitch Ratings Ltd and any successor to its rating business.

Fitch Required Rating means a long-term unsecured and unsubordinated debt obligations rating of at least A- by Fitch, provided that if the relevant entity has a long-term unsecured and unsubordinated debt obligations rating of A- by Fitch such entity must not be on credit watch negative (or equivalent).

Further Authorised Facility Provider means any Authorised Facility Provider which accedes to the Common Terms Agreement and the STID following the Closing Date.

Further Enforcement Instruction Notice has the meaning given to it in Subclause 18.2(b) (Enforcement Instruction Notices) of the STID.

Group EBITDA means EBITDA before the subtraction of the consolidated earnings (before the deductions and the adjustments referred to in the definition of EBITDA) of the Senior Financing Group Companies that are incorporated outside of the United Kingdom.

Growth Capex means Capex incurred to deliver financial benefits through future revenues and which is supported by a business case, including (for the avoidance of doubt) the acquisition of spectrum.

Hedge Counterparties means (a) the Issuer Hedge Counterparties and (b) the Borrower Hedge Counterparties and **Hedge Counterparty** means any of such parties.

Hedged Debt Covenant means the covenant set out in Paragraph 4 of Schedule 5 (Hedging Policy and Overriding Provisions Relating to Hedging Agreements) to the CTA.

Hedges means the Existing Hedges together with the New Hedges.

Hedge with Break Clause has the meaning given to it in Paragraph 6 of Schedule 5 (Hedging Policy and Overriding Provisions relating to Hedging Agreements) to the CTA.

Hedging means all of the Hedges.

Hedging Agreements means the Borrower Hedging Agreements and Issuer Hedging Agreements.

Hedging Policy means the Issuer/Borrower Hedging Policy.

Hedging Test Date means:

(a) 31 March, 30 June, 30 September and 31 December in each year; and

(b) the date of any significant event that may impact on the Hedged Debt Covenant, such as the issuance, prepayment or repayment of Senior Debt (excluding any Working Capital Facilities or Ancillary Facilities) and the entry into or termination of Hedges which shall, for the avoidance of doubt, include, a disposal being applied towards repayment of Senior Debt in accordance with Paragraph 5 (Mandatory Prepayment of FinCo/Borrower Loans and Issuer/Borrower Loans using Unused Proceeds) of Part 5 (Mandatory Prepayment and Voluntary Prepayment) of Schedule 2 (Covenants) to the CTA,

commencing with the earlier to occur of the Hedging Test Date occurring on 31 March 2013 and the first date of any significant event referred to in sub-paragraph (b) and continuing until the date that the aggregate outstanding principal amount of the Notes and the Borrower Loans (excluding the Issuer/Borrower Loans) has been repaid, provided that if such date is not a Business Day, the next following day that is a Business Day.

Hedging Transaction means each transaction under a Hedging Agreement.

Hedging (with Breaks) Condition means the conditions under which the Borrower and the Issuer may enter into Hedges with Break Clauses as set out in Paragraph 6 (Hedging (with Breaks) Condition) of Schedule 5 (Hedging Policy and Overriding Provisions relating to Hedging Agreements) to the CTA.

Historic Cashflow DSCR means the ratio of Cashflow to Debt Service as calculated in accordance with Paragraph 2 of Part 3 (Financial Covenants) of Schedule 2 (Covenants) to the CTA.

Historic Cashflow ICR means the ratio of Cashflow to Net Interest Payable as calculated in accordance with Paragraph 2 of Part 3 (Financial Covenants) of Schedule 2 (Covenants) to the CTA.

Historic Net Debt to EBITDA Ratio means the ratio of Net Debt to EBITDA (as calculated on a pro-forma basis to take into account the earnings from any acquired asset from the start of the Test Period and to exclude the earnings from any asset disposed of for the entire Test Period) as calculated in accordance with Paragraph 2 of Part 3 (Financial Covenants) of Schedule 2 (Covenants) to the CTA.

Historic Trigger Event Financial Covenant Ratios has the meaning given to it in Paragraph 1.1 of Part 1 (Trigger Events) of Schedule 3 (Trigger Events) to the CTA.

Holding Company of any person, means a person in respect of which that other person is a Subsidiary.

IFRS means international accounting standards within the meaning of IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements.

Index Linked Notes means the Notes in respect of which payments (whether in respect of principal or interest and whether at maturity or otherwise) may be calculated by reference to one of the indices and/or formulae described in the Conditions and as specified in the applicable Final Terms.

Inflation Linked Hedges means any Treasury Transaction forming part of and subject to a Hedging Agreement pursuant to which amounts payable by one party are determined by reference to a rate of inflation and amounts payable by the other party are determined by reference to a fixed or floating rate of interest.

Inflation Linked Hedging means all of the Inflation Linked Hedges.

Inflation Linked Hedging Agreement means any Hedging Agreement of the Borrower or the Issuer (as applicable) under which an Existing Hedge or a New Hedge which is an Inflation Linked Hedge is entered into.

Initial Borrower Cash Manager means Arqiva Limited appointed to act as the cash manager of the Borrower pursuant to the CTA.

Initial Capex and Working Capital Facilities Agreement means the facility agreement dated on or about the Signing Date between, *inter alias*, the Borrower, the Initial CF&WCF Arrangers and the Obligor Security Trustee under which the Initial Capex Facility is made available to the Borrower.

Initial Capex Facility means the facility for the making of Initial Capex Loans in an aggregate amount of £400,000,000 made available to the Borrower by the Initial Capex Facility Providers under the Initial Capex and Working Capital Facilities Agreement.

Initial Capex Facility Providers means those financial institutions listed in Part 3 (Capex Facility Providers) of Schedule 13 (Financial Institutions) to the CTA.

Initial Capex Loans means the term loans to be made on the Closing Date in accordance with the terms of the Capex and Working Capital Facilities Agreement.

Initial CF&WCF Agent means Commerzbank AG, Luxembourg Branch, appointed to act as facility agent for the Initial Capex Facility Providers and the Initial Working Capital Facility Providers in accordance with the Initial Capex and Working Capital Facilities Agreement.

Initial CF&WCF Arrangers means those financial institutions listed in Part 5 (CF&WCF Arrangers) of Schedule 13 (Financial Institutions) to the CTA.

Initial Issuer/Borrower Facilities Fee means the amount paid on or about the Closing Date by the Borrower on the Issuer's behalf by way of an initial fee to meet the costs and expenses of the Issuer in connection with the establishment of the Programme and the issue of the first Series of Notes (including, *inter alia*, the fees and expenses of the Note Trustee, the Issuer Security Trustee and the Issuer's legal advisers, accountants and auditors).

Initial LF Agent means Commerzbank AG, Luxembourg Branch, acting as facility agent for any Initial Liquidity Facility Providers.

Initial Liquidity Facility means a debt service reserve liquidity facility provided to the Borrower and the Issuer for the purpose of making Drawings and having the characteristics contemplated in Schedule 10 (Borrower Liquidity) to the CTA.

Initial Liquidity Facility Agreement means the liquidity facility agreement dated on or about the Signing Date between AF No 1, the Issuer, the Initial Liquidity Facility Providers, the Obligor Security Trustee, the Issuer Security Trustee, the Borrower Cash Manager and the Issuer Cash Manager under which the Initial Liquidity Facility is entered into.

Initial Liquidity Facility Providers means those financial institutions listed in Part 1 (Liquidity Facility Providers) of Schedule 13 (Financial Institutions) to the CTA.

Initial Shareholders means any one or more of Codan Trust Company (Cayman) Limited, Frequency Infrastructure Communications Assets Limited, Macquarie Global Infrastructure Funds 2 S.A.R.L., Macquarie Prism Proprietary Limited, MEIF II Luxembourg Communications S.a.r.l., MTAA Superannuation Fund (NTL Broadcast) Utilities Pty Ltd and The Trust Company Limited as custodian for Health Super Investments Pty Ltd (in its capacity as trustee of FSS Infrastructure Trust).

Initial Working Capital Facility means a facility under which Initial Working Capital Loans in an aggregate amount of £100,000,000 are made available to the Borrower under the Initial Capex and Working Capital Facilities Agreement.

Initial Working Capital Facility Providers means those financial institutions listed in Part 4 (Working Capital Facility Providers) of Schedule 13 (Financial Institutions) to the CTA.

Initial Working Capital Loans means each revolving loan provided to the Borrower pursuant to the Initial Working Capital Facility.

Interest Commencement Date means, in the case of interest-bearing Notes, the date specified in the applicable Final Terms from (and including) which such Notes bear interest, which may or may not be the Issue Date.

Interest Payment Dates means in respect of: (i) any Series of Notes, the Specified Interest Payment Date or the meaning given to it in the applicable Final Terms, as the case may be; (ii) the Issuer/Borrower Facilities Agreement, each Loan Interest Payment Date as defined therein; (iii) any other Issuer Transaction Document, the Interest Payment Dates for each Series of Notes; (iv) each Borrower Bank Facility, the interest payment dates set out in the applicable Borrower Bank Facility Agreement and (v) any other Authorised Facility Agreement, the interest payment dates specified therein.

Interest Rate Hedges means any Treasury Transaction, forming part of and subject to a Hedging Agreement, pursuant to which amounts payable by one party are determined by reference to a fixed rate of interest and amounts payable by the other party are determined by reference to a floating benchmark rate of interest (and which is not an Inflation Linked Hedge).

Interest Rate Hedging means all of the Interest Rate Hedges.

Intermediate HoldCo means Arqiva Broadcast Intermediate Limited (registered number 08085710), a newly incorporated subsidiary of AF No 2 incorporated under the laws of England and Wales.

Intermediate Parent means Arqiva Group Intermediate Limited (registered number 08126989), a company with limited liability incorporated under the laws of England and Wales.

ISDA Master Agreement means an ISDA 2002 Master Agreement as published by the International Swaps and Derivatives Association Inc. and including the Schedule thereto.

Issue Date means the date of issue of each Tranche of Notes under the Programme as specified in the relevant Final Terms applicable to such Tranche of Notes.

Issue Price means the price at which the Notes will be issued, which may be on a fully-paid or a partly-paid basis and at par or at a discount to par or at a premium over par, as specified in the applicable Final Terms.

Issuer means Arqiva Financing Plc (registered number 08336354), a public limited company incorporated under the laws of England and Wales.

Issuer Account Bank means National Westminster Bank plc, in its capacity as such under the Issuer Account Bank Agreement together with, any successor or replacement account bank appointed from time to time.

Issuer Account Bank Agreement means the agreement dated on or about the Signing Date between the Issuer, the Issuer Cash Manager, the Issuer Security Trustee and the Issuer Account Bank pursuant to which the Issuer Accounts are provided.

Issuer Accounts means:

(a) the Issuer Transaction Account; and

(b) any other bank account opened or maintained by the Issuer on or after the Signing Date including the Issuer Liquidity DSR Account (but excluding any Liquidity Standby Account opened in respect of a Downgraded Liquidity Facility Provider).

Issuer Cash Management Agreement means the cash management agreement dated on or about the Signing Date between, among others, the Issuer, the Issuer Cash Manager and the Issuer Security Trustee pursuant to which the Issuer Cash Manager will be appointed.

Issuer Cash Manager means Arqiva Limited appointed to act as the cash manager of the Issuer pursuant to the Issuer Cash Management Agreement or any successor or replacement cash manager appointed from time to time.

Issuer Charged Documents means the Issuer Transaction Documents and all other contracts, documents, agreements and deeds to which the Issuer is, or may become, a party (other than the Issuer Deed of Charge, the Note Trust Deed, the Programme Agreement, each Subscription Agreement and the Issuer Corporate Officer Agreement).

Issuer Corporate Officer Agreement means the corporate officer agreement dated on or about the Signing Date between the Issuer Corporate Officer Provider, the Issuer and the Issuer Security Trustee pursuant to which the Issuer Corporate Officer Provider will be appointed.

Issuer Corporate Officer Provider means Structured Finance Management Limited (registered number 03853947), appointed to act as corporate officer provider to the Issuer.

Issuer Deed of Charge means the deed of charge dated on or about the Signing Date between, *inter alios*, the Issuer, the Issuer Security Trustee and the Note Trustee pursuant to which the Issuer will grant the Issuer Security in favour of the Issuer Security Trustee.

Issuer Enforcement Notice means a notice given by the Issuer Security Trustee (as directed by the Note Trustee) to the Issuer in accordance with Condition 11 (Enforcement against Issuer).

Issuer Hedge Counterparties means each Issuer Secured Creditor that accedes to the CTA, the STID the Issuer Deed of Charge and the MDA in such capacity.

Issuer Hedges means those New Hedges which the Issuer enters into after the Closing Date (but excluding, for the avoidance of doubt, any Issuer/Borrower Hedges).

Issuer Hedging means all of the Issuer Hedges.

Issuer Hedging Agreements means each Pari Passu Issuer Hedging Agreement and each Super Senior Issuer Hedging Agreement.

Issuer Liquidity DSR Account means an account opened in the name of the Issuer and maintained by the Issuer Account Bank pursuant to the terms of the Issuer Account Bank Agreement and credited with a cash reserve for the purpose of satisfying the Debt Service Shortfall Test or such other account as may be opened, with the consent of the Issuer Security Trustee, at any branch of the Issuer Account Bank in replacement of such account.

Issuer Payment Priorities means the Issuer Pre-Enforcement Payment Priorities, the Issuer Post-Enforcement Pre-Acceleration Payment Priorities and the Issuer Post-Acceleration Payment Priorities.

Issuer Post-Acceleration Payment Priorities means the provisions relating to the order of priority of payments of funds standing to the credit of the relevant Issuer Accounts set out in Clause 9.2 of the Issuer Deed of Charge.

Issuer Post-Enforcement Pre-Acceleration Payment Priorities means the provisions relating to the order of priority of payments of all monies received or recovered by the Issuer Security Trustee (or any receiver appointed by it) in respect of the Issuer Security and (to the extent that they are available) all funds standing to the credit of the relevant Issuer Accounts as set out in Clause 8.2 of the Issuer Deed of Charge.

Issuer Pre-Enforcement Payment Priorities means the provisions relating to the order of priority of payments of monies credited to the Issuer Transaction Account (together with amounts available to the

Issuer under the Liquidity Facility and the Issuer Hedges) as set out in Schedule 1 (Issuer Pre-Enforcement Payment Priorities) to the Issuer Cash Management Agreement.

Issuer Profit Amount means £5,000 per annum in equal instalments on each Interest Payment Date, to be retained by the Issuer as profit.

Issuer Qualifying Debt means for so long as any Notes remain outstanding, the sum of (i) the Principal Amount Outstanding of the Notes and (ii) the mark-to-market value of all transactions arising under Issuer Hedging Agreements in respect of the Notes to the extent that such value represents an amount which is or would be payable to the relevant Issuer Hedge Counterparties if an early termination date has been or was designated at such time in respect of such transactions in accordance with the relevant Issuer Hedging Agreement.

Issuer Qualifying Secured Creditors means, for so long as any Notes remain outstanding, the holders of each Tranche of Notes and each Issuer Hedge Counterparty.

Issuer Secured Creditor Entrenched Right means, in respect of an Issuer Secured Creditor, any modification, consent, direction or waiver in respect of an Issuer Transaction Document that would:

(a) result in an increase in or would adversely modify such Issuer Secured Creditor's obligations or liabilities under such Issuer Transaction Document;

(b) have the effect of adversely changing the Issuer Payment Priorities or application thereof in respect of such Issuer Secured Creditor where adversely means, in respect of any change to the Issuer Payment Priorities, a change which has the effect of changing the priority of the Issuer Secured Creditors relative to each other provided that the creation of payments which rank subordinate to an Issuer Secured Creditor shall not be an adverse change in respect of such Issuer Secured Creditor;

(c) release any Issuer Security (except where such release is expressly permitted by the Issuer Deed of Charge);

(d) alter adversely the voting entitlement of such Issuer Secured Creditor under the STID, the Note Trust Deed or the Conditions;

(e) in respect of an Issuer Hedge Counterparty, constitute an Entrenched Right pursuant to paragraph (p) of the definition of Entrenched Right;

(f) amend Clause 14.4 (Issuer Secured Creditor Entrenched Rights) of the Issuer Deed of Charge; or

(g) amend this definition.

Issuer Secured Creditors means the Noteholders, the Note Trustee, the Issuer Security Trustee, the Issuer Hedge Counterparties, the Liquidity Facility Providers (in their capacity as lenders to the Issuer), each LF Agent, the Principal Paying Agent, each Paying Agent, the Agent Bank, each Calculation Agent, the Registrar, the Transfer Agent, the Exchange Agent, the Issuer Cash Manager, the Borrower, the Issuer Corporate Officer Provider and the Issuer Account Bank and any other Additional Issuer Secured Creditor.

Issuer Secured Liabilities means all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of the Issuer to any Issuer Secured Creditor under each Issuer Transaction Document.

Issuer Security means the fixed and floating security over all of the Issuer's assets and undertakings (including over its rights under the Issuer Charged Documents) granted by the Issuer in favour of the Issuer Security Trustee pursuant to the Issuer Deed of Charge.

Issuer Security Trustee means Deutsche Trustee Company Limited, or any successor thereto, or any other or additional trustee and all other persons for the time being acting as security trustee for the Issuer Secured Creditors pursuant to the Issuer Deed of Charge.

Issuer Transaction Account means the transaction account which the Issuer is required to have open and to maintain with the Issuer Account Bank.

Issuer Transaction Documents means as follows:

(a) each Global Note and each Definitive Note;

(b) the Note Trust Deed;

(c) the Issuer Deed of Charge;

(d) the Issuer Cash Management Agreement;

(e) the Agency Agreement;

(f) each Calculation Agency Agreement;

(g) the Issuer Account Bank Agreement;

(h) the Liquidity Facility Agreement;

(i) the Issuer/Borrower Facilities Agreement;

(j) the Issuer Hedging Agreements;

(k) the Issuer/Borrower Hedging Agreements;

(l) the Issuer Corporate Officer Agreement;

(m) the Master Definitions Agreement;

(n) the Common Terms Agreement;

(o) the Security Trust and Intercreditor Deed;

(p) the Borrower Account Bank Agreement;

(q) each Final Terms; and

(r) any other agreement, instrument or deed designated by the Issuer and the Issuer Security Trustee as an Issuer Transaction Document.

Issuer/Borrower Facilities means the facilities pursuant to which the proceeds of Notes are on-lent by the Issuer to the Borrower.

Issuer/Borrower Facilities Agreement means the agreement, under which the Issuer/Borrower Facilities are provided, entered into on or about the Signing Date between, *inter alia*, the Borrower, the Issuer and the Issuer Security Trustee.

Issuer/Borrower Facilities Fee means the ongoing fee paid by the Borrower periodically in respect of each Interest Payment Date, each Issue Date (following the Closing Date), any date of repayment or prepayment of all or part of any Issuer/Borrower Loan or any other date notified by the Issuer to meet the costs and expenses of the Issuer in connection with the issue of Notes on such Issue Date (if applicable) and in respect of amounts owed to, *inter alios*, the Note Trustee, the Issuer Security Trustee (and any receiver appointed by the Issuer Security Trustee), the Principal Paying Agent, the Agent Bank, the Calculation Agent, the Registrar, the Exchange Agent, the Transfer Agent, the Issuer Cash Manager, the Issuer Account Bank, the Liquidity Facility Providers (in their capacity as lenders to the Issuer) and the Issuer's legal advisers, accountants and auditors (in each case to the extent not covered by the Initial Issuer/Borrower Facilities Fee) and to cover the Issuer Profit Amount (out of which the Issuer will pay its tax).

Issuer/Borrower Hedges means each Pari Passu Issuer/Borrower Hedge and each Super Senior Issuer/Borrower Hedge.

Issuer/Borrower Hedging Agreements means each Pari Passu Issuer/Borrower Hedging Agreement and each Super Senior Issuer/Borrower Hedging Agreement.

Issuer/Borrower Hedging Policy means the provisions set out in Schedule 5 to the CTA.

Issuer/Borrower Loans means the loans made under the Issuer/Borrower Facilities.

Issuer/Borrower Loan Tranche Supplement means a loan tranche supplement substantially in the form set out in Schedule 2 (Form of Issuer/Borrower Loan Tranche Supplement) to the Issuer/Borrower Facilities Agreement.

Issuer/Borrower Rate Hedge shall have the meaning given to such term in the Issuer/Borrower Hedging Policy.

Jersey Security means an acknowledgement between the Obligor Security Trustee (as Plaintiff) and Arqiva Limited (as Defendant) to be registered in the Public Registry of Jersey thereby creating a judicial hypothec to be secured over the property known as Fremont Point Transmitter Station.

Joint Venture means any arrangement or agreement for any joint venture, co-operation or partnership pursuant to, required for or conducive to the operation of the Permitted Business of the Senior Financing Group.

Junior FinCo means Arqiva Broadcast Finance plc (registered number 08336342), a newly formed sister company of AF No 2 incorporated in England and Wales with limited liability.

Junior FinCo Senior Amounts means an amount equal to the amount required by the Junior FinCo to pay amounts due and payable to any agents, trustees or other professional service providers that rank senior to payments of interest on the Junior Notes and any applicable facilities provided to the Junior Issuer (as applicable).

Junior Noteholders means the holders of the Junior Notes and their replacements or successors.

Junior Notes means the secured notes issued by Junior FinCo.

Junior Parent means Arqiva Broadcast Parent Limited (registered number 08085823), a newly formed holding company of AF No 2 incorporated in England and Wales with limited liability.

Lead Manager means, in relation to any Tranche of Notes, the person named as such in the applicable Subscription Agreement or, when only one Dealer signs such Subscription Agreement, such Dealer.

LF Agent means the Initial LF Agent and any other agent appointed after the Signing Date under the relevant Liquidity Facility Agreement.

LF Unpaid Sum means any amount due and payable by a Borrower and which it fails to pay under the Liquidity Facility Agreement on its due date.

Liquidity DSR Accounts means the Borrower Liquidity DSR Account and the Issuer Liquidity DSR Account.

Liquidity Facility means the Initial Liquidity Facility and any other liquidity facility made available to the Borrower and the Issuer after the Closing Date for the purpose of making Drawings.

Liquidity Facility Agreement means the Initial Liquidity Facility Agreement and any other facility agreement under which a liquidity facility is made available to the Borrower and the Issuer after the Signing Date.

Liquidity Facility Drawdown Date means the date of an advance of a Drawing.

Liquidity Facility Provider Requisite Rating means, in respect of a Liquidity Facility Provider, such Liquidity Facility Provider's long term unsecured debt obligations being rated by at least two of the following Rating Agencies (which while S&P is appointed by the Issuer, shall include the relevant S&P rating) at least at the following levels, in the case of S&P "BBB", in the case of Moody's "Baa2" and in the case of Fitch "BBB" or such lower rating as may be agreed between the Borrowers, the Obligor Security Trustee and the Rating Agencies provided that any such lower rating would not lead to any downgrade or the placing on "credit watch negative" (or equivalent) of the then current ratings of the Notes.

Liquidity Facility Providers means the Initial Liquidity Facility Providers and any other bank or financial institution which provides the Borrower and the Issuer with a liquidity facility and which accedes to the CTA and the STID and the Issuer Deed of Charge after the Closing Date.

Liquidity Loan Drawing means the principal amount of each drawing made under Clause 3.1(b)(i) (Grant of the Liquidity Facility) of the Liquidity Facility Agreement or the principal amount outstanding of that drawing (and for the avoidance of doubt, includes any Liquidity Standby Account Drawing made in accordance with Clause 5.3(c) but shall not include a Standby Drawing).

Liquidity Standby Accounts means the accounts to be opened, if required, in the joint names of the Borrower and the Issuer and held at the applicable Liquidity Facility Provider in respect of whom the Standby Drawing has been made or, if such Liquidity Facility Provider does not have the Liquidity Facility Provider Requisite Rating, at the Borrower Account Bank.

Liquidity Standby Account Drawing means, in relation to the participation in a Liquidity Loan Drawing by an Affected Liquidity Facility Provider, a withdrawal of sums standing to the credit of the Liquidity Standby Account which have been funded by way of Standby Drawing from that Affected Liquidity Facility Provider.

Local Business Days has the meaning given to it for the purposes of the relevant Hedging Agreement.

Lock-up Account means an account in the name of the Borrower (and any related custody account of such account opened to hold Authorised Investments) which shall be opened at the Borrower Account Bank as and when required and which shall be designated as the lock-up account by the Borrower and the Obligor Security Trustee.

Maintenance Capex means Capex that is incurred for cost-savings purposes or to deliver productivity enhancements or that is required to maintain or repair existing infrastructure by either extending the useful life of existing fixed assets or replacing worn out and obsolete fixed assets with new ones in order to support existing contracts, including (but not limited to) expenditure for mast-painting, replacing obsolete transmission equipment or upgrading IT hardware and software to the current standards supported by manufacturers and providers.

Mark Statement means, in respect of any day, a written statement from a Super Senior Hedge Counterparty setting out the mark-to-market in respect of each Super Senior Hedge in place between such Super Senior Hedge Counterparty and the Borrower and/or Issuer (as applicable) (provided that such statement (i) may be subject to the Hedge Counterparty's standard terms of business and certain disclaimers, and (i) will be determined on a mid-market basis).

Master Definitions Agreement or **MDA** means the master definitions agreement entered into on the Signing Date between, *inter alios*, the Issuer and the Note Trustee.

Material Borrower Covenant means, among others, each of the following covenants:

(a) the Restricted Payments covenant (to the extent that a Restricted Payment is made in breach thereof or there is a breach of a Trigger Event Consequence, but not the occurrence of a Trigger Event) (pursuant to Paragraph 31 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA);

(b) the mergers covenant (pursuant to Paragraph 9 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA);

(c) the Rating Downgrade Event covenant (to the extent that a Restricted Payment is made in breach thereof, but not the occurrence of the Rating Downgrade Event) (pursuant to Paragraph 31 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA);

(d) the Permitted Business covenant (pursuant to Paragraph 1 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA);

(e) the Permitted Acquisitions covenant (pursuant to Paragraph 10 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA);

(f) the Permitted Disposals covenant (pursuant to Paragraph 7 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA);

(g) the additional Financial Indebtedness covenant (pursuant to Paragraph 8 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA);

(h) the New Term Financial Indebtedness Ratings Requirement covenant (pursuant to Paragraph 8 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA);

(i) the Maturity Concentration Limit covenant (pursuant to Paragraph 8 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA);

(j) the Negative Pledge covenant (pursuant to Paragraph 5 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA);

(k) the Hedging Policy covenant (pursuant to Paragraph 15.1 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA);

(l) the mandatory prepayment and voluntary prepayment covenants (pursuant to Part 5 (Mandatory Prepayment and Voluntary Prepayment) of Schedule 2 (Covenants) to the CTA); and

(m) the Principal Subsidiaries Test (pursuant to Paragraph 18 (Principal Subsidiaries Test) of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA).

Material Contracts means the contracts to be designated as such in a schedule to the CTA.

Maturity Concentration Limit has the meaning given to it in Paragraph 8.2 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA.

Minimum Maintenance Capex Reserve Account means the minimum capex reserve account which the Borrower is obliged to open and maintain with the Borrower Account Bank.

Minimum Maintenance Capex Spend Amount means £15 million (RPI indexed) per financial year.

Minimum Rating Agency Requirements means the S&P Required Rating and the Fitch Required Rating or the required rating of such other Rating Agency then appointed by the Issuer.

Moody's means Moody's Investors Service Limited and any successor to its rating business.

Negative Pledge means the negative pledge covenant set out in Paragraph 5 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA.

Net Cash Flow means, for any Test Date, EBITDA for such Test Date (and without double counting):

(a) less the greater of Maintenance Capex during the Test Period ending on (and including) such Test Date and the Minimum Maintenance Capex Spend Amount for the Test Period ending on (and including) such Test Date (which shall be the same as the Minimum Maintenance Capex Spend Amount for each financial year);

(b) less all amounts of corporation tax paid net of any tax rebate or refund for corporation tax during the Test Period ending on (and including) such Test Date; and

(c) less all amounts of Issuer Profit Amount payable during the Test Period ending on (and including) such Test Date.

Net Debt means, for any Test Date, the aggregate Outstanding Principal Amount of Senior Debt (excluding amounts under any Hedging Agreements except to the extent as provided in paragraphs (a) to (c) below) as at the Test Date (and without double counting):

(a) plus (for the avoidance of doubt) any accretion by indexation to the notional amount under any Hedging Agreements and the accretion portion of any other Senior Debt;

(b) plus in respect of any Hedging Agreement, the amount (if any) that is payable to the relevant Hedge Counterparty if an Early Termination Date (as defined in the Hedging Agreement) has been designated on or prior to such Test Date in respect of the transaction or transactions arising under the Hedging Agreement and is outstanding on such Test Date;

(c) in respect of two Hedging Transactions, that are subject to and part of the same Hedging Agreement, one of which is an Offsetting Hedge in respect of the other or a portion thereof, the net amount which would be payable (if any) by the Borrower to the Hedge Counterparty if an "Early Termination Date" (as defined in the Hedging Agreement) were to occur on such date with respect to both such Hedging Transactions and with the Borrower as sole "Affected party";

(d) less the aggregate amount of any Senior Debt purchased and held by any Senior Financing Group Company;

(e) less Cash and Cash Equivalents held by any Senior Financing Group Company.

Net Interest Payable means, for any Test Date, the interest, fees (including commitment fees (but excluding, for the avoidance of doubt, any Issuer/Borrower Facilities Fees)), charges, commissions or equivalent finance charges that are paid or payable (excluding, for the avoidance of doubt, non-cash charges and imputed interest) or accrued as an obligation of any Senior Financing Group Company in respect of the Senior Debt during the Test Period ending on (and including) such Test Date and all Finance Lease payments in respect of interest payable and equivalent financial charges during the Test Period ending on (and including) such Test Date, but (without double counting):

(a) excluding any upfront or amortised fees or costs;

(b) excluding the fees and expenses of the Administrative Parties;

(c) excluding any break costs;

(d) excluding the mark-to-market under any Treasury Transactions;

(e) excluding any interest or equivalent finance charge accrued in respect of Financial Indebtedness between Senior Financing Group Companies;

(f) excluding any interest or equivalent finance charge on deferred income or on unwinding a discounted liability;

(g) deducting any interest or equivalent finance charge receivable by any Senior Financing Group Company (after deducting applicable withholding tax) in respect of Cash or Cash Equivalents held by such Senior Financing Group Company;

(h) before taking into account fair value gains or losses on any financial instrument other than any derivative instrument which is accounted for on a hedge accounting basis and only to the extent gains and losses in the hedged item are also included in EBITDA;

(i) excluding any interest or equivalent finance charge which is capitalised, rolled up or deferred during such Test Period; and

(j) excluding any fees, costs and expenses incurred in respect of the implementation of the refinancing of the Existing Bank Facilities and the Existing Hedges,

and taking into account any net payment or net receipt which is payable or receivable under any Hedging Agreements (including, for the avoidance of doubt, any net payment and net receipt under any Inflation Linked Hedging Agreements (but excluding, for the avoidance of doubt, any accretions paid, payable or accruing under any Inflation Linked Hedging Agreements and any mark-to-market termination payments under any Hedging Agreements).

New Hedges means both the New Pari Passu Hedges and the New Super Senior Hedges.

New Pari Passu Hedges means any Treasury Transaction that forms part of and is subject to a Pari Passu Hedging Agreement and that is entered into on or after the Closing Date each ranking pari passu with the Notes and Borrower Facilities (other than the Liquidity Facility, which will rank senior thereto).

New Super Senior Hedges means:

(a) all Restructured Inflation Linked Hedges that are retained by the Borrower and amended on the Closing Date in accordance with the Hedging Policy; and

(b) any Treasury Transaction that forms part of and is subject to a Super Senior Hedging Agreement and that is entered into on or after the Closing Date,

each ranking super senior to the Notes and Borrower Facilities (other than the Liquidity Facility, which will rank senior thereto).

New Term Financial Indebtedness has the meaning given to such term in Paragraph 8.3 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA.

New Term Financial Indebtedness Ratings Requirement has the meaning given to such term in Paragraph 8.3 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA.

Non-Defaulting Party shall have the meaning given to such term in the ISDA Master Agreement.

Non-Senior Financing Group Companies means the Senior Group Holding Companies and any other subsidiaries of AGL (excluding any Senior Financing Group Companies, FinCo and the Issuer).

Northern Irish Security Agreement means the Northern Irish security agreement executed in favour of the Obligor Security Trustee on or about the Closing Date by Arqiva Services Limited.

Note Trust Deed means the note trust deed constituting the Notes dated on or about the Signing Date between, the Issuer and the Note Trustee in connection with the Programme and any deed supplemental thereto.

Note Trustee means Deutsche Trustee Company Limited, or any other or additional trustee and all other persons for the time being appointed pursuant to the Note Trust Deed to act for and on behalf of the Noteholders.

Noteholders means the holders from time to time of the Notes and the expressions Noteholder and holder of Notes and related expressions shall be construed accordingly.

Note means each note which is or is to be constituted under the Note Trust Deed.

Obligor Acceleration Notice means a notice given by the Obligor Security Trustee pursuant to the STID by which the Obligor Security Trustee declares that all Obligor Secured Liabilities shall be accelerated.

Obligor Enforcement Notice means a notice delivered to the Borrower in accordance with Clause 18.5 to the STID.

Obligor Event of Default means each of the events set out in Schedule 4 (Obligor Events of Default) to the CTA.

Obligors means the Parent, the Intermediate Parent, the Borrower, Operating HoldCo and each Principal Subsidiary.

Obligor Secured Creditors means the Obligor Security Trustee, the Issuer, the Capex Facility Providers, the Working Capital Facility Providers, the Liquidity Facility Providers (in their capacity as lenders to the Borrower), the BBF Agents, the Borrower Hedge Counterparties, the Borrower Account Bank and any Further Authorised Facility Provider which accedes to the STID as an Obligor Secured Creditor.

Obligor Secured Liabilities means all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of each Obligor to any Obligor Secured Creditor under each Obligor Transaction Document to which such Obligor is a party.

Obligor Security means, pursuant to the Security Documents, (a) the guarantee given by each Obligor of the obligations of each other Obligor under the Obligor Transaction Documents; and (b) the first ranking fixed and floating security over all (or substantially all) of the assets and undertakings of each Obligor (including, in the case of the Intermediate Parent, over its shares in the Borrower, FinCo and the Issuer and, in the case of the Parent, over its shares in the Intermediate Parent) granted in favour of the Obligor Security Trustee in support of each Obligor's financial obligations under the Obligor Transaction Documents.

Obligor Security Trustee means Deutsche Trustee Company Limited, or any successor thereto, or any other or additional trustee and all other persons for the time being appointed to act as security trustee for the Obligor Secured Creditors pursuant to the STID.

Obligor Transaction Documents means the Transaction Documents to which an Obligor is a party, as follows:

(a) the Common Terms Agreement;

(b) the Security Documents;

(c) the Master Definitions Agreement;

(d) the Capex and Working Capital Facilities Agreement;

(e) the Liquidity Facility Agreement;

(f) the Borrower Account Bank Agreement;

(g) the Issuer/Borrower Facilities Agreement;

(h) each Borrower Hedging Agreement;

(i) each Issuer/Borrower Hedging Agreement;

(j) any fee letter, commitment letter or utilisation request entered into in connection with the facilities referred to in paragraphs (d) and (e) above or (k) below or the transactions contemplated in such facilities and any other document that has been entered into in connection with such facilities or the transactions contemplated thereby that has been designated as an Obligor Transaction Document by the parties thereto (including at least one Obligor);

(k) any other agreements documenting Ancillary Facilities, Permitted Facilities or Authorised Facilities and any transfer certificates or other documents entered into in connection with such facilities or the transactions contemplated thereby that has been designated as an Obligor Transaction Document by the parties thereto (including at least one Obligor);

(l) the CP Agreement;

(m) the Tax Deed of Covenant; and

(n) any other agreement, instrument or deed designated by the Obligor Security Trustee and at least one Obligor as an Obligor Transaction Document.

Offsetting Hedge Annuity means in respect of two Hedges, one of which is a Primary Hedge and the other an Offsetting Hedge in respect of such Primary Hedge, the greater of (i) the net amount that would be payable to the Hedge Counterparty (if any) if an "Early Termination Date" (as defined in the ISDA Master Agreement) were to occur on such date with respect to both such Hedges as "Affected Transactions" and the Hedge Counterparty as the "Non-Defaulting Party" or sole "Non-Affected Party"; and (ii) zero.

Offsetting Hedge means, with respect to one Hedge (the **Primary Hedge**), another Hedge which forms part of and is subject to the same Hedging Agreement as the Primary Hedge, and:

(a) the amounts due by one party (for the purposes of this definition only, "X") under the Offsetting Hedge are determined by reference to the same rate, measure or price as, and are offset in whole or in part by, the amounts payable by the other party (for the purposes of this definition only, "Y") under the Primary Hedge; and

(b) the amounts due by Y under the Offsetting Hedge are determined by reference to the same rate, measure or price as, and are offset in whole or in part by, the amounts payable by X under the Primary Hedge,

(where, for the avoidance of doubt, any partial offset results solely from a difference between the Primary Hedge and the Offsetting Hedge in terms of quantum of the notional amount/currency amount (as applicable) and/or quantum of the rate, measure or price specified).

Operating HoldCo means, a company with limited liability incorporated under the laws of England and Wales which will be established as a wholly owned subsidiary of AF No 1 on or about the Closing Date and whose name is expected to be "Arqiva Group Holdings Limited".

Ordinary Voting Matters are matters which are not Discretion Matters or Extraordinary Voting Matters.

Outstanding Principal Amount means:

(a) in respect of any Authorised Facilities that are loans (other than Issuer/Borrower Loans), the principal amount (or the Equivalent Amount) of any commitment under such Authorised Facility if not fully drawn and otherwise, or following an Obligor Event of Default, the drawn amounts outstanding;

(b) in respect of the Issuer/Borrower Loans, the principal amount (or the Equivalent Amount) outstanding thereunder (plus any accretion by indexation to such principal amount outstanding in respect of any Issuer/Borrower Loan which corresponds to a Series of Inflation Linked Notes);

(c) in respect of a Pari Passu Borrower Hedging Agreement, the aggregate of:

   (i) in relation to each Hedge (forming part thereof and subject thereto) in respect of which an Early Termination Date has been designated (and such designation was a Permitted Hedge Termination), the sum of the Close-Out Amount arising as a consequence from such designation and any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed to the applicable Pari Passu Borrower Hedge Counterparty minus any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed by such Pari Passu Borrower Hedge Counterparty in respect of such Hedge, as calculated and determined in accordance with the terms of such Hedging Agreement; and

   (ii) in relation to each Hedge (forming part thereof and subject thereto) in respect of which no Early Termination Date has been designated, the sum of the Close-Out Amount that would arise if an Early Termination Date had been designated in respect of such Hedge (and on which the relevant Hedge Counterparty were the Non-Defaulting Party) and any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed to the applicable Pari Passu Borrower Hedge Counterparty minus any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed by such Pari Passu Borrower Hedge Counterparty in respect of such Hedge (the **Pari Passu Borrower MTM Amount**),

provided that if the aggregate of (i) and (ii) were an amount payable by the Hedge Counterparty, the Outstanding Principal Amount of the Hedging Agreement shall be equal to zero;

(d) in respect of a Pari Passu Issuer Hedging Agreement, the aggregate of:

(i) in relation to each Hedge (forming part thereof and subject thereto) in respect of which an Early Termination Date has been designated (and such designation was a Permitted Hedge Termination), the sum of the Close-Out Amount arising as a consequence from such designation and any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed to the applicable Pari Passu Issuer Hedge Counterparty minus any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed by such Pari Passu Issuer Hedge Counterparty in respect of such Hedge, as calculated and determined in accordance with the terms of such Hedging Agreement; and

(ii) in relation to each Hedge (forming part thereof and subject thereto) in respect of which no Early Termination Date has been designated, the sum of the Close-Out Amount that would arise if an Early Termination Date had been designated in respect of such Hedge (and on which the relevant Hedge Counterparty were the Non-Defaulting Party) and any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed to the applicable Pari Passu Issuer Hedge Counterparty minus any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed by such Pari Passu Issuer Hedge Counterparty in respect of such Hedge (the **Pari Passu Issuer MTM Amount**),

provided that, if the aggregate of (i) and (ii) were an amount payable by the Hedge Counterparty, the Outstanding Principal Amount of the Hedging Agreement shall be equal to zero;

(e) in respect of a Pari Passu Issuer/Borrower Hedging Agreement, the aggregate of:

(i) in relation to each Hedge (forming part thereof and subject thereto) in respect of which an Early Termination Date has been designated, the sum of the Close-Out Amount arising as a consequence from such designation and any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed to the Issuer minus any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed by the Issuer in respect of such Hedge, as calculated and determined in accordance with the terms of such Hedging Agreement; and

(ii) in relation to each Hedge (forming part thereof and subject thereto) in respect of which no Early Termination Date has been designated, the sum of the Close-Out Amount that would arise if an Early Termination Date had been designated in respect of such Hedge (and on which the Issuer were the Non-Defaulting Party) and any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed to the Issuer minus any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed by the Issuer in respect of such Hedge,

provided that:

(iii) if the aggregate of (i) and (ii) were an amount payable by the Issuer, the Outstanding Principal Amount of the Pari Passu Issuer/Borrower Hedging Agreement shall be equal to zero;

(iv) for the purposes of clause 11.1 (*Tranching of Issuer's Vote*) of the STID, the Outstanding Principal Amount of the Pari Passu Issuer/Borrower Hedging Agreement shall, at any time, be deemed to be at least equal to the sum of the Outstanding Principal Amounts of all Pari Passu Issuer Hedging Agreements at such time.

(f) in respect of any other Obligor Secured Liabilities, the outstanding principal amount (or the Equivalent Amount) of such debt on such date in accordance with the relevant Obligor Transaction Document,

on the date on which the Qualifying Secured Creditors have been notified of a STID Voting Request, an Enforcement Instruction Notice or Further Enforcement Instruction Notice or on such other date that the same falls to be determined, as the case may be, all as most recently certified or notified to the Obligor Security Trustee, where applicable, pursuant to the STID.

Overlaid Hedge shall have the meaning given to such term in the definition "Overlay Hedge".

Overlay Hedge means, with respect to one Hedge (the **Overlaid Hedge**), another Hedge which forms part of and is subject to the same Hedging Agreement as the Overlaid Hedge, and:

(a) the amounts due by one party (for the purposes of this definition only, "X") under the Overlay Hedge are determined by reference to the same rate, measure or price as, and are offset in whole or in part by, the amounts payable by the other party (for the purposes of this definition only, "Y") under the Overlaid Hedge; and

(b) the amounts due by Y under the Overlay Hedge are determined by reference to an entirely different rate, measure or price as, and are offset in whole or in part by, the amounts payable by X under the Overlaid Hedge,

(where, for the avoidance of doubt, any partial offset results solely from a difference between the Primary Hedge and the Offsetting Hedge in terms of quantum of the notional amount/currency amount (as applicable) and/or quantum of the rate, measure or price specified).

Parent means Arqiva Group Parent Limited (registered number 08085794), a company with limited liability incorporated under the laws of England and Wales and a newly incorporated holding company of the Intermediate Parent.

Pari Passu Borrower Hedge Counterparty means a Borrower Hedge Counterparty that is party to a Pari Passu Borrower Hedging Agreement.

Pari Passu Borrower Hedges means each Borrower Hedge that forms part of and is subject to a Pari Passu Borrower Hedging Agreement as further described in Paragraph 5 of Schedule 5 (Hedging Policy and Overriding Provisions relating to Hedging Agreements) to the CTA.

Pari Passu Borrower Hedging Agreement means each Agreed Form Borrower Master Agreement, including all Treasury Transactions forming part thereof and subject thereto, between the Borrower and a Borrower Hedge Counterparty, that is designated as a "Pari Passu Borrower Hedging Agreement" in the schedule to that Agreed Form Borrower Master Agreement as further described in Paragraph 5 of Schedule 5 (Hedging Policy and Overriding Provisions relating to Hedging Agreements) to the CTA.

Pari Passu Hedge Counterparty means a Hedge Counterparty that is party to a Pari Passu Borrower Hedging Agreement or a Pari Passu Issuer Hedging Agreement.

Pari Passu Hedges means the Pari Passu Borrower Hedges, the Pari Passu Issuer Hedges and the Pari Passu Issuer/Borrower Hedges.

Pari Passu Hedging Agreement means each Pari Passu Borrower Hedging Agreement, Pari Passu Issuer Hedging Agreement and Pari Passu Issuer/Borrower Hedging Agreement (as applicable).

Pari Passu Hedging Transaction means a transaction pursuant to which the Issuer and/or the Borrower enter into Pari Passu Hedges pursuant to a Pari Passu Hedging Agreement.

Pari Passu Issuer Hedge Counterparty means an Issuer Hedge Counterparty that is party to a Pari Passu Issuer Hedging Agreement.

Pari Passu Issuer Hedges means each Issuer Hedge that forms part of and is subject to a Pari Passu Issuer Hedging Agreement, as further described in Paragraph 5 of Schedule 5 (Hedging Policy and Overriding Provisions relating to Hedging Agreements) to the CTA.

Pari Passu Issuer Hedging Agreement means each ISDA Master Agreement, including all Treasury Transactions forming part thereof and subject thereto, between the Issuer and an Issuer Hedge Counterparty, that is designated a "Pari Passu Issuer Hedging Agreement" in the schedule to such ISDA Master Agreement as further described in Paragraph 5 of Schedule 5 (Hedging Policy and Overriding Provisions relating to Hedging Agreements) to the CTA.

Pari Passu Issuer/Borrower Hedges means each Treasury Transaction forming part of and subject to a Pari Passu Issuer/Borrower Hedging Agreement.

Pari Passu Issuer/Borrower Hedging Agreement means each ISDA Master Agreement, including all Treasury Transactions forming part thereof and subject thereto, between the Issuer and the Borrower designated a "Pari Passu Issuer/Borrower Hedging Agreement" in the schedule to such ISDA Master Agreement.

Participating Junior Creditor means the applicable providers of facilities to the Junior Issuer and the Junior Noteholders (or any one of them).

Participating Member State means a member state of the European Union that adopts or has adopted the euro as its lawful currency under the legislation of the European Union for European Monetary Union.

Participating Secured Creditors means the Qualifying Secured Creditors which actually participate in a vote on any STID Proposal or other matter pursuant to the STID.

Paying Agents means the Principal Paying Agent, Deutsche Bank Trust Company Americas as a paying agent to the Issuer and any further paying agents appointed to the Issuer pursuant to the Agency Agreement.

Payment Amount means such amount as results from multiplying the amount of tax losses surrendered by the full percentage rate of UK corporation tax in force for the accounting period in respect of which the surrender is made, **PROVIDED THAT** where there is more than one rate of corporation tax in force for an accounting period, the Payment Amount shall be calculated by reference to a weighted average of the corporation tax rates in force in such period calculated on a time basis.

Payment Date means each date on which a payment is made or is scheduled to be made by an Obligor in respect of any obligations or liability under any Authorised Facility except that Payment Date, wherever used in relation to (i) the Liquidity Facility Agreement, means each date on which a payment is made or scheduled to be made solely by AF No 1 under any Authorised Facility and (ii) the Common Terms Agreement, means 30 June and 31 December in each year, or in each case, if such date is not a Business Day, the preceding Business Day.

Permitted Acquisitions are the following acquisitions:

(a) an acquisition of property or assets or a contract to supply goods and/or services by or the grant of a lease or licence to the relevant Obligor for use in or to form part of or for the purposes of a Permitted Business, but excluding any interest in any partnership or joint venture other than a Permitted Joint Venture and any shares in any company other than pursuant to paragraph (e) below, in each case made in the ordinary course of business and on arm's length terms and for bona fide commercial purposes of the Permitted Business;

(b) an acquisition or holding of Authorised Investments made on arm's length terms;

(c) an acquisition on arm's length terms of assets required to replace surplus, obsolete, redundant, worn-out, damaged or destroyed assets which, in the reasonable opinion of the relevant Obligor, are required for the operation of its Permitted Business;

(d) the establishment or acquisition of or subscription for shares or ownership interests in or securities of any company or other person, including any interest in any partnership or joint venture, made on arm's length terms in furtherance of the relevant Obligor's statutory and regulatory obligations;

(e) an acquisition on arm's length terms of all of the issued shares in any company, provided that such company carries on a Permitted Business and (if required) accedes to the Common Documents as an Obligor;

(f) an acquisition on arm's length terms of a Permitted Joint Venture;

(g) any acquisition pursuant to a Permitted Tax Transaction;

(h) any acquisition of assets as part of Capex, including Maintenance Capex and, in the case of Growth Capex, provided in accordance with the Growth Capex covenant set out in Paragraph 2 of Part 7 (Capex Expenditure) of Schedule 2 (Covenants) to the CTA);

(i) any acquisition of assets that is an operating expense of the relevant Obligor;

(j) any licence renewal or purchase on arm's length terms as part of a Permitted Business;

(k) for so long as a Trigger Event is not continuing (unless the relevant acquisition has been contractually committed to prior to the occurrence of the Trigger Event), any acquisition on arm's length terms in the ordinary course of trading where the consideration payable (when taken together with the consideration paid for any other acquisitions pursuant to this paragraph (k)) does not exceed £20 million (RPI indexed) in any financial year;

(l) the establishment or acquisition of or subscription for shares or ownership interests in any company as part of a corporate reorganisation of the Senior Financing Group (including the insertion of any new holding companies or any tax restructurings), provided that the Principal Subsidiaries Test will be met on the next Test Date and equivalent security is provided over such companies after such reorganisation as is provided by the Obligors before such reorganisation;

(m) any acquisition of property or assets or a contract to supply goods and/or services from or grant of a lease or licence by another Senior Financing Group Company (including as part of a corporate reorganisation of the Senior Financing Group pursuant to paragraph (l) above) provided that equivalent security is provided over such property, assets, contracts, leases or licences as is provided before such acquisition of property or assets or contract or grant of such lease or licence (if any);

(n) any capitalisation by way of the issue of shares of any Permitted Senior Financing Group Loans;

(o) the exercise by Now Digital Limited of its option to acquire additional shares in Now Digital (East Midlands) Limited;

(p) any acquisition made in accordance with a Remedial Plan; or

(q) any acquisition made with the consent of the Obligor Security Trustee,

provided that in respect of Paragraphs (a) and (e) above only,

(i) other than in respect of any such acquisition funded from Additional Equity or Subordinated Debt, the Historic Trigger Event Financial Covenant Ratios were not breached for the Test Period ending on (and including) the immediately preceding Test Date;

(ii) other than in respect of any such acquisition funded from Additional Equity or Subordinated Debt, no other Trigger Event has occurred and is continuing unless such acquisition has been contractually committed to prior to the occurrence of the Trigger Event;

(iii) the relevant Obligor or the Borrower on its behalf has certified to the Obligor Security Trustee that such acquisition will not cause any of the Projected Trigger Event Financial Covenant Ratios to be breached for a period of 36 months commencing on (but excluding) such Test Date (calculated on a pro forma basis to take into account (without double counting) (A) the earnings from (i) the asset which is the subject of the Permitted Acquisition (ii) any asset acquired on or following such Test Date to the date of the pro forma calculation and (iii) any asset for which as at the date of the pro forma calculation a member of the Senior Financing Group is subject to a binding obligation to acquire on or following the pro forma calculation date to the end of such period, in each case from the start of the Test Period or (without double counting) to exclude the earnings from (i) any asset disposed of since such Test Date to the date of the pro forma calculation and (ii) any asset for which as the date of the pro forma calculation a member of the Senior Financing Group is subject to a binding obligation to dispose of on or following the pro forma calculation date to the end of such period of, in each case for the entire Test Period and (B) for the avoidance of doubt, Senior Debt incurred or projected to be incurred in connection with any acquisition referred to in (A) above; and

(iv) the sum of the last reported annual EBITDA for all acquisitions (other than pursuant to a Permitted Joint Venture) made in the most recent 3 financial years does not exceed 5% of the aggregate EBITDA for the most recent 3 financial years.

Permitted Business means owning and/or developing and/or operating broadcasting, media distribution and communications infrastructure, networks and spectrum and any business complimentary thereto in each case.

Permitted Disposals means any sale, lease, licence, transfer or other disposal which:

(a) is made in connection with an arm's length transaction entered into for bona fide commercial purposes of the Permitted Business;

(b) is a lease or licence in the ordinary course of business;

(c) is of assets in exchange for other assets comparable or superior as to type, value and quality;

(d) is of equipment pursuant to or to be leased under a Finance Lease permitted by the Obligor Transaction Documents;

(e) arises as a result of any Permitted Security Interest;

(f) is a disposal of any surplus, obsolete, redundant, worn out, damaged or destroyed assets;

(g) is a disposal which is a Permitted Tax Transaction;

(h) is of Authorised Investments:

  (i) for cash in the ordinary course of trading; or

  (ii) in exchange for other Authorised Investments;

(i) is of trading stock or Cash in the ordinary course of trading;

(j) is a Restricted Payment permitted by the Obligor Transaction Documents;

(k) is a disposal of assets to a partnership or joint venture made on arm's lengths terms in furtherance of the relevant Obligor's statutory and regulatory obligations or any other disposal, divestment step or course of conduct or obligation required by any regulatory, merger control or competition authority;

(l) is a disposal of equipment upon the termination of any contract entered into by the relevant Obligor in the ordinary course of business and, in each case, in connection with an arm's length transaction entered into for bona fide commercial purposes of the Permitted Business;

(m) is in the ordinary course of trading where the consideration received (when taken together with the consideration received for any other disposals pursuant to this Paragraph (m)) does not exceed £20 million (RPI indexed) in any financial year;

(n) constitutes the winding-up or transfer of or reduction in the capital of any company as part of a solvent liquidation or corporate reorganisation of the Senior Financing Group (including the removal of any holding companies or any tax restructurings), provided that payments or assets distributed as a result thereof are distributed to another Senior Financing Group Company and following such winding-up, transfer or reduction in capital equivalent security is provided as is provided by the Obligors before such winding-up, transfer or reduction in capital (if any);

(o) constitutes any sale, lease, licence, transfer or other disposal to another Senior Financing Group Company (including as part of a corporate reorganisation of the Senior Financing Group pursuant to paragraph (n) above), provided that equivalent security is provided over such property, assets, contracts, leases or licences as is provided by the Obligors before such disposal (if any); or

(p) is a disposal made with the prior written consent of the Obligor Security Trustee,

provided that in the case of paragraph (a) above only (but subject to the ability to make a Disposal Cure pursuant to paragraph 6 (Permitted Disposal) of Part 2 (Trigger Event Consequences) of Schedule 3 (Trigger Events) of the CTA), except to the extent such sale, lease, licence, transfer or other disposal is made in accordance with the Disposal Cure covenant:

  (i) the Historic Trigger Event Financial Covenant Ratios were not breached as at the immediately preceding Test Date for the Test Period ending on (and including) such Test Date and the relevant Obligor or the Borrower on its behalf has certified to the Obligor Security Trustee that such disposal will not cause any of the Projected Trigger Event Financial Covenant Ratios to be breached for a period of 36 months commencing on (but excluding) such Test Date (calculated on a pro forma basis to take into account (without double counting) (A) the earnings from (i) any asset acquired on or following such Test Date to the date of the pro forma calculation and (ii) any asset for which at the date of the pro forma calculation a member of the Senior Financing Group is subject to a binding obligation to acquire on or following the pro forma calculation date to the end of such period, in each case from the start of the Test Period or (without double counting) to exclude the earnings from (i) the asset which is the subject of the Permitted Disposal, (ii) any asset disposed of since such Test Date to the date of the pro forma calculation and (iii) any asset for which as the date of the pro-forma calculation a member of the Senior Financing Group is subject to a binding obligation to dispose of on or following the pro-forma calculation date to the end of such period, in each case for the entire Test Period and (B) for the avoidance of doubt, Senior Debt incurred or projected to be incurred in connection with any acquisition referred to in (A) above);

  (ii) no other Trigger Event has occurred and is continuing unless such disposal has been contractually committed to prior to the occurrence of the Trigger Event; and

  (iii) the sum of the last reported EBITDA for all disposals made in the most recent 3 financial years does not exceed 5% of the aggregate EBITDA for the most recent 3 financial years.

Permitted Facility means a facility made available to the Borrower by a Permitted Facility Provider on a bilateral basis and on normal commercial terms in addition to a Borrower Bank Facility Provider's participation in the Borrower Bank Facilities and which, when aggregated with all other facilities made available by a Permitted Facility Provider, do not exceed in aggregate £50,000,000.

Permitted Facility Agreement means the agreement under which the Permitted Facility is provided.

Permitted Facility Provider means a consenting Borrower Bank Facility Provider or affiliate of a Borrower Bank Facility Provider or another provider thereof that has acceded to the STID and the Common Documents and which provides the Permitted Facility to the Borrower pursuant to the Permitted Facility Agreement.

Permitted Finance Lease means:

(a) Finance Leases existing prior to the Closing Date; and

(b) Finance Leases entered into by a Senior Financing Group Company on or following the Closing Date, if such Finance Lease:

 (i) does not result in the total capitalised amount of all Finance Leases entered into by the Senior Financing Group Companies exceeding £50 million (RPI indexed) when entered into; and

 (ii) does not on its own have a capitalised amount in excess of 12.5% of EBITDA of the Senior Financing Group or when added to the capitalised amount of the then existing Finance Leases would not exceed an aggregate capitalised amount of 12.5% of EBITDA.

Permitted Financial Indebtedness means:

(a) Senior Debt incurred under the Borrower Facilities entered into on the Closing Date (including any drawings on or following the Closing Date under the Capex Facility, the Working Capital Facility and/or the Liquidity Facility) and the Finance Leases existing prior to the Closing Date;

(b) Senior Debt incurred to refinance the Senior Debt referred to in Paragraph (a) above (or any Senior Debt which previously refinanced the Senior Debt referred to in Paragraph (a) above), including the extension of the Final Maturity Date of the Borrower Facilities entered into on the Closing Date or the entry into of new Borrower Facilities following the Closing Date, provided that:

 (i) if any such Senior Debt includes any corresponding New Term Financial Indebtedness the New Term Financial Indebtedness Ratings Requirements covenant is met;

 (ii) such Senior Debt satisfies the Maturity Concentration Limit covenant; and

 (iii) the Final Maturity Date of such Senior Debt does not fall before the Final Maturity Date of Facility A or Facility B;

(c) any Financial Indebtedness incurred under a Permitted Facility;

(d) any Financial Indebtedness incurred under a Permitted Treasury Transaction;

(e) any Financial Indebtedness incurred to fund mark-to-market termination payments in respect of any Hedge terminated in accordance with the Hedging Policy;

(f) any unsecured Financial Indebtedness provided that the aggregate of such Financial Indebtedness does not exceed £10 million (RPI indexed);

(g) Permitted Guarantees;

(h) Permitted Senior Financing Group Loans;

(i) any Financial Indebtedness under Permitted Finance Leases;

(j) Subordinated Debt;

(k) any Financial Indebtedness incurred in respect of trade credit in the ordinary course of trading;

(l) any Financial Indebtedness where BACs or similar daylight-banking facility is provided;

(m) any Financial Indebtedness incurred pursuant to the operation of cash-pooling, net balance or balance transfer arrangements made available to Senior Financing Group Companies or their bankers;

(n) any Financial Indebtedness incurred with the prior written consent of the Obligor Security Trustee; and

(o) any Financial Indebtedness under any Authorised Facility, provided that in regards to paragraph (b) (except to the extent already addressed by the proviso to paragraph (b) and (other than in respect of paragraphs (ii), (iv) and (viii) below), paragraph (e) (other than in respect of paragraph (iv) below) and paragraph (o) above:

(i) in respect of the incurrence of New Term Financial Indebtedness following the initial Closing Date, the New Term Financial Indebtedness Ratings Requirement covenant is met;

(ii) in respect of the Issuer/Borrower Loan corresponding to any Notes, such Notes are rated at least BBB− (or equivalent) by the Rating Agencies;

(iii) such Financial Indebtedness satisfies the Maturity Concentration Limit covenant;

(iv) a Trigger Event is not occurring and the Projected Trigger Event Financial Covenant Ratios would not be breached for a period of 36 months commencing on (but excluding) the immediately preceding Test Date as a result of such Financial Indebtedness;

(v) the provider of such Financial Indebtedness if not already party thereto has acceded to the Common Documents;

(vi) the Hedging Policy continues to be complied with;

(vii) (except in the case of any increase in the commitment under the Liquidity Facility or for Super Senior Borrower Hedges) such Financial Indebtedness ranks pari passu or subordinated to existing Senior Debt; and

(viii) no Obligor Event of Default has occurred and is continuing or would result from such Financial Indebtedness.

Permitted Guarantees means:

(a) guarantees in favour of contractual parties for performance or financial obligations (including, for the avoidance of doubt, under the Material Contracts), in each case given in the ordinary course of business and in connection with an arm's length transaction for bona-fide commercial purposes of the Permitted Business and not in respect of Financial Indebtedness;

(b) guarantees in favour of regulatory authorities, local authorities or customs authorities;

(c) any guarantee given in respect of any deficit in any pension scheme to the extent that the pension scheme is for the benefit of any directors, officers or employees of any Senior Financing Group Company;

(d) any guarantee given in respect of any netting or set-off arrangement permitted pursuant to the definition of Permitted Security Interest;

(e) any guarantee of any Financial Indebtedness permitted by the definition of Permitted Financial Indebtedness;

(f) guarantees given in respect of the liabilities of a Permitted Joint Venture;

(g) any endorsement of negotiable instruments in the ordinary course of trade;

(h) guarantees, performance or other similar bonds given or issued by a Senior Financing Group Company in respect of any obligation or liability of any other Senior Financing Group Company which is not incurred in breach of the Obligor Transaction Documents;

(i) any guarantee arising under the Obligor Security Documents or the Obligor Transaction Documents; and

(j) any guarantee not permitted by the preceding paragraphs provided that the aggregate liability (actual or contingent) of the Senior Financing Group under such guarantees does not exceed £10 million (RPI indexed) (or its equivalent) in aggregate at any time,

and not (in the case of (a) and (b) above) in respect of Financial Indebtedness.

Permitted Hedge Termination means the termination of a Hedging Agreement or Hedge in accordance with the applicable Hedging Policy.

Permitted Joint Venture means the entry into, investment in or acquisition of any Joint Venture where:

(a) the Joint Venture is (i) incorporated or established as at the Closing Date, (ii) a new Joint Venture where the amounts subscribed for in, lent to or invested in such new Joint Venture by the relevant Obligor is from Cash that would otherwise be available to the relevant Obligor to be distributed by way of a Restricted Payment, or (iii) a new Joint Venture where the amounts subscribed for in, lent to or invested in such new Joint Venture by the relevant Obligor is from Cash that is not available to be distributed by the relevant Obligor by way of a Restricted Payment, which when aggregated with the amounts subscribed for in, lent to or invested in all new Joint Ventures by all of the Obligors from Cash that is not available to be distributed in that financial year by any of the Obligors by way of a Restricted Payment, does not exceed £30 million (RPI indexed) (or its equivalent) in any rolling 5 year period prior to the latest occurring Final Maturity Date of the Senior Debt;

(b) the Joint Venture carries on its principal business in the United Kingdom;

(c) the Joint Venture is engaged in a Permitted Business; and

(d) in any financial year, the aggregate of:

(i) all amounts subscribed for shares in, lent to or invested in any such Joint Ventures by any Obligor;

(ii) the incurrence of or any increase in the contingent liabilities of any Obligor under any guarantee given in respect of liabilities of any such Joint Venture; and

(iii) the book value of assets transferred by any Obligor to any such Joint Venture,

does not exceed £20 million.

Permitted Security Interest means:

(a) any Security Interest created under the Obligor Security Documents or expressly contemplated by the Obligor Transaction Documents;

(b) any lien arising by operation of law or pursuant to a contractual arrangement and in the ordinary course of trading and not as a result of any default or omission by any Senior Financing Group Company;

(c) any netting or set-off arrangement or banker's lien on standard terms entered into by any Senior Financing Group Company in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances of members of the Senior Financing Group, but only so long as:

(i) such arrangement does not permit credit balances of any Senior Financing Group Company to be netted or set off against debit balances of any person which is not a Senior Financing Group Company; and

(ii) such arrangement does not give rise to other Security Interests over the assets of a Senior Financing Group Company in support of liabilities of any person which is not a Senior Financing Group Company;

(d) any netting or set-off arrangements under Permitted Treasury Transactions and across Issuer/Borrower Loans and Issuer/Borrower Hedges;

(e) any Security Interest or Quasi-Security over any rental deposits in respect of leasehold premises incurred in the ordinary course of trading;

(f) any Security Interest or Quasi-Security over goods and documents of title to such goods in the ordinary course of trading;

(g) a Security Interest arising under or contemplated by (i) any Finance Lease where the counterparty becomes party to the STID as a Finance Lessor or (ii) any Security Interest or Quasi-Security provided to a Finance Lessor to the extent such Finance Lessor does not accede to the Common Documents, provided that the aggregate amount secured by all such Security Interest or Quasi-Security shall not exceed £50 million (RPI indexed) (or its Equivalent Amount);

(h) any Security Interest or Quasi-Security over or affecting any asset of any company which becomes a member of the Senior Financing Group after the Closing Date, where the Security Interest or Quasi-

Security is created prior to the date on which that company becomes a member of the Senior Financing Group, if:

(i) the Security Interest or Quasi-Security was not created in contemplation of the acquisition of that company;

(ii) the principal amount secured has not been increased in contemplation of or since the acquisition of that company; and

(iii) the Security Interest or Quasi-Security is removed or discharged within six months of that company becoming a member of the Senior Financing Group;

(i) any Security Interest or Quasi-Security over or affecting any asset acquired on arm's length terms by a member of the Senior Financing Group after the Closing Date, if:

(i) the Security Interest or Quasi-Security was not created in contemplation of the acquisition of that asset by a member of the Senior Financing Group;

(ii) the principal amount secured has not been increased in contemplation of or since the acquisition of that asset by a member of the Senior Financing Group; and

(iii) the Security Interest or Quasi-Security is removed or discharged within six months of the date of acquisition of such asset;

(j) any Security Interest arising under any retention of title, hire purchase or conditional sale arrangement or arrangement having similar effect in respect of assets acquired by a member of the Senior Financing Group in the ordinary course of trading and on the supplier's standard and usual terms and not arising as a result of any default or omission by any member of the Senior Financing Group;

(k) any Quasi-Security arising as a result of a disposal which is a Permitted Disposal;

(l) any netting or set-off arrangements under supply contracts to any Senior Financing Group Company;

(m) any Security Interest permitted by the Obligor Security Trustee (acting in accordance with instructions received from the Qualifying Secured Creditors under the STID or (without obligation) in its absolute discretion);

(n) any Security Interest or Quasi-Security (existing as at the date of the CTA) over assets of any Senior Financing Group Company so long as the Security Interest or Quasi-Security is irrevocably released or discharged by no later than the Closing Date unless such Security Interest or Quasi-Security is permitted under any other paragraph of this definition;

(o) any Security Interest or Quasi-Security arising under statute or by operation of law in favour of any government, state or local authority in respect of taxes, assessments or government charges which are being contested by an Obligor in good faith and with a reasonable prospect of success;

(p) any Security Interest arising as a result of a lessee lien permitted pursuant to a lease by an Obligor; and

(q) any Security Interest created with the prior written consent of the Obligor Security Trustee.

Permitted Senior Financing Group Loans means Financial Indebtedness provided to and by members of the Senior Financing Group.

Permitted Tax Transaction means any surrender of tax losses or agreement relating to any tax benefit or relief (including, but not limited to, an election under section 171A of the Taxation of Chargeable Gains Act 1992) or any other agreement in relation to tax (including, but not limited to, the payment of any balancing payment pursuant to and in accordance with the provisions of section 195 to 198 inclusive of the Taxation (International and Other Provisions) Act 2010 and the allocation of disallowances pursuant to Part 7 of that Act) between:

(a) a Senior Financing Group Company and any other Senior Financing Group Company; or

(b) a Senior Financing Group Company and any Non-Senior Financing Group Company, provided in the case of this sub-paragraph (b) that:

(i) where the relevant transaction is a surrender of Tax losses (other than in the circumstances described at (ii) and (iii) below), this is for a sum at least equal to, in the case of a surrender by a

Senior Financing Group Company to a Non-Senior Financing Group Company, or no more than, in the case of a surrender by a Non-Senior Financing Group Company to a Senior Financing Group Company, the Payment Amount;

(ii) where the relevant transaction is a surrender of Tax losses to AF No 3, the surrender may be made for no consideration if the surrender to AF No 3 of the relevant losses will not result in the Senior Financing Group Companies having an anticipated aggregate tax liability which is a cash tax liability within 7 years following the date of the surrender, and will not reduce the quantum of tax losses specifically taken into account in the relevant cash flow model as necessary to ensure the adequacy of funds for servicing the Borrower Loans or the Notes;

(iii) where the relevant transaction is a surrender of Tax losses to a Senior Financing Group Company, the Senior Financing Group Company does not pay any consideration for the Tax losses if and to the extent that it can utilise the losses only by disclaiming capital allowances or would otherwise have been able to utilise its own Tax losses or Tax losses which are available to be surrendered to it by another Senior Financing Group Company in that accounting period; and

(iv) where the transaction is any transaction other than a surrender of Tax losses, it leaves the Senior Financing Group Companies, taken together, in no worse net economic position (taking into account, without limitation, the overall net Tax position of the Senior Financing Group Companies) than they would have been in had the transaction not taken place,

and that no surrender of Tax losses from any Senior Financing Group Company to any person which is not a Senior Financing Group Company for a consideration lower than the Payment Amount (or for no consideration) shall be permitted unless it has been approved by a resolution of the board of directors of Intermediate HoldCo in which an IH Independent Director forms part of the quorum for the meeting and has the power to vote on any board resolution of the Intermediate HoldCo in respect of such surrender.

Permitted Treasury Transaction means any Hedge and any Treasury Transaction that is not a Hedge, entered into by the Borrower or the Issuer (as applicable) for the purpose of hedging exposures to interest rates and foreign currency exchange rates arising in the ordinary course of the Arqiva Group's business (as applicable) and not for speculative purposes.

Primary Hedge shall have the meaning given to such term in the definition "Offsetting Hedge".

Principal Amount Outstanding means, in respect of a Note, on any day, the principal amount of that Note on the relevant Issue Date thereof less principal amounts received by the relevant Noteholder in respect thereof on or prior to that day.

Principal Paying Agent means Deutsche Bank AG, London Branch, or any successor thereto, appointed to act as the principal paying agent to the Issuer pursuant to the Agency Agreement.

Principal Subsidiaries means each of AUKBL, MUKBL Digital Limited, ATIL, Arqiva Holdings Limited, Arqiva Limited, Arqiva Services Limited, Arqiva No 2 Limited, Arqiva No 3 Limited and Arqiva Aerial Sites Limited and from time to time any other direct or indirect subsidiary of Operating HoldCo that has acceded to the CTA and the STID as an Obligor.

Principal Subsidiaries Test means for two consecutive Test Dates:

(a) the aggregate contribution to Group EBITDA (as calculated including inter-company trading profits and management recharges) of the Obligors shall not represent less than 98% of Group EBITDA; and

(b) the aggregate assets (as defined below) of the Obligors shall not represent less than 98% of the assets of the Senior Financing Group,

tested on the Compliance Certificate Date following the relevant Test Date by reference to the previous Test Period ending on such Test Date.

For the purposes of the Principal Subsidiaries Test, **assets** means total gross assets excluding:

(i) goodwill;

(ii) inter-company balances between members of the Arqiva Group;

(iii) investments in subsidiaries, associates and joint ventures; and

(iv) deferred tax assets,

but, for the avoidance of doubt, including the revaluation of fixed assets held within the Obligors with the revaluation policy only being adopted in the consolidated financial accounts of the Parent.

Projected Cashflow DSCR means the projected ratio of Cashflow to Debt Service which, for the purposes of the Trigger Event Financial Covenant Ratios, is calculated at each Test Date for each Projected Test Period.

Projected Cashflow ICR means the projected ratio of Cashflow to Net Interest Payable which, for the purposes of the Trigger Event Financial Covenant Ratios, is calculated at each Test Date for each Projected Test Period.

Projected Net Debt to EBITDA Ratio means the projected ratio of Net Debt to EBITDA which, for the purposes of the Trigger Event Financial Covenant Ratios, is calculated at each Test Date for each Projected Test Period.

Projected Test Period means the 12 months commencing on (but excluding the relevant Test Date).

Projected Trigger Event Financial Covenant Ratios means the Projected Cashflow DSCR, the Projected Cashflow ICR and the Projected Net Debt to EBITDA Ratio.

Programme means the note programme established by, or otherwise contemplated in, the Programme Agreement and the Note Trust Deed.

Programme Agreement means the agreement dated on or about the Signing Date between the Issuer, the Obligors and the Dealers named therein (or deemed named therein) concerning the purchase of Notes to be sold pursuant to the Programme together with any agreement for the time being in force amending, replacing, novating or modifying such agreement and any accession letters and/or agreements supplemental thereto.

Proposed Super Senior Trade Date means, in respect of a Super Senior Test Date, a date that is no less than two Local Business Days and no more than seven Local Business Days following such Super Senior Test Date, on which the Borrower and/or Issuer (as applicable) proposes to enter into a Super Senior Hedge with a Super Senior Hedge Counterparty.

Qualifying Debt means:

(a) each Issuer/Borrower Loan;

(b) each other Borrower Loan;

(c) each Pari Passu Borrower Hedging Agreement;

(d) each Issuer/Borrower Hedging Agreement; and

(e) each Pari Passu Issuer Hedging Agreement to the extent there is no corresponding Issuer/Borrower Hedge,

excluding for the purposes of paragraph (b) above, each Drawing and, other than in respect of Extraordinary Voting Matters, each Permitted Facility.

Qualifying Secured Creditors means one or more Obligor Secured Creditors (excluding Permitted Facility Providers, other than in respect of Extraordinary Voting Matters or matters that give rise to an Entrenched Right of the relevant Permitted Facility Provider) to whom Qualifying Debt is owed in each case to the extent entitled to vote on an Ordinary Voting Matter, Extraordinary Voting Matter, Entrenched Rights, Enforcement Instruction Notice or Further Enforcement Instruction Notice, as the case may be, in accordance with the STID.

Quasi-Security means any arrangement which effectuates:

(a) a sale, transfer or other disposal of any assets of any Obligor on terms whereby they are or may be leased to or re-acquired by any member of the Senior Financing Group;

(b) a sale, transfer or other disposal of any receivables of any Obligor on recourse terms;

(c) an entry into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or

(d) an entry into any other preferential arrangement having a similar effect, in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset or service.

Quorum Requirement means the required quorum in respect of voting matters, being one or more Participating Secured Creditors representing, in aggregate, at least the specified percentage (where applicable) of the Outstanding Principal Amount of all Qualifying Debt, where the specified percentages are set out in Clause 14.2 (Quorum Requirement for an Ordinary Voting Matter), 15.2 (Quorum Requirement for an Extraordinary Voting Matter), 18.3 (Quorum and voting requirements in respect of an Enforcement Instruction Notice and a Further Enforcement Instruction Notice) and 22(b) (Request for Directions), as relevant, of the STID.

Rate Hedges has the meaning given to it in Schedule 5 (Hedging Policy and Overriding Provisions relating to Hedging Agreements) to the CTA.

Rate Hedge Type has the meaning given to it in Schedule 5 (Hedging Policy and Overriding Provisions relating to Hedging Agreements) to the CTA.

Rating Agencies means the relevant rating agencies that are appointed by the Issuer from time to time, being at the Closing Date, Fitch and S&P.

Rating Downgrade Event means the rating downgrade event detailed in Paragraph 1 of Part 4 (Rating Downgrade Event) of Schedule 2 (Covenants) to the CTA.

Recovery Claim means a claim against the provider of any Report (in its capacity as a provider of that Report) received by a member of the Arqiva Group except for Excluded Report Recovery Proceeds, and after deducting:

(a) any reasonable expenses which are incurred by such member of the Arqiva Group with respect to that Report; and

(b) any Tax incurred and required to be paid or payable by such member of the Arqiva Group in connection with that recovery (as reasonably determined by the relevant member of the Arqiva Group on the basis of existing rates and taking into account any available credit, deduction or allowance),

in each case in relation to that claim.

Registrar means Deutsche Bank Trust Company Americas, or any successor or replacement thereto, appointed to act as the registrar to the Issuer.

Remedial Plan means, in respect of a Trigger Event continuing for 6 months or more, any plan for remedial action acceptable to the Obligor Security Trustee (acting on the instructions of the Qualifying Secured Creditors which are owed Qualifying Debt having an aggregate Outstanding Principal Amount of at least 20% of the aggregate Outstanding Principal Amount of all Qualifying Debt).

Report means each of:

(a) the auditors' reports in respect of the Obligors for the financial years ended 30 June 2011 and 30 June 2012;

(b) the model audit report by Ernst & Young LLP dated on or before the Closing Date in relation to the Base Case Model;

(c) due diligence report dated 15 March 2012 and addendum report dated 10 May 2012 prepared by Deloitte LLP in relation to, amongst other matters, the Arqiva Group; and

(d) the security review, memorandum and accompanying schedules by Allen & Overy LLP dated on or about the Signing Date,

in each case as dated and delivered pursuant to the CP Agreement.

Report Recovery Proceeds means the proceeds of a Recovery Claim.

Reserved Matters means those matters which, in accordance with Schedule 3 (Reserved Matters) of the STID, an Obligor Secured Creditor is free to exercise in accordance with its own debt instrument.

Restricted Payments means any payments (including distributions, dividends, bonus issues, return of capital, fees, interest, principal or other amounts whatsoever) by way of loan or repayment of any loan or otherwise (in cash or in kind) by any Senior Financing Group Company to any Senior Group Holding Company, any other Non-Senior Financing Group Company (other than the Issuer or FinCo) or any Shareholder (in each case other than pursuant to or in accordance with the Obligor Transaction Documents) other than:

(a) payments made pursuant to any contract for the provision to any Senior Financing Group Company of any lease, licence, goods or services (other than management services pursuant to paragraph (b) below) provided on arm's length terms or better than arm's length terms from the perspective of such Senior Financing Group Company;

(b) payments made for the provision of management services and which are entered into on bona fide arm's length terms and in the ordinary course of trading to the extent that the aggregate of all such payments together with all payments made pursuant to paragraph (d) below does not exceed £1 million (RPI indexed) in any consecutive twelve month period, provided that no such payment may be made to meet general corporate purposes of any Senior Group Holding Company or any other Non-Senior Financing Group Company;

(c) payments made pursuant to a Permitted Tax Transaction;

(d) any payments of insurance premiums to a captive insurer that are on arm's length terms;

(e) any payment made by a Senior Financing Group Company not otherwise permitted above if the amount of that payment when aggregated with the amount of all other payments made under this paragraph (e) together with all payments made pursuant to paragraph (b) above does not exceed £1 million (RPI indexed) (or its equivalent) in any consecutive twelve month period; and

(f) any payments made on the Closing Date pursuant to the Structure Paper.

Restructured Hedges means the Restructured Inflation Linked Hedges.

Restructured Inflation Linked Hedge means each Inflation Linked Hedge which prior to the Closing Date was (but, for the avoidance of doubt, as at the date of this Agreement, no longer is) an Existing Inflation Linked Hedge and whose commercial terms have been amended on or about the Closing Date.

Retail Price Index or **RPI** means the UK Retail Price Index as published by the UK Office for National Statistics (or if the UK Office for National Statistics ceases to exist, its successor).

Risk Weighted Notional Amount means, in respect of any Super Senior Test Date or Proposed Super Senior Trade Date in respect of such Super Senior Test Date, the sum of the following amounts determined in each case in respect of the relevant Super Senior Test Date (such that, for the avoidance of doubt, the Risk Weighted Notional Amount in respect of a Proposed Super Senior Trade Date will be the same as the Risk Weighted Notional Amount in respect of the relevant Super Senior Test Date):

(a) an amount (that shall be subject to a minimum of zero) equal to:

   (i) the aggregate sum of the amounts that would be payable to each Super Senior Borrower Hedge Counterparty and each Super Senior Issuer Hedge Counterparty (as applicable) by the Borrower and/or the Issuer (as applicable); less

   (ii) the aggregate sum of the amounts that would be payable by each Super Senior Borrower Hedge Counterparty and each Super Senior Issuer Hedge Counterparty (as applicable) to the Borrower and/or the Issuer (as applicable),

   in each case pursuant to Section 6(e) of the relevant Hedging Agreement (assuming an Early Termination Date had been designated in respect of all transactions under such Hedging Agreement then outstanding) (which, for the avoidance of doubt, shall be the amount notified in a Mark Statement pursuant to subparagraph 13.3 or calculated pursuant to subparagraphs 13.4 or 13.5 (as applicable) of this Issuer/Borrower Hedging Policy; and

(b) the sum of:

   (i) an amount equal to the product of (i) 35% and (ii) the aggregate of the notional amount of each proposed Super Senior Hedge that is an Interest Rate Hedge;

   (ii) an amount equal to the product of (i) 140% and (ii) the aggregate notional amount of each proposed Super Senior Hedge that is an Inflation Linked Hedge; and

   (iii) an amount equal to the product of (i) 65% and (ii) the aggregate notional amount of each proposed Super Senior Hedge that is a Currency Hedge, provided that for the purposes of determining the Super Senior Hedge outstanding on such Super Senior Test Date, the following will not be included (A) in respect of the amount calculated pursuant to subparagraph (b) of the definition of Risk Weighted Notional Amount above, any Offsetting Hedges and any Hedges which have been offset by such Offsetting Hedges, and (B) any Overlay Hedges.

S&P means Standard & Poor's Ratings Services, a division at Standard & Poor's Credit Market Services Europe Limited and any successor to its rating business.

S&P Required Rating means a long-term unsecured and unsubordinated debt obligations rating of at least A- by S&P, provided that if the relevant entity has a long-term unsecured and unsubordinated debt obligations rating of A− by S&P such entity must not be on credit watch negative (or equivalent).

Scottish Security Deeds means the individual Standard Securities granted in favour of the Obligor Security Trustee executed on or about the Closing Date.

Secured Creditor Representative means, in respect of a Secured Creditor, its representative for the purposes of the STID and the CTA which, in respect of the Hedge Counterparties, will be each individual Hedge Counterparty who will vote (if applicable) individually representing themselves.

Secured Creditors means the Obligor Secured Creditors and the Issuer Secured Creditors.

Security Deed means the deed of charge and guarantee executed in favour of the Obligor Security Trustee by each of the Obligors on or about the Closing Date.

Security Documents means:

(a) the Security Deed;

(b) the STID and each deed of accession thereto, together with any Supplemental Deed;

(c) the Scottish Security Deeds;

(d) the Jersey Security;

(e) the Northern Irish Security Agreement; and

(f) any other document evidencing or creating security over any asset of an Obligor to secure any obligation of any Obligor to an Obligor Secured Creditor in respect of the Obligor Secured Liabilities.

Security Interest means any mortgage, standard security, pledge, lien, charge (fixed or floating), assignment, assignation, hypothecation, set-off or trust arrangement for the purpose of creating security, reservation of title or security interest or any other agreement or arrangement having a substantially similar effect.

Senior Debt means any Financial Indebtedness of the Senior Financing Group that is not Subordinated Debt, including:

(a) under the Issuer/Borrower Facilities;

(b) under the Borrower Bank Facilities;

(c) under any Ancillary Facilities;

(d) under any Permitted Facilities;

(e) under any other Authorised Facilities;

(f) the capitalised values of any Finance Leases; and

(g) under any Treasury Transactions (including any Offsetting Hedge Annuity).

Senior Financing Group means the Parent, the Intermediate Parent, the Borrower and all of the Borrower's direct and indirect subsidiaries (but excluding, for the avoidance of doubt, the Issuer and FinCo).

Senior Financing Group Company means each member of the Senior Financing Group.

Senior Group Holding Company means the Holding Companies of the Parent, which as at the Closing Date are Intermediate HoldCo, AF No 2, the Junior Parent, AF No 3 and AGL.

Series means a Tranche of Notes together with any further Tranche or Tranches of Notes which are:

(a) expressed to be consolidated and form a single series; and

(b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices and the expressions **Notes of the relevant Series, holders of Notes of the relevant Series** and related expressions shall be construed accordingly.

Shareholder means, as at the Closing Date, the Initial Shareholders and from time to time, the shareholders in AGL.

Signing Date means 22 February 2013, the date upon which the Issuer Transaction Documents, the Common Documents and other relevant Obligor Transaction Documents have been entered into by all the parties thereto.

Smart Metering means the national programme to establish a communications system (a) to connect a new generation of electricity and gas meters in domestic and some non-domestic premises with energy utility companies so as to monitor the consumption of utilities and (b) to communicate such consumption to the relevant utility company for monitoring and billing purposes.

Specified Interest Payment Date means, if applicable, as specified in the applicable Final Terms.

standard security means a standard security as defined in Part II of the Conveyancing and Feudal Reform (Scotland) Act 1970.

Standby Drawing means the principal amount of each drawing made from an Affected Liquidity Facility Provider under Clause 3 of the Liquidity Facility Agreement or the principal amount outstanding of that drawing.

Stated Maturity means, with respect to any Cash Equivalent, the date specified in such obligation as the fixed date on which the final payment or repayment of principal of such obligation is due and payable.

STID or **Security Trust and Intercreditor Deed** means the security trust and intercreditor deed setting out the voting and intercreditor arrangements amongst the Secured Creditors entered into on or about the Signing Date between, among others, the Obligor Security Trustee, the Obligors, the Issuer Security Trustee and the Note Trustee, together with any deed supplemental to the STID and referred to in the STID as a **Supplemental Deed**.

STID Proposal means a proposal or request made by the Obligor in accordance with the STID proposing or requesting the Obligor Security Trustee to concur in making any modification, giving any consent or granting any waiver under or in respect of any Common Document.

STID Voting Request has the meaning given to it in Clause 12.7 (STID Voting Request) of the STID.

Subordinated Debt means initially any Financial Indebtedness outstanding under the Subordinated Loan Agreements and from time to time any further Financial Indebtedness incurred by the Parent to Intermediate HoldCo that ranks subordinate to the Senior Debt pursuant to the Common Documents.

Structure Paper means the steps paper in the agreed form, setting out certain transactions to be entered into in connection with the refinancing.

Subordinated Lender means either Intermediate HoldCo in its capacity of providing the Subordinated Loans to the Parent to be on-lent by the Parent to the Intermediate Parent and by the Intermediate Parent to the Borrower.

Subordinated Loan Agreements means the agreements dated on or about the Signing Date under which the Subordinated Loans are provided.

Subordinated Loans means the loans made by the Subordinated Lender to the Borrower via the Parent and the Intermediate Parent.

Subscription Agreement means an agreement supplemental to the Programme Agreement (by whatever name called) in or substantially in the form set out in Schedule 5 (Pro Forma Subscription Agreement) to the Programme Agreement or in such other form as may be agreed between the Issuer and the Lead Manager or one or more Dealers (as the case may be).

Subsidiary means a subsidiary within the meaning of section 1159 of the Companies Act and, unless the context otherwise requires, a subsidiary undertaking within the meaning of section 1162 of the Companies Act, in each case which, for this purpose, shall be treated as including any person the shares or ownership interests in which are subject to any Security Interest and where the legal title to the shares or ownership interests so secured are registered in the name of the secured party or its nominee pursuant to such Security Interest.

Super Senior Borrower Hedge Counterparty means a Hedge Counterparty that is party to a Super Senior Borrower Hedging Agreement.

Super Senior Borrower Hedges means each Borrower Hedge forming part of and subject to a Super Senior Borrower Hedging Agreement, as further described in Paragraph 5 of Schedule 5 (Hedging Policy and Overriding Provisions relating to Hedging Agreements) to the CTA.

Super Senior Borrower Hedging Agreement means each Agreed Form Borrower Master Agreement, including all Treasury Transactions forming part thereof and subject thereto, between the Borrower and a Borrower Hedge Counterparty, that is designated a "Super Senior Borrower Hedging Agreement" in the schedule to that Agreed Form Borrower Master Agreement, as further described in Paragraph 5 of Schedule 5 (Hedging Policy and Overriding Provisions relating to Hedging Agreements) to the CTA.

Super Senior Ceiling means an amount equal to the product of (a) 50% and (b) the aggregate outstanding principal amount of the Notes and the Borrower Loans (excluding any Issuer/Borrower Loans).

Super Senior Hedge Counterparty means a Hedge Counterparty that is party to a Super Senior Borrower Hedging Agreement, a Super Senior Issuer Hedging Agreement or a Super Senior Issuer/Borrower Hedging Agreement.

Super Senior Hedges means the Super Senior Borrower Hedges, the Super Senior Issuer Hedges and the Super Senior Issuer/Borrower Hedges.

Super Senior Hedging Agreement means each Super Senior Borrower Hedging Agreement, each Super Senior Issuer Hedging Agreement and each Super Senior Issuer/Borrower Hedging Agreement.

Super Senior Issuer Hedge Counterparty means a Hedge Counterparty that is party to a Super Senior Issuer Hedging Agreement.

Super Senior Issuer Hedges means each Issuer Hedge forming part of and subject to a Super Senior Issuer Hedging Agreement, as further described in Paragraph 5 of Schedule 5 (Hedging Policy and Overriding Provisions relating to Hedging Agreements) to the CTA.

Super Senior Issuer Hedging Agreement means each ISDA Master Agreement, including all Treasury Transactions forming part thereof and subject thereto, between the Issuer and an Issuer Hedge Counterparty, that is designated a "Super Senior Issuer Hedging Agreement" in the schedule to that ISDA Master Agreement, as further described in Paragraph 5 of Schedule 5 (Hedging Policy and Overriding Provisions relating to Hedging Agreements) to the CTA.

Super Senior Issuer/Borrower Hedge means each Treasury Transaction forming part of and subject to a Super Senior Issuer/Borrower Hedging Agreement.

Super Senior Issuer/Borrower Hedging Agreement means each ISDA Master Agreement, including all Treasury Transactions forming part thereof and subject thereto, between the Issuer and the Borrower, that is designated a "Super Senior Issuer/Borrower Hedging Agreement" in the schedule to such ISDA Master Agreement.

Super Senior Test Date means, a date notified by the Borrower and/or Issuer (as applicable) to each Super Senior Hedge Counterparty in accordance with subparagraph 13.2 of the Issuer/Borrower Hedging Policy.

Tax means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any related penalty or interest) and **taxes, taxation, taxable** and comparable expressions will be construed accordingly.

Tax Deed of Covenant means a tax deed of covenant to be entered into on or about the Closing Date by the Tax Obligors, the Obligor Security Trustee, the Issuer Security Trustee and the Note Trustee, covering, in particular, the past, present and future grouping and other tax-related arrangements of the Borrower, the Issuer and FinCo.

Tax Obligors means the Issuer, FinCo, the Borrower, the Parent, the Intermediate Parent and the Intermediate HoldCo.

Test Date means 30 June and 31 December in each year commencing with the Test Date occurring on 30 June 2013.

Test Period means the 12 month period ending on (and including) the relevant Test Date.

Tranche means a tranche in which a Series is issued where the specific terms of such a tranche are identical in all respects (save for the Issue Dates, Interest Commencement Dates and/or Issue Prices) to the terms of the other tranches of the same Series.

Transaction Documents means:

(a) each Obligor Transaction Document; and

(b) each Issuer Transaction Document.

Transfer Agent means Deutsche Bank Trust Company Americas, or any successor thereto, appointed to act as the transfer agent to the Issuer.

Treasury Transaction means any currency or interest rate purchase, cap or collar agreement, forward rate agreement, interest rate agreement, index linked agreement, interest rate or currency or future or option contract, foreign exchange or currency purchase or sale agreement, interest rate swap, currency swap, basis rate swap or combined similar agreement, any energy, oil or other commodity derivative transaction or any derivative transaction protecting against or benefiting from fluctuations in any rate, index or price.

Treaty means the Treaty establishing the European Community, as amended from time to time.

Trigger Event Consequences means the consequences which will apply if a Trigger Event occurs and is continuing, identified as such in Part 2 (Trigger Event Consequences) of Schedule 3 (Trigger Events) of the CTA.

Trigger Event Financial Covenant Ratios has the meaning given to it in Paragraph 1.1 of Part 1 (Trigger Events) of Schedule 3 (Trigger Events) to the CTA.

Trigger Events means any of the events or circumstances identified as such in Part 1 (Trigger Events) of Schedule 3 (Trigger Events) to the CTA.

Unused Disposal Proceeds has the meaning given to it in Paragraph 5 of Part 5 (Mandatory Prepayment and Voluntary Prepayment) of Schedule 2 (Covenants) to the CTA.

Unused Insurance Proceeds has the meaning given to it in Paragraph 5 of Part 5 (Mandatory Prepayment and Voluntary Prepayment) of Schedule 2 (Covenants) to the CTA.

Unused Proceeds means the Unused Disposal Proceeds, the Report Recovery Proceeds and the Unused Insurance Proceeds.

Voted Qualifying Debt means the Outstanding Principal Amount of the Qualifying Debt of the Participating Secured Creditors voting in accordance with the STID.

Working Capital Facility means the Initial Working Capital Facility and any future facility made available to the Borrower to fund its working capital needs.

Working Capital Facility Providers means the Initial Working Capital Facility Providers and any other bank or financial institution which provide the Borrower with revolving facilities and which accede to the CTA and the STID after the Signing Date.

FORMS OF THE NOTES

Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the **Global Note**). The Global Note will be deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for Euroclear and Clearstream, Luxembourg.

Persons holding beneficial interests in the Global Note will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of the Global Note will, in the absence of provision to the contrary, be made to the person shown on the register as the registered holder of the Global Notes. None of the Issuer, any Paying Agent, the Note Trustee or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the register on the relevant Record Date immediately preceding the due date for payment in the manner provided in *Condition 7 (Payments)*.

Interests in a Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Notes only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor Clearing System satisfactory to the Note Trustee is available. The Issuer will promptly give notice to Noteholders in accordance with *Condition 15 (Notices)* if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Global Note) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the notice by the Registrar.

Transfer of Interests

Interests in a Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Global Note. No beneficial owner of an interest in a Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. **The Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions (see "*Plan of Distribution*")**.

General

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative Clearing System may otherwise be approved by the Issuer, the Principal Paying Agent and the Note Trustee.

No Noteholder shall be entitled to proceed directly against the Issuer unless the Note Trustee or the Security Trustee, as the case may be, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

The Issuer may agree with any Joint Global Coordinator and Joint Bookrunner that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a new offering memorandum or a supplement to this Offering Memorandum, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Provisions Relating to the Notes while in Global Form

Global Notes will contain provisions that apply to the Notes which they represent, some of which modify the effect of the Conditions of the Notes as set out in this Offering Memorandum. The following is a summary of certain of those provisions:

- *Meetings:* The holder of a Global Note shall be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Global Note shall be treated as having one vote in respect of each minimum denomination of Notes for which such Global Note may be exchanged.
- *Cancellation:* Cancellation of any Note represented by a Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant Global Note.
- *Notices:* So long as any Notes are represented by a Global Note and such Global Note is held on behalf of Euroclear, Clearstream, Luxembourg or any other relevant Clearing System, notices to the Noteholders may be given, subject always to listing requirements, by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or any other relevant Clearing System for communication by it to entitled Accountholders in substitution for publication as provided in the Conditions. Such notices shall be deemed to have been received by the Noteholders on the date of delivery to such Clearing Systems.

BOOK-ENTRY CLEARANCE PROCEDURE

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg (together, the **Clearing Systems***) currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Note Trustee nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Custodial and depositary links have been established between Euroclear and Clearstream, Luxembourg to facilitate the issue of the Notes and cross-market transfers of the Notes associated with secondary market trading. Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Investors may hold their interests in Global Notes directly through Euroclear or Clearstream, Luxembourg as direct participants or indirectly as indirect participants.

Book-entry ownership

Each Global Note will have an ISIN and a common code and will be deposited with, or on behalf of, a common depositary and registered in the name of the nominee of the common depositary for Euroclear and Clearstream.

Payments and relationship of participants with Clearing Systems

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note represented by a Global Note must look solely to Euroclear or Clearstream, Luxembourg (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg. The Issuer expects that, upon receipt of any payment in respect of Notes represented by a Global Note, the common depositary, by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant Clearing System with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant Clearing System or its nominee. The Issuer also expects that payments by direct participants in any Clearing System to owners of beneficial interests in any Global Note held through such direct participants in any Clearing System will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note in respect of each amount so paid.

Settlement and transfer of Notes

Transfers of any interests in Notes represented by a Global Note within Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant Clearing System. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form.

Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Global Notes among participants and accountholders of Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Note Trustee, the agents or any Joint Global Coordinator and Joint Bookrunner will be responsible for any performance by Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

DESCRIPTION OF THE ISSUER

The Issuer, Arqiva Broadcast Finance plc, was incorporated in England and Wales on 19 December 2012. The Issuer was incorporated under the Companies Act 2006, as amended, as a public company of unlimited duration and with limited liability. Its registered number is 08336342. The Issuer is and always intends to be resident in the United Kingdom for tax purposes.

The Issuer's registered office is at Crawley Court, Winchester, Hampshire SO21 2QA, where the Issuer's register of members is kept (telephone number + 44 (0) 1962 822852). The memorandum and articles of association of the Issuer may be inspected at the registered office of the Issuer. The Issuer has unlimited corporate capacity under English law.

The Issuer is wholly owned by the Parent Guarantor. The Issuer has no subsidiaries.

Directors and Secretary of the Issuer

The Directors of the Issuer and their respective addresses and other principal activities are:

Name	Nationality	Business Address	Other Principal Activities
Peter Charles Adams	Canadian	2nd Floor, 40 Portman Square, London W1H 6LT	Investment Manager
Mark William Braithwaite	British	Ropemaker Place, 28 Ropemaker Street, London EC2Y 9HD	Company Director
Deepu Chintamaneni	British	60 Gresham Street, 3rd Floor, London EC2V 7BB	Investment Director
Frank Emmanuel Dangeard	French	38 Lancaster Mews, London W2 3QF	Director
Sally Margaret Davis	British	Crawley Court, Winchester, Hampshire SO21 2QA	Company Director
Paul Michael Donovan	British	7 Clifford St, London W1S 2FT	Director
Martin Robert Healey	Canadian	2nd Floor, 40 Portman Square, London W1H 6LT	Managing Director
Neil Edmund King	British	Annables Manor, Harpenden AL5 3PR	Managing Director—Finance
Nathan Andrew Luckey	British	Ropemaker Place 28, Ropemaker Street, London EC2Y 9HD	Investment Manager
Michael William John Parton	British	8th Floor, The Met Building, 22 Percy Street, London W1T 2BU	Company Director
Christian Seymour	British	60 Gresham Street, 3rd Floor, London EC2V 7BB	Investment Manager

The secretary of the Issuer is Jeremy Mavor whose business address is at Crawley Court, Crawley, Winchester, Hampshire SO21 2QA.

The directors of the Issuer may engage in other activities and have other directorships. As a matter of English law, each director is under a duty to act honestly and in good faith with a view to the best interest of the Issuer, regardless of any other directorship he or she may hold.

Principal Activities

The Issuer was established as a special purpose vehicle and its principal activities will be the acquiring, holding and managing its rights and assets under the Notes, with the execution and performance of the Note Trust Deed and the other Transaction Documents, the execution and performance of all other documents to which it is expressed to be a party and the exercise of related rights and powers and other activities reasonably incidental thereto.

Management and Control

The Issuer is managed and controlled in England.

Share Capital

The issued and fully paid share capital of the Issuer is £50,000 comprising 50,000 shares of £1 each as at the date of this Offering Memorandum.

Independent Auditors

The financial statements of the Issuer as at and for each of the years ended 30 June 2016, 2017 and 2018 have been audited by PricewaterhouseCoopers LLP, independent auditor, as stated in their reports.

PricewaterhouseCoopers LLP is registered with the Institute of Chartered Accountants in England and Wales.

DESCRIPTION OF THE INTERMEDIATE GUARANTOR

The Intermediate Guarantor, Arqiva Financing No 2 Limited (**AF No 2**), was incorporated in England and Wales on 5 March 2007, under the Companies Act 1985, as amended, as a private limited company. The Intermediate Guarantor operates under the Companies Act 2006. Its registered number is 06137899. On 23 March 2007, it changed its name from Primrosehurst Limited to Macquarie UK Broadcast Enterprises Limited and, on 12 August 2011, it changed its name again to its current name, Arqiva Financing No 2 Limited.

AF No 2's registered office is at Crawley Court, Winchester, Hampshire, England SO21 2QA, where its register of members is kept (telephone number + 44 (0) 1962 822852). The memorandum and articles of association of AF No 2 may be inspected at its registered office.

AF No 2 is wholly owned by the Parent Guarantor. See "*Description of the Parent Guarantor*" for more information about the Parent Guarantor.

Directors and Secretary

The directors and company secretary of AF No 2 and their respective addresses and other principal activities are:

Name	Nationality	Business Address	Other Principal Activities
Peter Charles Adams	Canadian	2nd Floor, 40 Portman Square, London W1H 6LT	Investment Manager
Mark William Braithwaite	British	Ropemaker Place, 28 Ropemaker Street, London EC2Y 9HD	Company Director
Deepu Chintamaneni	British	60 Gresham Street, 3rd Floor, London EC2V 7BB	Investment Director
Frank Emmanuel Dangeard	French	38 Lancaster Mews, London W2 3QF	Director
Sally Margaret Davis	British	Crawley Court, Winchester, Hampshire SO21 2QA	Company Director
Paul Michael Donovan	British	7 Clifford St, London W1S 2FT	Director
Martin Robert Healey	Canadian	2nd Floor, 40 Portman Square, London W1H 6LT	Managing Director
Neil Edmund King	British	Annables Manor, Harpenden AL5 3PR	Managing Director—Finance
Nathan Andrew Luckey	British	Ropemaker Place 28, Ropemaker Street, London EC2Y 9HD	Investment Manager
Michael William John Parton	British	8th Floor, The Met Building, 22 Percy Street, London W1T 2BU	Company Director
Christian Seymour	British	60 Gresham Street, 3rd Floor, London EC2V 7BB	Investment Manager

The secretary of AF No 2 is Jeremy Mavor whose business address is at Crawley Court, Winchester, Hampshire SO21 2QA.

The directors of AF No 2 may engage in other activities and have other directorships. As a matter of English law, each director is under a duty to act honestly and in good faith with a view to the best interest of AF No 2, regardless of any other directorship he or she may hold.

Principal Activities

AF No 2 was established as a private limited company and its principal activities are as the Intercompany Borrower under the Intercompany Loan Agreement, as the holding company of Intermediate HoldCo, a company incorporated under the Companies Act 1985, as amended, as a private limited company and having its registered office at Crawley Court, Winchester, Hampshire SO21 2QA (registered number is 06137899) and as a Guarantor.

As a Guarantor, AF No 2 unconditionally and irrevocably guarantees that if the Issuer does not pay any sum payable by it under the Notes or the Note Trust Deed at the time and on the date specified for such payment (whether on the normal due date, on acceleration or otherwise) to pay or procure the payment of that sum to or to the order of the Note Trustee according to the terms of the Notes and the Note Trust Deed (as applicable).

Management and Control

AF No 2 is managed and controlled in England.

Share Capital

The issued and fully paid share capital of AF No 2 is £1 comprising 1 share of £1 as at the date of this Offering Memorandum.

Independent Auditors

The financial statements of the Intermediate Guarantor as at and for each of the years ended 30 June 2016, 2017 and 2018 have been audited by PricewaterhouseCoopers LLP, independent auditor, as stated in their reports.

PricewaterhouseCoopers LLP is registered with the Institute of Chartered Accountants in England and Wales.

DESCRIPTION OF THE PARENT GUARANTOR

The Parent Guarantor, Arqiva Broadcast Parent Limited, was incorporated in England and Wales on 28 May 2012 under the Companies Act 2006, as a private limited company. Its registered number is 08085823.

The Parent Guarantor's registered office is at Crawley Court, Winchester, Hampshire SO21 2QA, where the Parent Guarantor's register of members is kept (telephone number + 44 (0) 1962 822852). The memorandum and articles of association of the Parent Guarantor may be inspected at the registered office of the Parent Guarantor.

The Parent Guarantor is wholly owned by Arqiva Financing No 3 plc, a public limited company incorporated in England and Wales and having its registered office at Crawley Court, Winchester, Hampshire, England SO21 2QA. Its registered number is 05253998.

Directors and Secretary

The directors and company secretary of the Parent Guarantor and their respective addresses and other principal activities are:

Name	Nationality	Business Address	Other Principal Activities
Peter Charles Adams	Canadian	2nd Floor, 40 Portman Square, London W1H 6LT	Investment Manager
Mark William Braithwaite	British	Ropemaker Place, 28 Ropemaker Street, London EC2Y 9HD	Company Director
Deepu Chintamaneni	British	60 Gresham Street, 3rd Floor, London EC2V 7BB	Investment Director
Frank Emmanuel Dangeard . .	French	38 Lancaster Mews, London W2 3QF	Director
Sally Margaret Davis	British	Crawley Court, Winchester, Hampshire SO21 2QA	Company Director
Paul Michael Donovan	British	7 Clifford St, London W1S 2FT	Director
Martin Robert Healey	Canadian	2nd Floor, 40 Portman Square, London W1H 6LT	Managing Director
Neil Edmund King	British	Annables Manor, Harpenden AL5 3PR	Managing Director—Finance
Nathan Andrew Luckey	British	Ropemaker Place 28, Ropemaker Street, London EC2Y 9HD	Investment Manager
Michael William John Parton .	British	8th Floor, The Met Building, 22 Percy Street, London W1T 2BU	Company Director
Christian Seymour	British	60 Gresham Street, 3rd Floor, London EC2V 7BB	Investment Manager

The secretary of the Parent Guarantor is Jeremy Mavor whose registered office is at Crawley Court, Winchester, Hampshire SO21 2QA.

The directors of the Parent Guarantor may engage in other activities and have other directorships. As a matter of English law, each director is under a duty to act honestly and in good faith with a view to the best interest of the Parent Guarantor, regardless of any other directorship he or she may hold.

Principal Activities

The Parent Guarantor was established as a private limited company and its principal activities are acting as, and in connection with being, a holding company and as a Guarantor to unconditionally and irrevocably guarantee that if the Issuer does not pay any sum payable by it under the Notes or the Note Trust Deed at the time and on the date specified for such payment (whether on the normal due date, on acceleration or otherwise) to pay or procure the payment of that sum to or to the order of the Note Trustee according to the terms of the Notes and the Note Trust Deed (as applicable).

Management and Control

The Parent Guarantor is managed and controlled in England.

Share Capital

The issued and fully paid share capital of the Parent Guarantor is £100,002, comprising 100,002 shares of £1 each as at the date of this Offering Memorandum.

Independent Auditors

The consolidated financial statements of the Parent Guarantor as at and for each of the years ended 30 June 2016, 2017 and 2018 have been audited by PricewaterhouseCoopers LLP, independent auditor, as stated in their reports appearing herein.

PricewaterhouseCoopers LLP is registered with the Institute of Chartered Accountants in England and Wales.

DESCRIPTION OF INTERMEDIATE HOLDCO

The Intermediate HoldCo, Arqiva Broadcast Intermediate Limited, was incorporated in England and Wales on 28 May 2012 under the Companies Act 2006, as a private limited company. Its registered number is 08085710.

The Intermediate HoldCo's registered office is at Crawley Court, Winchester, Hampshire SO21 2QA, where the Intermediate HoldCo's register of members is kept (telephone number + 44 (0) 1962 822818). The memorandum and articles of association of the Intermediate HoldCo may be inspected at the registered office of Intermediate HoldCo.

The Intermediate HoldCo is wholly owned by AF No 2.

Directors and Secretary

The directors and company secretary of the Intermediate HoldCo and their respective addresses and other principal activities are:

Name	Nationality	Business Address	Other Principal Activities
Peter Charles Adams	Canadian	2nd Floor, 40 Portman Square, London W1H 6LT	Investment Manager
Mark William Braithwaite	British	Ropemaker Place, 28 Ropemaker Street, London EC2Y 9HD	Company Director
Deepu Chintamaneni	British	60 Gresham Street, 3rd Floor, London EC2V 7BB	Investment Director
Frank Emmanuel Dangeard	French	38 Lancaster Mews, London W2 3QF	Director
Sally Margaret Davis	British	Crawley Court, Winchester, Hampshire SO21 2QA	Company Director
Paul Michael Donovan	British	7 Clifford St, London W1S 2FT	Director
Martin Robert Healey	Canadian	2nd Floor, 40 Portman Square, London W1H 6LT	Managing Director
Neil Edmund King	British	Annables Manor, Harpenden AL5 3PR	Managing Director—Finance
Nathan Andrew Luckey	British	Ropemaker Place 28, Ropemaker Street, London EC2Y 9HD	Investment Manager
Michael William John Parton	British	8th Floor, The Met Building, 22 Percy Street, London W1T 2BU	Company Director
Christian Seymour	British	60 Gresham Street, 3rd Floor, London EC2V 7BB	Investment Manager

The secretary of the Intermediate HoldCo is Jeremy Mavor whose business address is at Crawley Court, Winchester, Hampshire SO21 2QA.

The directors of the Intermediate HoldCo may engage in other activities and have other directorships. As a matter of English law, each director is under a duty to act honestly and in good faith with a view to the best interest of the Intermediate HoldCo, regardless of any other directorship he or she may hold.

Principal Activities

The Intermediate HoldCo was established as a private limited company and its principal activities are acting as, and in connection with being, a holding company of the Senior Parent and as a Guarantor.

As a Guarantor, Intermediate HoldCo unconditionally and irrevocably guarantees that if the Issuer does not pay any sum payable by it under the Notes or the Note Trust Deed at the time and on the date specified for such payment (whether on the normal due date, on acceleration or otherwise) to pay or procure the payment of that sum to or to the order of the Note Trustee according to the terms of the Notes and the Note Trust Deed (as applicable).

Management and Control

The Intermediate HoldCo is managed and controlled in England.

Share Capital

The issued and fully paid share capital of the Intermediate HoldCo is £50,001, comprising 50,001 shares of £1 each as at the date of this Offering Memorandum.

Independent Auditors

The financial statements of the Intermediate HoldCo as at and for each of the years ended 30 June 2016, 2017 and 2018 have been audited by PricewaterhouseCoopers LLP, independent auditor, as stated in their reports.

PricewaterhouseCoopers LLP is registered with the Institute of Chartered Accountants in England and Wales.

CERTAIN TAX CONSIDERATIONS

UNITED KINGDOM TAXATION

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current United Kingdom law and published practice of HM Revenue and Customs (HMRC) relating only to United Kingdom withholding tax treatment of payments of interest on the Notes. The following is not exhaustive and does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice. References in this part to "interest" shall mean amounts that are treated as interest for the purposes of United Kingdom taxation.

Payment of Interest on the Notes

Payment of Interest by the Issuer

Payments of interest on the Notes by the Issuer may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The Luxembourg Stock Exchange is a recognised stock exchange for these purposes. The Notes will be treated as listed on the Luxembourg Stock Exchange if they are both admitted to trading on the Euro MTF of the Luxembourg Stock Exchange and are officially listed in Luxembourg in accordance with provisions corresponding to those generally applicable in countries in the European Economic Area. Provided, therefore, that the Notes carry a right to interest and that the Notes remain so listed on a "recognised stock exchange", interest on the Notes will be payable without withholding or deduction on account of United Kingdom income tax.

Payments of interest on the Notes by the Issuer may also be paidwithout withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20%) subject to any other available exemptions or reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Payments in respect of the Guarantees

The United Kingdom withholding tax treatment of payments by the Guarantor under the terms of the Guarantee which have a United Kingdom source is uncertain. In particular, such payments by the Guarantor may not be eligible for the exemptions described above in relation to payments of interest. Accordingly, if the Guarantor makes any such payments, these may be subject to United Kingdom withholding tax at the basic rate.

The Proposed Financial Transactions Tax

On 14 February 2013, the European Commission published a proposal (the Commission's Proposal) for a Directive for a common Financial Transactions Tax (**FTT**) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

PLAN OF DISTRIBUTION

Merrill Lynch International and HSBC Bank plc are acting as representatives of each of the initial purchasers named below. Subject to the terms and conditions set forth in a subscription agreement among the Issuer, the Guarantors, the Joint Global Coordinators and the Joint Bookrunners (in such capacity, the Joint Global Coordinators and the Joint Bookrunners together, the **Initial Purchasers**) (the **Subscription Agreement**), the Issuer has agreed to sell to the Initial Purchasers, and each of the Initial Purchasers have agreed, severally and not jointly, to purchase from the Issuer, the principal amount of the Notes set forth opposite its name below.

Initial Purchasers	Principal Amount of Notes
Merrill Lynch International	£
HSBC Bank plc	£
Deutsche Bank AG, London Branch	£
ING Bank N.V., London Branch	£
Lloyds Bank Corporate Markets plc	£
Total	£

Subject to the terms and conditions set forth in the Subscription Agreement, the Initial Purchasers have agreed, severally and not jointly, to purchase all of the Notes sold under the Subscription Agreement if any of these Notes are purchased. If an Initial Purchaser defaults, the Subscription Agreement provides that the purchase commitments of the nondefaulting Initial Purchasers may be increased or the Subscription Agreement may be terminated.

The Issuer has agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

Commissions and Discounts

The representatives have advised the Issuer that the Initial Purchasers propose initially to offer the Notes at the offering price set forth on the cover page of this Offering Memorandum. After the initial offering, the offering price or any other term of the offering may be changed. The Initial Purchasers may offer and sell Notes through certain of their affiliates.

Notes Are Not Being Registered

The Notes have not been registered under the Securities Act or any state securities laws. The Initial Purchasers propose to offer the Notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Regulation S. The Initial Purchasers will not offer or sell the Notes except pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the commencement of this offering, an offer or sale of notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act. Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under "*Notice to Investors*".

New Issue of Notes

The Notes are a new issue of securities for which there currently is no market. The Issuer does not intend to list the Notes on any securities exchange or on any automated dealer quotation system, except that application has been made, through the listing agent, for the Notes to be admitted to the Official List of the Luxembourg Stock Exchange and to be admitted for trading on the Euro MTF Market thereof. The Issuer and the Guarantors cannot assure you that this application will be accepted or that, if accepted, such listing will be maintained. The Initial Purchasers may make a market in the Notes after completion of the offering, but will not be obligated to do so and may discontinue any market-making activities at any time without notice. The Issuer and the Guarantors cannot assure the liquidity of the trading market for the Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, the Group's operating performance and financial condition, general economic conditions and other factors.

Settlement

The Issuer expects that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be eleven business days following the date of pricing of the Notes (this settlement cycle being referred to as "T + 11"). Trades in the secondary market generally are required to settle in three to five business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next seven succeeding business days will be required, by virtue of the fact that the Notes initially will settle in T+11, to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next seven succeeding business days should consult their own advisors.

No Sales of Similar Securities

The Issuer has agreed that it will not, for a period of 180 days after the date of this Offering Memorandum, without first obtaining the prior written consent of the Joint Global Coordinators, directly or indirectly, issue, sell, offer to contract or grant any option to sell, pledge, transfer or otherwise dispose of, any debt securities or securities exchangeable for or convertible into debt securities, having a tenor of more than one year, except for the Notes sold to the Initial Purchasers pursuant to the Subscription Agreement.

Short Positions

In connection with the Offering, the Initial Purchasers may purchase and sell the Notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater principal amount of Notes than they are required to purchase in the offering. The Initial Purchasers must close out any short position by purchasing Notes in the open market. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the Initial Purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

None of the Issuer, the Guarantors or any of the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, none of the Issuer, the Guarantors or any of the Initial Purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

Some of the Initial Purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer, the Guarantors or their respective affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. Certain of the Initial Purchasers are holders of the Existing Debt. In addition, certain of the Initial Purchasers are Senior Borrower Loan Providers. Furthermore, certain of the Initial Purchasers are a counterparty to certain of the Group's existing interest rate and/or index linked hedging arrangements, for which they have received customary fees and commissions.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantors or their respective affiliates. Certain of the Initial Purchasers or their affiliates that have a lending relationship with the Issuer, the Guarantors or their respective affiliates routinely hedge their credit exposure to the Issuer, the Guarantors or their respective affiliates consistent with their customary risk management policies. Typically, such Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in these securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Selling Restrictions

United Kingdom

Each Initial Purchaser represents, warrants and agrees that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

TRANSFER RESTRICTIONS

Each purchaser of a beneficial interest in the Global Note, by accepting delivery of this Offering Memorandum and the Global Note, will be deemed to have represented, agreed and acknowledged that:

1. It is, or at the time Global Note are purchased it will be, the beneficial owner of such Global Note and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.

2. It understands that the Global Note have not been and will not be registered under the Securities Act and, prior to the expiration of the applicable distribution compliance period for such Notes, it will not offer, sell, pledge or otherwise transfer such Notes except in an offshore transaction to a person that is not a U.S. person in accordance with Rule 903 or Rule 904 of Regulation S.

3. It acknowledges that the Issuer, the Registrar, the relevant Joint Global Coordinator(s) and Joint Bookrunner(s) and their respective affiliates, and others, will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Global Note is no longer accurate, it shall promptly notify the Issuer, the Registrar and the applicable Joint Global Coordinator(s) and Joint Bookrunner(s). If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the above acknowledgements, representations and agreements on behalf of each account.

4. It acknowledges that for the period until and including the 40th day after the commencement of the offering, it will not make an offer or sale of the Global Note to, or for the account or benefit of, a U.S. person within the meaning of Regulation S.

5. It understands that the Global Note, unless otherwise agreed between the Issuer and the Note Trustee in accordance with applicable law, will bear a legend to the following effect:

   THIS NOTE HAS NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT) OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

CERTAIN INSOLVENCY LAW CONSIDERATIONS

The Issuer and the Guarantors are incorporated or organised under the laws of Member States of the European Union.

Pursuant to Council Regulation (EC) No. 1346/2000 on insolvency proceedings (the **EU Insolvency Regulation**), which applies to all EU Member States other than Denmark, the court which has jurisdiction to open insolvency proceedings in relation to a company is the court of the Member State where the company concerned has its "centre of main interests".

Preamble 13 of the EU Insolvency Regulation states that the "centre of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and "is therefore ascertainable by third parties". In that respect, factors such as where board meetings are held, the location where the company conducts the majority of its business and the location where the large majority of the company's creditors are established may all be relevant in the determination of the place where the company has its "centre of main interests". There is a rebuttable presumption in Article 3(1) of the EU Insolvency Regulation that a company's "centre of main interests" will be its place of the registered office. However, the interpretation of the phrase "centre of main interests" is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

The courts in the jurisdiction where a company is found to have its "centre of main interests" will be entitled to adjudicate on the specified types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation.

Insolvency proceedings opened in one Member State under the EU Insolvency Regulation will be recognised in the other Member States to which the EU Insolvency Regulation applies. Secondary proceedings may be opened under Article 3(2) of the EU Insolvency Regulation in another Member State if the company possesses an establishment within the territory of that other Member State, although the effect of those proceedings will be restricted to the assets of the debtor situated in the territory of such other Member State. If the company does not have an establishment in any other Member State, no court of any other Member State has jurisdiction to open territorial proceedings in respect of such company under the EU Insolvency Regulation.

GENERAL INFORMATION

Authorisation

The issue by the Issuer of the Notes on the Issue Date and the granting of the Transaction Security have been duly authorised by resolutions of the Board of Directors of the Issuer passed at meetings of the Board of Directors of the Issuer held on 2018. The provision of the Guarantee by the Parent Guarantor has been duly authorised by resolutions of the Board of Directors of the Parent Guarantor at a meeting of the Board of Directors of the Parent Guarantor held on 2018. The borrowings of the Intermediate Guarantor under the Intercompany Loan Agreement on the Issue Date and the provision of the guarantee by the Intermediate Guarantor have been duly authorised by resolutions of the Board of Directors of the Intermediate Guarantor at a meeting of the Board of the Intermediate Guarantor on 2018. The provision of the Guarantee by Intermediate HoldCo has been duly authorised by resolutions of the Board of Directors of Intermediate HoldCo at a meeting of the Board of Directors of the Parent Guarantor held on 2018. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Listing of Notes

Application has been made for the Notes to be admitted to trading on the Euro MTF Market operated by the Luxembourg Stock Exchange in accordance with the rules of such exchange. Notice of any optional redemption, change of control or any change in the rate of interest payable on the Notes will be published in a Luxembourg newspaper of general circulation (which is expected to be Luxemburger Wort) or published on the Luxembourg Stock Exchange website (*www.bourse.lu*).

Documents Available

For so long as the Notes remain listed on the Luxembourg Stock Exchange, copies of the following documents may (when published) be inspected and obtained (in each case free of charge) during normal business hours at the specified office of the Registrar and the Note Trustee:

(a) the Memorandum and Articles of Association of each of the Issuer, Intermediate HoldCo, the Intermediate Guarantor and the Parent Guarantor;

(b) the audited financial statements of Arqiva Broadcast Parent Limited for the years ended 30 June 2016, 30 June 2017 and 30 June 2018;

(c) the reports of PricewaterhouseCoopers LLP in respect of the audited financial statements of Arqiva Broadcast Parent Limited for the financial years ended 30 June 2016, 30 June 2017 and 30 June 2018;

(d) a copy of this Offering Memorandum;

(e) the most recent audited financial statements of each of the Issuer and the Parent Guarantor and the quarterly unaudited financial interim financial information (as of 31 March, 30 September and 31 December of each year) of the Parent Guarantor;

(f) the documents granting security interests to the holders of Notes as described in this Offering Memorandum; and

(g) the Note Trust Deed and the other Transaction Documents (other than the Subscription Agreement) (as the same may be amended, varied, supplemented or novated from time to time).

So long as the Notes are listed on the Euro MTF Market and the rules of the Luxembourg Stock Exchange shall so require, copies, current and future, of all of the Issuer's (and each Guarantor's) annual audited consolidated and unconsolidated financial statements (as applicable) and the Issuer's (and each Guarantor's) unaudited consolidated interim quarterly financial statements (as applicable) may be obtained, free of charge, during normal business hours, at the offices of the Paying Agent in Luxembourg.

Clearing Systems

The Notes sold pursuant to Regulation S in this offering have been accepted for clearance through the facilities of Euroclear and Clearstream, Luxembourg under common code . The international securities identification number (**ISIN**) for the Notes sold pursuant to Regulation S is .

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.

Significant or Material Change

There has been neither a material adverse change in the financial position or prospects of the Issuer nor a significant change in the financial or trading position of the Issuer, in each case since the date of its last audited financial statements on 30 June 2018.

There has been neither a material adverse change in the financial position or prospects of the Parent Guarantor nor a significant change in the financial or trading position of the Parent Guarantor, in each case since the date of its last audited financial statements on 30 June 2018.

There has been neither a material adverse change in the financial position or prospects of the Intermediate Guarantor nor a significant change in the financial or trading position of the Intermediate Guarantor, in each case since the date of its last audited financial statements on 30 June 2018.

There has been neither a material adverse change in the financial position or prospects of Intermediate HoldCo nor a significant change in the financial or trading position of Intermediate HoldCo, in each case since the date of its last audited financial statements on 30 June 2018.

Litigation

There are no and have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) since the date of its incorporation which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Issuer.

There are no and have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Parent Guarantor is aware) within a period of 12 months preceding the date of this Offering Memorandum which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Parent Guarantor.

There are no and have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Intermediate Guarantor is aware) since the date of its incorporation which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Intermediate Guarantor.

There are no and have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Intermediate HoldCo is aware) since the date of its incorporation which may have, or have had in the recent past, a significant effect on the financial position or profitability of Intermediate HoldCo.

Availability of Financial Statements and Financial Information

The audited annual financial statements of the Parent Guarantor are prepared as of 30 June in each year. The Parent Guarantor will provide quarterly unaudited financial information under the terms of the Note Trust Deed and the other Transaction Documents. The unaudited interim financial information of the Parent Guarantor will be prepared as of 31 March, 30 September and 31 December in each year. All future audited annual financial statements (and the quarterly unaudited interim financial information) of the Parent Guarantor will be available free of charge in accordance with "*—Documents Available*" above.

The audited accounts of the Parent Guarantor for the years ended 30 June 2016, 30 June 2017 and 30 June 2018 are reproduced in the Financial Statements section at the back of this Offering Memorandum.

Independent Auditors

The consolidated financial statements of the Issuer and the Parent Guarantor as at and for each of the years ended 30 June 2016, 2017 and 2018 have been audited by PricewaterhouseCoopers LLP, independent auditor, as stated in their reports.

PricewaterhouseCoopers LLP is registered with the Institute of Chartered Accountants in England and Wales.

Information in respect of the Notes

The Issuer does not intend to provide post-issuance information regarding the Notes.

Material Contracts

None of the Issuer nor any Guarantor has entered into contracts not being in the ordinary course of its business.

Information on the Non-Guarantors

The non-guarantors represented 100% of the Group's EBITDA and net assets for the year ended 30 June 2018.

INDEX OF DEFINED TERMS

INDEX TO THE FINANCIAL STATEMENTS

Independent auditors' report to the members of Arqiva Broadcast Parent Limited

Report on the group financial statements

Our opinion

In our opinion, Arqiva Broadcast Parent 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 2016 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 and Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), comprise:

- the Consolidated statement of financial position as at 30 June 2016;
- the Consolidated income statement and Consolidated statement of comprehensive income for the year then ended;
- the Consolidated cash flow statement 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 IFRSs as adopted by the European Union, and applicable law.

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 matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' report. We have nothing to report in this respect.

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.

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, 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 parent 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 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. With respect to the Strategic Report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

Other matter

We have reported separately on the parent company financial statements of Arqiva Broadcast Parent Limited for the year ended 30 June 2016.

Graham Lambert (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

September 2016

Consolidated income statement

	Note	Year ended 30 June 2016 Pre-exceptional items	Exceptional items	Total	Year ended 30 June 2015 Pre exceptional items	Exceptional items	Total	Year ended 30 June 2014 Pre exceptional items	Exceptional items	Total
		£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Revenue	5	884.0	—	884.0	856.7	—	856.7	826.7	—	826.7
Cost of sales		(343.5)	—	(343.5)	(306.1)	—	(306.1)	(277.3)	—	(277.3)
Gross profit		**540.5**	**—**	**540.5**	**550.6**	**—**	**550.6**	**549.4**	**—**	**549.4**
Depreciation		(128.4)	—	(128.4)	(112.7)	—	(112.7)	(114.1)	—	(114.1)
Amortisation		(10.3)	—	(10.3)	(8.1)	—	(8.1)	(10.6)	—	(10.6)
Impairment	7	—	—	—	—	(38.9)	(38.9)	—	—	—
Other operating expenses	7	(112.3)	(13.6)	(125.9)	(131.0)	(11.0)	(142.0)	(141.1)	(7.5)	(148.6)
Total operating expenses		(251.0)	(13.6)	(264.6)	(251.8)	(49.9)	(301.7)	(265.8)	(7.5)	(273.3)
Other income		0.2	—	0.2	—	—	—	—	—	—
Share of results of associates and joint ventures	17	0.1	—	0.1	2.4	—	2.4	1.2	—	1.2
Operating profit	6,7	**289.8**	**(13.6)**	**276.2**	**301.2**	**(49.9)**	**251.3**	**284.8**	**(7.5)**	**277.3**
Finance income	9	1.3	—	1.3	2.6	—	2.6	2.7	—	2.7
Finance costs	10	(342.2)	—	(342.2)	(629.0)	—	(629.0)	(607.3)	—	(607.3)
Other gains and losses	11	(0.1)	14.4	14.3	(35.5)	1.0	(34.5)	(24.1)	(7.0)	(31.1)
Loss before tax		**(51.2)**	**0.8**	**(50.4)**	**(360.7)**	**(48.9)**	**(409.6)**	**(343.9)**	**(14.5)**	**(358.4)**
Tax	12			0.1			(57.3)			(84.5)
Loss for the year				**(50.3)**			**(466.9)**			**(442.9)**
Attributable to:										
Owners of the Company				(50.4)			(467.0)			(443.1)
Non-controlling interests				0.1			0.1			0.2
				(50.3)			(466.9)			(442.9)

All results are from continuing operations. Further comments on consolidated income statement line items are presented in the notes to the financial statements.

Consolidated statement of comprehensive income

	Note	Year ended 30 June 2016 £'m	Year ended 30 June 2015 £'m	Year ended 30 June 2014 £'m
Loss for the financial year		**(50.3)**	**(466.9)**	**(442.9)**
Items that will not be reclassified subsequently to profit or loss				
Actuarial (losses) / gains on defined benefit pension schemes	31	(6.8)	1.3	(3.9)
Movement on deferred tax relating to pension schemes		—	1.2	0.4
		(6.8)	**2.5**	**(3.5)**
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations		(1.8)	(0.7)	0.5
		(8.6)	**1.8**	**(3.0)**
Total comprehensive loss		**(58.9)**	**(465.1)**	**(445.9)**
Attributable to:				
Owners of the Company		(59.0)	(465.2)	(446.1)
Non-controlling interests		0.1	0.1	0.2
		(58.9)	**(465.1)**	**(445.9)**

Consolidated statement of financial position

	Note	30 June 2016	30 June 2015	30 June 2014	1 July 2013
		£'m	£'m	£'m	£'m
Non-current assets					
Goodwill	14	1,987.4	1,989.1	2,012.3	2,009.4
Other intangible assets	15	44.1	37.0	43.8	33.3
Property, plant and equipment	16	1,768.8	1,735.7	1,675.4	1,634.2
Deferred tax	20	—	—	55.7	139.3
Retirement benefits	31	7.4	6.6	4.7	—
Interest in associates and joint ventures	17	4.8	4.6	11.1	10.0
		3,812.5	**3,773.0**	**3,803.0**	**3,826.2**
Current assets					
Trade and other receivables	18	286.8	237.8	213.2	219.6
Cash and cash equivalents	21	39.3	72.9	79.9	148.9
		326.1	**310.7**	**293.1**	**368.5**
Total assets		**4,138.6**	**4,083.7**	**4,096.1**	**4,194.7**
Current liabilities					
Borrowings	23	(5.4)	(0.4)	(0.3)	(0.5)
Trade and other payables	22	(1,259.1)	(1,174.8)	(821.0)	(496.1)
Provisions	26	(8.0)	(11.2)	(7.4)	(7.2)
		(1,272.5)	**(1,186.4)**	**(828.7)**	**(503.8)**
Net current liabilities		**(946.4)**	**(875.7)**	**(535.6)**	**(135.3)**
Non-current liabilities					
Borrowings	23	(3,121.0)	(3,075.0)	(6,231.5)	(6,237.9)
Derivative financial instruments	25	(1,146.3)	(1,210.3)	(1,267.0)	(1,218.8)
Other payables (including accruals and deferred revenue)	22	(148.2)	(111.0)	(107.4)	(117.4)
Provisions	26	(52.6)	(44.0)	(40.5)	(46.9)
Retirement benefits	31	—	—	—	(3.0)
		(4,468.1)	**(4,440.3)**	**(7,646.4)**	**(7,624.0)**
Total liabilities		**(5,740.6)**	**(5,626.7)**	**(8,475.1)**	**(8,127.8)**
Net liabilities		**(1,602.0)**	**(1,543.0)**	**(4,379.0)**	**(3,933.1)**
Equity					
Share capital	27	0.1	0.1	0.1	0.1
Retained earnings		(1,531.5)	(1,474.3)	(4,191.0)	(3,744.4)
Merger reserve	27	(188.5)	(188.5)	(188.5)	(188.5)
Capital contribution reserve	27	120.3	120.3	—	—
Translation reserve		(2.8)	(1.0)	(0.3)	(0.8)
Equity attributable to owners of the Company		**(1,602.4)**	**(1,543.4)**	**(4,379.7)**	**(3,933.6)**
Non-controlling interest		0.4	0.4	0.7	0.5
Total equity		**(1,602.0)**	**(1,543.0)**	**(4,379.0)**	**(3,933.1)**

These financial statements were approved by the Board of Directors and authorised for issue on September 2016. They were signed on its behalf by:

Mike Parton—*Director*

Consolidated statement of changes in equity

		Share capital	Retained Earnings	Merger reserve	Capital contribution reserve	Translation reserve	Total	Non-controlling interest	Total equity
		£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Balance at 1 July 2013		**0.1**	**(3,744.4)**	**(188.5)**	**—**	**(0.8)**	**(3,933.6)**	**0.5**	**(3,933.1)**
Loss for the year		—	(443.1)	—	—	—	(443.1)	0.2	(442.9)
Other comprehensive income		—	(3.5)	—	—	0.5	(3.0)	—	(3.0)
Total comprehensive loss		—	(446.6)	—	—	0.5	(446.1)	0.2	(445.9)
Dividends paid	13	—	—	—	—	—	—	—	—
Balance at 30 June 2014		**0.1**	**(4,191.0)**	**(188.5)**	**—**	**(0.3)**	**(4,379.7)**	**0.7**	**(4,379.0)**
Loss for the year		—	(467.0)	—	—	—	(467.0)	0.1	(466.9)
Other comprehensive income		—	2.5	—	—	(0.7)	1.8	—	1.8
Total comprehensive loss		—	(464.5)	—	—	(0.7)	(465.2)	0.1	(465.1)
Capital contribution		—	3,181.2	—	120.3	—	3,301.5	—	3,301.5
Dividends paid	13	—	—	—	—	—	—	(0.4)	(0.4)
Balance at 30 June 2015		**0.1**	**(1,474.3)**	**(188.5)**	**120.3**	**(1.0)**	**(1,543.4)**	**0.4**	**(1,543.0)**
Loss for the year		—	(50.4)	—	—	—	(50.4)	0.1	(50.3)
Other comprehensive income		—	(6.8)	—	—	(1.8)	(8.6)	—	(8.6)
Total comprehensive loss		—	(57.2)	—	—	(1.8)	(59.0)	0.1	(58.9)
Dividends paid	13	—	—	—	—	—	—	(0.1)	(0.1)
Balance at 30 June 2016		**0.1**	**(1,531.5)**	**(188.5)**	**120.3**	**(2.8)**	**(1,602.4)**	**0.4**	**(1,602.0)**

Consolidated cash flow statement

	Note	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014
		£'m	£'m	£'m
Net cash inflow from operating activities	28	**365.9**	**371.3**	**342.2**
Investing activities				
Interest received		0.5	0.6	0.8
Interest element of finance lease rentals		(1.0)	(1.1)	(1.1)
Purchase of tangible assets		(168.4)	(194.5)	(152.8)
Purchase of intangible assets		(0.6)	(0.6)	(1.2)
Sale of tangible assets		5.7	0.5	8.1
Purchase of subsidiary undertakings		—	—	(3.8)
Sale of subsidiary undertakings		16.4	—	—
Dividends from investments		—	0.2	0.4
		(147.4)	**(194.9)**	**(149.6)**
Financing activities				
Raising of external borrowings		5.0	420.0	534.0
Repayment of external borrowings		—	(300.0)	(532.4)
Repayment to parent undertakings		—	—	(19.9)
Finance lease capital		(0.4)	(0.2)	(0.5)
Movement in borrowings		4.6	119.8	(18.8)
Loans to associates and joint ventures		—	(0.2)	(0.2)
Interest paid		(230.7)	(225.4)	(230.3)
Cash settlement of principal accretion on inflation-linked swaps		(26.0)	(74.9)	—
Debt issue costs and facility arrangement fees	23	—	(3.3)	(5.3)
Cash outflow on close out of swap arrangements	11	—	—	(7.0)
Proceeds on disposal of swap options	11	—	1.0	—
Dividends paid to non-controlling interest	13	—	(0.4)	—
		(252.1)	**(183.4)**	**(261.6)**
Decrease in cash and cash equivalents		**(33.6)**	**(7.0)**	**(69.0)**
Reconciliation of net cash flow to movement in net debt				
Net debt at 1 July		(2,999.6)	(6,165.5)	(6,117.7)
Decrease in net cash		(33.6)	(7.0)	(69.0)
Movement in borrowings		(4.6)	(119.8)	18.8
Other cash changes		—	0.2	0.2
Non-cash movement resulting from capital contribution		—	3,301.5	—
Other non-cash changes		(35.4)	(9.0)	2.2
Net debt at 30 June	23	**(3,073.2)**	**(2,999.6)**	**(6,165.5)**

Notes to the Group financial statements

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

Arqiva Broadcast Parent Limited ("the Company") is a company incorporated in the United Kingdom ("UK") under the Companies Act under registration number 08085823. The address of the registered office is Crawley Court, Winchester, Hampshire, SO21 2QA.

These consolidated financial statements of the Company and its subsidiaries for the year ended 30 June 2016 comprise the Company and its subsidiaries (together the "Group").

The nature of the Group's operations and its principal activities are set out in the strategic report on pages 8 to 38.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") (including International Accounting Standards ("IAS") and interpretations issued by the International Accounting Standards Board ("IASB") and its committees) as adopted for use in the European Union ("EU") and the Companies Act 2006.

As at 30 June 2016, these are the Group's first annual consolidated financial statements since adopting IFRS, and the Group has elected 1 July 2013 as the date of transition to IFRS being the commencement of the earliest comparative period presented ("the Transition Date"). As at 30 June 2016, these are the Group's first annual consolidated financial statements since adopting IFRS, and the Group has elected 1 July 2013 as the date of transition to IFRS being the commencement of the earliest comparative period presented ("the Transition Date"). The disclosures required by IFRS 1 concerning the transition from United Kingdom Generally Accepted Accounting Principles ('UK GAAP') to IFRS are given in note 35.

The Company has elected to prepare its financial statements in accordance with FRS 101 *Reduced Disclosure Framework*. These are presented on pages 116 to 128.

2 First time adoption of IFRS, adoption of new and revised Standards

First time adoption of IFRS

These financial statements, for the year ended 30 June 2016, are the first the Group has prepared in accordance with IFRS. Accordingly the Group has prepared financial statements which comply with IFRS applicable for periods ending on or after 30 June 2016, together with the comparative period data as at and for the years ended 30 June 2015 and 30 June 2014. In preparing these financial statements, the Group's opening statement of financial position was prepared as at 1 July 2013, the Group's date of transition to IFRS. Note 35 explains the principal adjustments made by the Company in restating its UK GAAP financial statements, including the statement of financial position as at 1 July 2013 and the financial statements as at and for the years ended 30 June 2015 and 30 June 2014.

Exemptions applied

On first time adoption of IFRS an entity may elect to use exemptions that are allowed by IFRS 1. The Group has applied the following exemptions:

<u>IFRS 1 *First-time adoption*</u>

IFRS 1 also required that the UK GAAP carrying amount of goodwill must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or de-recognition of intangible assets). In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS. Under IFRS no goodwill impairment was deemed necessary at 1 July 2013.

The Group has not applied IAS 21 *The Effect of Foreign Exchange Rates* retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to IFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the

2 First time adoption of IFRS, adoption of new and revised Standards (Continued)

functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

The UK GAAP carrying amount of property, plant and equipment (based on depreciated historical cost) has been used in the opening IFRS statement of financial position.

IFRS 3 *Business combinations*

IFRS 3 *Business combinations* has not been applied to acquisitions of subsidiaries, which are considered businesses for IFRS, or of interests in associates and joint ventures that occurred before 1 July 2013. Use of this exemption means that the UK GAAP carrying amounts of assets and liabilities, that are required to be recognised under IFRS, is their deemed cost at the date of acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements.

IAS 23 *Borrowing costs*

The Group has applied the transitional provisions in IAS 23 Borrowing Costs in relation to the capitalisation of financing costs, and capitalises borrowing costs relating to qualifying assets prospectively from the date of transition.

IFRIC 4 *Determining whether an arrangement contains a lease*

The Group has applied the exemption from retrospectively applying IFRIC 4 *Determining whether an arrangement contains a lease* and instead has considered the existence of lease arrangements as at the date of transition.

IFRIC 1 *Changes in existing decommissioning, restoration and similar liabilities*

The Group has taken the exemption from full retrospective application of IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*.

Estimates

The estimates at 1 July 2013, 30 June 2014 and 30 June 2015 are consistent with those made for the same dates in accordance with UK GAAP (after adjustments to reflect any differences in accounting policies).

New and revised Standards

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

Amendments to IFRS 7 Disclosures

The Group has applied the amendments to IFRS 7 Disclosures—Offsetting Financial Assets and Financial Liabilities. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

As the Group does not have any offsetting arrangements in place, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the consolidated financial statements.

2 First time adoption of IFRS, adoption of new and revised Standards (Continued)

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been endorsed by the EU):

IFRS 9	*Financial Instruments*
IFRS 10 and IAS 28 (amendments)	*Sale or contribution of assets*
IFRS 10 and IAS 28 (amendments)	*Investment entities applying the consolidation exception*
IFRS 14	*Regulatory Deferral Accounts*
IFRS 15	*Revenue from Contracts with Customers*
IAS 7 (amendments)	*Statement of Cash Flows Disclosure Initiative*
IAS 12 (amendments)	*Recognition of deferred tax assets for unrealised losses*
IAS 27 (amendments)	*Investment Entities*

The directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments. Whilst the expectation is that IFRS 15 will not have a material impact, it is not practicable to provide a reasonable quantification of the effect of this standard until a detailed review has been completed.

In addition IFRS 16 *Leases,* which was not applied in these financial statements, was issued in January 2016 but is not yet effective, and has not yet been EU endorsed. The directors expect that the adoption of this standard will have a material impact on the financial statements of the Group in future periods, primarily through the recognition of the Group's operating leases on the balance sheet (see operating lease commitments disclosed in note 29) however it is not practicable to provide a reasonable estimate of the effect of this standard until a detailed review has been completed.

3 Significant accounting policies

(a) Basis of preparation

For periods up to and including the year ended 30 June 2015, the Group prepared its statements in accordance with UK GAAP. The financial framework which now applies to entities preparing financial statements in accordance with legislation, regulation or accounting standards applicable in the UK and the Republic of Ireland is FRS 100, Application of Financial Reporting Requirements, which was issued in November 2012. These standards are mandatory for statutory financial statements for accounting periods beginning on or after 1 January 2015. Pursuant to the introduction of these new standards, the Group has adopted EU-endorsed IFRS, which is an acceptable basis of reporting under FRS 100, and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

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

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis. Exceptions to this principle have been made for leasing transactions that are within the scope of IAS 17, and measurements that are approximations to fair value but are not fair value, such as value in use in IAS 36.

3 Significant accounting policies (Continued)

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

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

With the exception of the items impacted by IFRS 1 (and therefore the retrospective exemptions taken for periods prior to the date of transition), the policies set out below have been applied consistently throughout the current and preceding years in the financial statements.

The Company's financial statements have been prepared under FRS 101 and are included in this report— see page 120.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June 2016.

Control is achieved when the Company:

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

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

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

Intra group profits have been eliminated. Undertakings, other than subsidiary undertakings, in which the Group has an investment representing not less than 20% of the voting rights and over which it exerts significant influence are treated as associated undertakings. Associates are accounted for using the equity method of accounting in accordance with IAS 28 'Investments in Associates and Joint Ventures'. Joint ventures are accounted for using the equity method.

(c) Going concern

The Group's business activities, together with factors likely to affect its future development, performance and position are presented within the Strategic report on pages 8 to 38. In addition, notes 21, 23 and 25 to the consolidated financial statements include details of the Group's treasury activities, long-term funding arrangements, financial instruments and financial risk management activities.

The Group has sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments as set out in note 29.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

3 Significant accounting policies (Continued)

(d) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill is measured as the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) less the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

(e) Goodwill

Goodwill is initially recognised and measured as set out in note 3(d).

Goodwill is not amortised but is reviewed for impairment at least annually or where there is indication of impairment (see note 3(p)).

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(f) Revenue recognition

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

Rendering of services

Revenue from the rendering of services is recognised in line with the service provision over the contractual period. Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the group and the amount of revenue and the associated costs can be measured reliably. Such revenues include television and radio transmission services, tower site rental to mobile network operators, media services, WiFi services and machine-to-machine connectivity.

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

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

Arqiva provides support to its customers by undertaking various engineering projects. Revenue from such projects, which are long-term (greater than 12 months) contractual arrangements are 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. Profit is recognised, if the final outcome can be assessed with reasonable certainty, by including revenue and related costs in the income statement as contract activity progresses.

3 Significant accounting policies (Continued)

Sale of communications equipment

Revenue from the sale of communications equipment is recognised when the significant risks and rewards of ownership are transferred to the buyer, which is typically upon delivery and acceptance by the customer.

Where a contractual arrangement consists of two or more elements that are separable and have value to a customer on a standalone basis, revenue is recognised for each element as if it were an individual contract. The total contract consideration is allocated between the separate elements on the basis of relative fair value and the appropriate revenue recognition criteria are applied to each element. Likewise where elements of a contract, or multiple contracts, are so intrinsically linked that it is necessary to consider the elements on a bundled basis revenue is recognised in respect of the bundled contractual obligations taken as a whole.

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

(g) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs (see note 3(i)). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3 Significant accounting policies (Continued)

(h) Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

(i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(j) Government grants

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

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

(k) Operating profit

Operating profit is stated after charging exceptional impairment and restructuring costs, and after the share of results of associates but before finance income and finance costs.

(l) Retirement benefits

Defined Contribution Schemes

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

3 Significant accounting policies (Continued)

Defined Benefit Schemes

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

The Group presents current and past service costs within cost of sales and administrative expenses (see note 31) in its consolidated income statement. Curtailments gains and losses are accounted for as past-service cost.

Net-interest expense or income is recognised within finance costs (see note 10).

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

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

(m) Taxation

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

Current tax

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

Deferred tax

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

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

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

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

3 Significant accounting policies (Continued)

(n) Property, plant and equipment

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

Assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. The cost of self-constructed assets includes the cost of materials and direct labour.

Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

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

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

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

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

(o) Intangible assets

Recognition and measurement

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

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

Internally-generated intangible assets—research and development expenditure

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

3 Significant accounting policies (Continued)

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

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

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

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

De-recognition of intangible assets

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

(p) Impairment of tangible and intangible assets

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

An intangible asset with an indefinite useful life, such as goodwill (see note 3(e)), is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is

3 Significant accounting policies (Continued)

recognised immediately in profit or loss unless the impairment relates to goodwill, in which case it cannot be reversed.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

Financial assets

The Group's financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ('FVTPL'), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

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

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities' according to the substance of the contractual arrangements entered into.

Borrowings

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

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

3 Significant accounting policies (Continued)

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 25.

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

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(q) Provisions

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

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

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

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

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

(r) Cash and cash equivalents

Cash includes cash at bank and in hand and bank deposits repayable on demand.

(s) Interest

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

(t) Dividends

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment.

3 Significant accounting policies (Continued)

(u) Exceptional items

Exceptional items are those that are considered to be one-off, non-recurring in nature or so material that the Directors believe that they require separate disclosure to avoid the distortion of underlying performance. Underlying performance is the reported performance excluding significant one-off and non-recurring events that more fairly represents the on-going trading performance of the business. These items are presented separately on the face of the income statement.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

The following are the critical judgements and those involving estimations that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Revenue recognition

In applying the group's revenue recognition policy, as set out in note 3, judgements are made in respect of certain areas including:

- determination of distinct contract components and performance obligations;
- measurement of variable consideration;
- determination of fair value of non-cash consideration;
- the recognition of a significant financing component; and
- in the application of the percentage of completion approach to long-term contractual arrangements which relies on estimates of total expected contract revenues and costs, as well as reliable measurement of the progress made towards completion.

Such judgments are consistently applied across similar contracts and key estimates are regularly monitored throughout the relevant contractual periods with reference to the stage of completion and any applicable customer milestone acceptance. This is particularly relevant to the approach for significant engineering projects, such as the 700MHz clearance programme, which typically contain a programme build phase and a long-term operational phase.

Deferred tax

The largest element of deferred tax that requires judgement relates to tax losses carried forward (see note 20). Applicable accounting standards permit the recognition of deferred tax assets only to the extent that future taxable profits will be generated to utilise the tax losses carried forward. The assessment of future taxable profits involves significant estimation uncertainty, principally relating to an assessment of management's projections of future taxable income based on business plans and on-going tax planning strategies.

4 Critical accounting judgements and key sources of estimation uncertainty (Continued)

Useful lives for property, plant and equipment and intangibles

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

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

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

Provisions and contingent liabilities

As disclosed in note 26, the Group's provisions principally relate to obligations arising from contractual obligations, restructuring and property remediation plans and decommissioning obligations.

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

Management exercises judgement in measuring the exposures to contingent liabilities (see note 29) through assessing the likelihood that a potential claim or liability will arise, and in quantifying the possible range of financial outcomes.

Impairment of goodwill

The carrying amount of the Group's goodwill is reviewed at each balance sheet date to determine whether there is any indication of impairment, in compliance with the Group's accounting policies. Deciding the recoverable amount of a line of business to which goodwill is attributed involves management estimates. The recoverable amount is the higher of the fair value less costs to sell, and the value in use.

The Company determines these values using methods based on discounted cash flows. These discounted cash flows are founded on five-year projections built on financial plans approved by the Board. The cash flow projections take account of past experience, and are based on management's best estimates of future developments based on contracted growth and necessary expenditure to maintain the assets required to generate that expected revenue. Cash flows beyond the planning period are extrapolated using an expected terminal growth rate.

The most important assumptions underlying the changes in value in use involve estimates of the discount rate (with reference to weighted average costs of capital), projected cash flows and terminal growth rate.

The carrying amount of goodwill at the statement of financial position date is disclosed in note 14.

Discount rate used to determine the carrying amount of the Group's defined benefit obligation

The Group's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. The Group selects these assumptions in consultation with an external qualified actuary. Additionally, the present value of the scheme liabilities depend on such factors as the life expectancy of the members, the salary progression of our current employees and price inflation.

Estimates are used for all of these factors in determining the pension costs and liabilities incorporated in our financial statements. The assumptions reflect historical experience and our judgement regarding future expectations. The value of the net pension obligation at 30 June 2016, the key financial assumptions used to measure the obligation, the sensitivity of the IAS 19 (Revised 2011) pension liability at 30 June 2016,

4 Critical accounting judgements and key sources of estimation uncertainty (Continued)

and of the income statement charge in the year then ended to changes in these assumptions are disclosed in note 31.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group uses estimation techniques in accordance with the requirements of IFRS 13. This includes the assessment of the fair value adjustments with respect to credit risk (specifically debit valuation adjustments to the fair value of the derivative liabilities) for which the Group incorporates market-observable data into its valuation techniques.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes 14 and 25.

Providing for doubtful debts

The Group provides services primarily to business customers, mainly on credit terms. On occasion certain debts may not be paid through default of our customers. Estimates, based upon our historical experience and credit rating systems, are used in determining the level of debt that we do not expect to be collected. The value of the provision for doubtful debts is disclosed in note 18.

5 Revenue and segmental information

The Group derives its revenue from the rendering of services and the sale of communications equipment. See note 3(f) for the accounting policies adopted.

The following revenue was generated by the Group:

	30 June 2016	30 June 2015	30 June 2014
	£'m	£'m	£'m
Rendering of services	814.8	805.0	794.3
Engineering projects	56.5	51.6	32.4
Sale of goods	12.7	0.1	—
Revenue	**884.0**	**856.7**	**826.7**

Segmental reporting

Information reported to the Group's Chief Operating Decision Maker ('CODM') (which is collectively the Group's Board of Directors, CEO and CFO) for the purposes of resource allocation and the assessment of segmental performance is focused on the three customer-facing business units, supported by central corporate functions which are non-revenue generating. The Group's reportable segments under IFRS 8 are therefore:

- Terrestrial Broadcast;
- Telecoms & M2M; and
- Satellite and Media.

'Other' segments refers to our corporate business unit, which is non-revenue generating.

5 Revenue and segmental information (Continued)

Information regarding the nature of these business units is contained on page 30 to 32 within the Strategic report.

Year ended 30 June 2016	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other	Consolidated
	£'m	£'m	£'m	£'m	£'m
Revenue	**422.4**	**317.0**	**144.6**	**—**	**884.0**
Segment result* (EBITDA)	**308.0**	**133.7**	**31.3**	**(44.6)**	**428.4**
Depreciation and amortisation					(138.7)
Other expenditure					(0.2)
Exceptional items					(13.6)
Share of result of joint venture and associates					0.1
Other income					0.2
Operating profit					**276.2**
Finance income					1.3
Finance costs					(342.2)
Other gains and losses					14.3
Loss before tax					**(50.4)**

Year ended 30 June 2015	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other	Consolidated
	£'m	£'m	£'m	£'m	£'m
Revenue	**404.0**	**299.3**	**153.4**	**—**	**856.7**
Segment result* (EBITDA)	**296.1**	**148.8**	**32.5**	**(57.5)**	**419.9**
Depreciation and amortisation					(120.8)
Other expenditure					(0.3)
Exceptional items					(49.9)
Share of result of joint venture and associates					2.4
Operating profit					**251.3**
Finance income					2.6
Finance costs					(629.0)
Other gains and losses					(34.5)
Loss before tax					**(409.6)**

5 Revenue and segmental information (Continued)

Year ended 30 June 2014	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other	Consolidated
	£'m	£'m	£'m	£'m	£'m
Revenue	**393.6**	**266.2**	**166.9**	**—**	**826.7**
Segment result* (EBITDA)	**275.7**	**146.7**	**35.9**	**(49.9)**	**408.4**
Depreciation and amortisation					(124.7)
Other expenditure					(0.1)
Exceptional items					(7.5)
Share of result of joint venture and associates					1.2
Operating profit					**277.3**
Finance income					2.7
Finance costs					(607.3)
Other gains and losses					(31.1)
Loss before tax					**(358.4)**

* Segment result is defined as total operating profit before the items set out below:

	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014
	£'m	£'m	£'m
Operating profit	276.2	251.3	277.3
Depreciation	*128.4*	*112.7*	*114.1*
Amortisation	*10.3*	*8.1*	*10.6*
Impairment	—	*38.9*	—
Exceptional operating expenses	*13.6*	*11.0*	*7.5*
Share of results of associates and joint ventures	*(0.1)*	*(2.4)*	*(1.2)*
Other income	*(0.2)*	—	—
Other (including (profit) / loss on disposal of property, plant and equipment and non-interest finance costs principally bank charges)	*0.2*	*0.3*	*0.1*
Total segment result	**428.4**	**419.9**	**408.4**

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segmental result represents the profit earned by each segment without allocation of the reconciling items above or central administration costs including investment revenue and finance costs, and income tax expense. This is the measure reported to the Group's CODM for the purpose of resource allocation and assessment of segment performance.

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

	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other	Consolidated
	£'m	£'m	£'m	£'m	£'m
Capital expenditure:					
For the year ended 30 June 2016	49.7	75.5	14.2	29.0	**168.4**
For the year ended 30 June 2015	43.6	110.9	19.0	21.0	**194.5**
For the year ended 30 June 2014	54.2	38.1	30.5	29.9	**152.8**

Note: the above is presented on a cash basis and therefore cannot be directly reconciled to the accrued capital additions presented in note 16.

5 Revenue and segmental information (Continued)

Geographical information

The UK is the Group's country of domicile and the Group generates the majority of its revenue from external customers in the UK. The geographic analysis of revenue is on the basis of the country of origin in which the customer is invoiced.

The following revenue was generated from external customers:

	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014
	£'m	£'m	£'m
UK	869.3	837.5	803.3
Continental Europe (including Republic of Ireland)	8.8	11.5	15.2
Rest of World	5.9	7.7	8.2
Group Revenue	**884.0**	**856.7**	**826.7**

The Group holds property, plant and equipment in the following geographical locations:

	30 June 2016	30 June 2015	30 June 2014	1 July 2013
	£'m	£'m	£'m	£'m
UK	1,764.6	1,730.7	1,670.3	1,627.5
Continental Europe (including Republic of Ireland)	2.8	3.8	3.9	4.0
Rest of World	1.4	1.2	1.2	2.7
Property, plant and equipment	**1,768.8**	**1,735.7**	**1,675.4**	**1,634.2**

Information about major customers

Included in the revenues arising from Terrestrial Broadcast are revenues of £137.0m (2015: £131.3m; 2014: £129.1m) which arose from sales to the Group's largest customer. Additionally, Telecoms & M2M revenues include £130.2m (2015: £117.0m; 2014: £94.4m) from a major customer.

No other single customers contributed 10% or more to the Group's revenue in the aforementioned financial years.

6 Operating costs

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

	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014
	£'m	£'m	£'m
Net foreign exchange (gains) / losses	(1.4)	0.3	0.2
Research and development costs	1.8	1.4	2.3
Depreciation of property, plant and equipment:			
Owned assets	128.0	112.3	114.5
Assets held under finance lease	0.4	0.4	0.5
(Profit) / loss on disposal of property, plant and equipment	(0.3)	0.3	2.4
Amortisation of intangible assets	10.3	8.1	9.7
Grant income	(0.7)	(0.7)	(1.2)
Operating lease rentals	53.1	49.9	45.4
Employee costs (see note 8)	98.8	102.0	103.7

6 Operating costs (Continued)

Services provided by the Group's Auditors and network firms

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

	Group Year ended 30 June 2016	Group Year ended 30 June 2015	Group Year ended 30 June 2014
	£'m	£'m	£'m
Fees payable to Company Auditors for the audit of parent company and consolidated financial statements	0.1	0.1	0.1
Fees payable for the audit of the Company's subsidiaries	0.3	0.3	0.3
Non-audit services			
Other assurance services	0.4	0.3	0.4
Services relating to taxation	0.1	0.1	0.1
Services relating to corporate finance (including refinancing)	—	—	0.2
Total cost of services provided by the Group's Auditors	**0.9**	**0.8**	**1.1**

7 Exceptional items

The Group recognises exceptional items in accordance with IAS 1 'Presentation of Financial Statements' where material items, derived from events or transactions within the ordinary activities of the Group, require disclosure by virtue of their size or incidence for the financial statements to give a true and fair view. Further information is disclosed in note 3(v).

Loss on ordinary activities before taxation is stated after charging:

	Note	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014
		£'m	£'m	£'m
Operating expenses:				
Reorganisation and severance		(13.3)	(11.0)	(7.4)
Corporate finance activities		(0.6)	—	(0.1)
Impairment	14,15	—	(38.9)	
Profit on disposal of property, plant and equipment		0.3	—	—
		(13.6)	(49.9)	(7.5)
Other gains and losses:				
Profit on disposal of subsidiary (see note 30)		14.4	—	—
Close out of swap arrangements		—	—	(7.0)
Disposal of swap options		—	1.0	—
Total exceptional items		**0.8**	**(48.9)**	**(14.5)**

Reorganisation and severance expenses include costs relating to the review of the Group's operating model.

Corporate finance activity costs relate to the early refinancing of debt.

Profit on disposal of property, plant and equipment relates to the divestment of non-core assets (and the associated contracts) in conjunction with the review of the Group's operating model.

With the exception of impairment (2016: £nil; 2015: £38.9m; 2014: £nil) the expense amounts included within exceptional items above are deductible for the purpose of taxation.

The profit on disposal of subsidiary (see note 30 for further information) is not subject to corporation tax as a result of the substantial shareholding exemption.

8 Employees

The average monthly number of persons (expressed as 'full-time equivalents') employed by the Group during the year was as follows:

	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014
	Number	Number	Number
UK	2,112	2,248	2,108
Non-UK	45	63	49
Total employees	**2,157**	**2,311**	**2,157**

	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014
	Number	Number	Number
Terrestrial Broadcast	653	664	592
Telecoms & M2M	609	666	434
Satellite and Media	376	398	379
Corporate functions	519	583	752
Total employees	**2,157**	**2,311**	**2,157**

Their aggregate remuneration comprised:

	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014
	£'m	£'m	£'m
Wages and salaries	130.2	132.5	123.6
Social security costs	15.1	14.3	13.3
Other pension costs	10.9	11.1	10.1
Total staff costs	156.2	157.9	147.0
Own work capitalised	(57.4)	(55.9)	(43.3)
Income statement expense	**98.8**	**102.0**	**103.7**

9 Finance income

	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014
	£'m	£'m	£'m
Bank deposits	0.5	0.3	0.4
Finance lease interest receivable	0.2	0.3	0.2
Other loans and receivables	0.6	1.8	1.7
Total interest receivable	**1.3**	**2.4**	**2.3**
Dividends received	—	0.2	0.4
Total finance income	**1.3**	**2.6**	**2.7**

10 Finance costs

	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014
	£'m	£'m	£'m
Interest on bank overdrafts and loans	100.1	93.8	106.5
Other loan interest	125.0	124.2	111.2
Bank and other loan interest	225.1	218.0	217.7
Amortisation of debt issue costs	12.2	14.5	26.1
Interest on obligations under finance leases	1.0	1.1	1.1
Interest payable to other group entities	84.6	375.0	341.4
Other interest	18.8	20.4	19.4
Total interest payable	**341.7**	**629.0**	**605.7**
Less amounts included in the cost of qualifying assets	(1.7)	(1.7)	—
Unwinding of discount on provisions (see note 26)	2.2	1.7	1.6
Total finance costs	**342.2**	**629.0**	**607.3**

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate on expenditure on such assets equal to the Group's effective interest rate for capital expenditure (2016: 3.0%; 2015: 3.0%; 2014: 3.0%).

11 Other gains and losses

	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014
	£'m	£'m	£'m
Foreign exchange on financing	(38.1)	(17.3)	24.1
Fair value loss on derivative financial instruments (see note 25)	38.0	(18.2)	(48.2)
Other gains and losses	**(0.1)**	**(35.5)**	**(24.1)**
Exceptional profit on disposal of subsidiary (see note 30)	14.4	—	—
Exceptional close out of swap arrangements (see note 7)	—	—	(7.0)
Exceptional gain on disposal of swap options (see note 7)	—	1.0	—
Total other gains and losses	**14.3**	**(34.5)**	**(31.1)**

Foreign exchange on financing arises on the Group's US dollar denominated debt (see note 23).

12 Tax on loss on ordinary activities

	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014
	£'m	£'m	£'m
UK Corporation tax:			
—Current year	(0.1)	0.1	0.2
—Adjustment in respect of prior years	—	—	—
Current year overseas tax	—	0.3	0.3
Total current tax	(0.1)	0.4	0.5
Deferred tax (see note 20)			
—Origination and reversal of temporary differences	(10.1)	(5.1)	(13.5)
—Change in recognised deferred tax assets	11.7	62.0	79.4
—Adjustment in respect of prior years	(1.6)	—	—
—Impact of rate change	—	—	18.1
Total deferred tax	—	56.9	84.0
Total Tax (credit) / charge for the year	**(0.1)**	**57.3**	**84.5**

12 Tax on loss on ordinary activities (Continued)

Corporation tax is calculated at 20.0% (2015: 20.75%; 2014: 22.5%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	Group Year ended 30 June 2016	Group Year ended 30 June 2015	Group Year ended 30 June 2014
	£'m	£'m	£'m
Loss before tax on continuing operations	(50.4)	(409.6)	(358.4)
Tax at the UK Corporation tax rate of 20% (2015: 20.75%; 2014: 22.5%)	(10.1)	(85.0)	(80.6)
Tax effect of expenses that are not deductible in determining taxable profit	0.8	0.8	0.8
Tax effect of income not taxable in determining taxable profit	(2.9)	—	—
Change in recognised deferred tax assets	11.7	62.0	75.1
Impact of change in tax rate	—	—	18.1
Tax loss surrendered for nil consideration	0.4	79.5	71.1
Total Tax (credit) / charge for the year	**(0.1)**	**57.3**	**84.5**

In Finance Act 2013, the main rate of UK corporation tax was reduced from 23.0% to 21.0% with effect from 1 April 2014 and to 20.0% from 1 April 2015. For the purpose of this current tax charge analysis a rate of 20.0% (2015: 20.75%; 2014: 22.50%) has been used. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 on 26 October 2015. These include reductions to the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020. UK deferred tax has therefore been considered at the reduced rate of 18.0% (2015: 20.0%; 2014: 20.0%; 2013: 23.0%) as this is the rate at which deferred tax balances are forecast to unwind.

On 16 March 2016 it was announced that the main rate of UK corporation tax would be further reduced to 17.0% from 1 April 2020. As this change had not been substantively enacted at the balance sheet date its effect is not included in these financial statements.

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive income:

	Group Year ended 30 June 2016	Group Year ended 30 June 2015	Group Year ended 30 June 2014
	£'m	£'m	£'m
Current tax	—	—	—
Deferred tax			
Items that will not be reclassified subsequently to profit and loss:			
—Re-measurement of net defined benefit plan liability	—	1.2	0.4
Total tax recognised in other comprehensive income	**—**	**1.2**	**0.4**

There were no (2015: none; 2014: none) deferred tax items that may be subsequently reclassified into profit and loss.

13 Dividends

	Year ended 30 June 2016		Year ended 30 June 2015		Year ended 30 June 2014	
	£ per share	£'m	£ per share	£'m	£ per share	£'m
Now Digital (East Midlands) Limited	0.30	0.1	0.45	0.2	—	—
South West Digital Radio Limited	0.42	—	0.15	0.2	—	—
Total dividends payable to minority interests		**0.1**		**0.4**	**—**	**—**

The above amounts represent dividends declared but not paid (2015: declared and paid) to non-controlling interest shareholders by Group companies. No dividends were paid to ABPL shareholders.

14 Goodwill

	£'m
Cost:	
At 1 July 2013	2,009.4
Additions	2.9
At 30 June 2014 and 30 June 2015	2,012.3
Disposals	(24.5)
At 30 June 2016	**1,987.8**
Accumulated impairment losses:	
At 1 July 2013 and 30 June 2014	—
Impairment	23.2
At 30 June 2015	23.2
Disposals	(22.8)
At 30 June 2016	**0.4**
Carrying amount:	
At 30 June 2016	**1,987.4**
At 30 June 2015	1,989.1
At 30 June 2014	2,012.3
At 1 July 2013	2,009.4

The Group disposed of £1.7m of goodwill in association with the disposal of a subsidiary (see note 30). The amount disposed of was treated as a cost of disposal and a reduction in the net profit recognised in the income statement.

Additionally, the Group disposed of £22.8m of goodwill (fully impaired in the year ended 30 June 2015) in association with the disposal of non-core areas of the business. This primarily related to the disposal of the Secure Solutions business.

Impairment during the year ended 30 June 2015 relates to the write down of the carrying value of non-core business areas and investments.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ('CGUs') that are expected to benefit from that business combination. The CGUs that have associated goodwill are Terrestrial Broadcast, Telecoms & M2M and Satellite & Media. These are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other groups of assets, and to which goodwill is allocated.

14 Goodwill (Continued)

An analysis of the pre-tax discount rates used and the carrying value of goodwill as at the balance sheet date by the principal CGUs is shown as follows:

	30 June 2016	30 June 2016	30 June 2015	30 June 2015	30 June 2014	30 June 2014	1 July 2013	1 July 2013
	%	£'m	%	£'m	%	£'m	%	£'m
Terrestrial Broadcast		1,236.1		1,236.1		1,236.1		1,236.1
Telecoms & M2M		647.2		648.8		668.6		668.6
Satellite and Media		104.1		104.2		107.6		104.7
Total	7.7%	**1,987.4**	8.0%	**1,989.1**	7.9%	**2,012.3**	6.9%	**2,009.4**

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value-in-use calculations ('VIU'). The key assumptions for the VIU calculations are those regarding the discount rates, growth rates and expected changes to cash flows during the period for which management has detailed plans. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Growth rates are based on internal and external growth forecasts. Changes to cash flows are based on past practices and expectations of future changes in the market.

Recoverable amount

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

Discount rate

The pre-tax discount rate applied to the cash flow forecasts are derived using the capital asset pricing model for comparable businesses. The assumptions used are benchmarked to externally available data.

Terminal growth rates

The terminal growth rate is determined based on the long-term growth rates of the regions in which the CGU operates (2016: 2.1%; 2015: 2.3%; 2014: 2.1%; 2013: 2.1%). The growth rate has been benchmarked against externally available data. This rate does not exceed the average long-term growth rate for the relevant markets.

Sensitivities

There is significant headroom in all CGUs. For Satellite and Media, the value in use exceeds the carrying value of the CGU by approximately £50.0m. The following changes to key assumptions (in isolation) would cause the recoverable amount to fall below the carrying value:

- An increase in the discount rate of 300 basis points;
- A reduction in the terminal growth rate of 270 basis points; or
- Shortfalls in trading performance against forecast resulting in terminal cash flows decreasing by £75m or more.

For Terrestrial Broadcast and Telecoms & M2M no reasonably possible changes in the key assumptions would cause the carrying amount to the CGUs to exceed the recoverable amount.

15 Other intangible assets

	Licences	Development costs	Access rights	Software	Total
	£'m	£'m	£'m	£'m	£'m
Cost					
At 1 July 2013	4.6	2.8	22.9	42.8	73.1
Additions	2.2	3.2	—	16.0	21.4
Disposals	—	—	—	(1.4)	(1.4)
At 30 June 2014	6.8	6.0	22.9	57.4	93.1
Additions	0.7	1.5	—	2.5	4.7
Disposals	—	—	—	(0.1)	(0.1)
At 30 June 2015	7.5	7.5	22.9	59.8	97.7
Additions	—	7.0	—	10.5	17.5
Disposals	—	(5.8)	—	(0.4)	(6.2)
At 30 June 2016	7.5	8.7	22.9	69.9	109.0
Accumulated amortisation and impairment					
At 1 July 2013	2.6	1.3	15.7	20.2	39.8
Amortisation	0.6	0.1	1.5	8.4	10.6
Disposals	—	—	—	(1.1)	(1.1)
At 30 June 2014	3.2	1.4	17.2	27.5	49.3
Amortisation	0.6	1.0	0.9	5.6	8.1
Impairment	—	3.3	—	—	3.3
At 30 June 2015	3.8	5.7	18.1	33.1	60.7
Amortisation	0.5	1.3	0.8	7.7	10.3
Disposals	—	(5.7)	—	(0.4)	(6.1)
At 30 June 2016	4.3	1.3	18.9	40.4	64.9
Carrying amount					
At 30 June 2016	3.2	7.4	4.0	29.5	44.1
At 30 June 2015	3.7	1.8	4.8	26.7	37.0
At 30 June 2014	3.6	4.6	5.7	29.9	43.8
At 1 July 2013	2.0	1.5	7.2	22.6	33.3

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

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

16 Property, plant and equipment

	Freehold land and buildings	Leasehold buildings	Plant and equipment	Assets under the course of construction (AUC)	Total
	£'m	£'m	£'m	£'m	£'m
Cost					
At 1 July 2013	313.3	132.3	1,443.7	193.0	2,082.3
Acquisitions	—	—	0.3	—	0.3
Additions	1.5	—	0.9	161.6	164.0
Transfers	10.7	6.3	201.9	(218.9)	—
Disposals	(8.3)	(0.5)	(31.3)	—	(40.1)
At 30 June 2014	317.2	138.1	1,615.5	135.7	2,206.5
Additions	—	—	14.8	162.3	177.1
Transfers	9.5	2.2	104.4	(116.1)	—
Disposals	(0.1)	(0.7)	(20.9)	—	(21.7)
At 30 June 2015	326.6	139.6	1,713.8	181.9	2,361.9
Additions	—	—	11.0	155.7	166.7
Transfers	2.6	7.8	227.2	(237.6)	—
Disposals	(1.0)	(0.9)	(31.7)	—	(33.6)
At 30 June 2016	**328.2**	**146.5**	**1,920.3**	**100.0**	**2,495.0**
Accumulated depreciation and impairment					
1 July 2013	16.1	34.9	397.1	—	448.1
Depreciation	5.5	4.8	103.8	—	114.1
Disposals	(3.9)	(0.5)	(26.7)	—	(31.1)
At 30 June 2014	17.7	39.2	474.2	—	531.1
Depreciation	4.8	4.4	103.5	—	112.7
Impairment	0.4	0.1	3.0	—	3.5
Disposals	(0.1)	(0.7)	(20.3)	—	(21.1)
At 30 June 2015	22.8	43.0	560.4	—	626.2
Depreciation	5.3	6.7	116.4	—	128.4
Disposals	(0.7)	(0.7)	(27.0)	—	(28.4)
At 30 June 2016	**27.4**	**49.0**	**649.8**	**—**	**726.2**
Carrying amount					
At 30 June 2016	**300.8**	**97.5**	**1,270.5**	**100.0**	**1,768.8**
At 30 June 2015	303.8	96.6	1,153.4	181.9	1,735.7
At 30 June 2014	299.5	98.9	1,141.3	135.7	1,675.4
At 1 July 2013	297.2	97.4	1,046.6	193.0	1,634.2

Freehold land included above but not depreciated amounts to £180.0m (2015: £179.0m; 2014: £179.0m; 2013: £178.5m).

The Group's current and non-current assets have been pledged as security under the terms of the Group's external debt facilities (see note 23). In addition, the Group's obligations under finance leases (see note 24) are secured by the lessors' title of the leased assets, which have a carrying amount of £6.2m (2015: £6.7m; 2014: £7.1m; 2013: £7.6m).

During the year, £1.7m (2015: £1.7m; 2014: nil) of interest was capitalised, as set out in note 10. The carrying value of capitalised interest included within property, plant and equipment was £20.5m (2015: £22.2m; 2014: £20.5m; 2013: £20.5m).

At 30 June 2016, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £22.4m (2015: £33.7m; 2014: £44.4m)—see note 29 for further details.

16 Property, plant and equipment (Continued)

Included within plant and equipment are telecommunications assets initially recognised on a fair value basis at a value of £20.6m (2015: £18.7m; 2014: £4.7m; 2013: nil) and accumulated depreciation of £3.6m (2015: £1.7m; 2014: £0.2m; 2013: nil). Fair value was determined using observable inputs (fair value hierarchy Level 2).

17 Interest in associates and joint ventures

In addition to the subsidiary undertakings (see the notes to the Company financial statements on page 124 the Group holds the following interests in associates and joint ventures.

Company	Country of incorporation	Principal activities	Registered office	Year end	Percentage of ordinary shares held
Joint ventures					
Sound Digital Limited	United Kingdom	Ownership and operation of UK DAB radio multiplex licence	Media House Peterborough Business Park, Lynch Wood, Peterborough, United Kingdom, PE2 6EA	31-Dec	40.0%
Arts Alliance Media Investment Limited	British Virgin Islands	Digital cinema distribution	Landmark House, Hammersmith Bridge Road, London, W6 9EJ	30-Jun	24.99%
YouView TV Limited	United Kingdom	Open source IPTV development	10 Lower Thames Street, Third Floor, London, EC3R 6YT	31-Mar	14.30%
Associate undertakings:					
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	96a, Curtain Road, London, EC2A 3AA	31-Dec	25.0%
DTT Multiplex Operators Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	30-Jun	25.0%
Digital UK Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	30-Jun	25.0%
DTV Services Limited	United Kingdom	Freeview market services	2nd Floor 27 Mortimer Street, London, England, W1T 3JF	31-May	20.0%
MXR Holdings Limited	United Kingdom	Transmission services	30 Leicester Square, London, WC2H 7LA	30-Jun	12.0%

	30 June 2016	30 June 2015	30 June 2014	1 July 2013
	£'m	£'m	£'m	£'m
Interest in associates and joint ventures	0.1	0.1	8.8	8.8
Amounts relating to associates and joint ventures:				
Non-current assets	31.8	38.1	46.4	35.4
Current assets	44.2	37.3	29.4	19.5
Current liabilities	(28.6)	(23.1)	(22.3)	(14.4)
Non-current liabilities	(28.5)	(34.3)	(44.3)	(35.7)
Net assets	18.9	18.0	9.2	4.8
Group's share of net assets of associate	**4.7**	**4.5**	**2.3**	**1.2**
Total interest in associates and joint ventures	**4.8**	**4.6**	**11.1**	**10.0**
Amounts relating to associates and joint ventures:				
Revenue	38.4	48.0	54.6	
Profit after tax	0.5	9.7	2.9	
Group's share of profit after tax of associate	**0.1**	**2.4**	**1.2**	

17 Interest in associates and joint ventures (Continued)

During the year ended 30 June 2015 the Group recorded £8.7m impairment against its interest in associates and joint ventures recognised in the income statement.

The Directors consider the carrying value of the Group's investments on an annual basis, or more frequently should indicators arise, and believe that the carrying values of the investments are supported by the underlying trade and net assets.

18 Trade and other receivables

	30 June 2016	30 June 2015	30 June 2014	1 July 2013
	£'m	£'m	£'m	£'m
Trade receivables	104.4	70.9	74.1	89.8
Amounts receivable from other group entities	41.9	30.9	14.7	0.2
Amounts receivable from joint ventures	0.5	0.5	0.3	0.1
Other receivables	7.6	4.4	9.0	4.3
Prepayments	66.8	67.7	62.7	74.0
Accrued income	63.2	60.8	49.4	48.0
Amounts receivable from finance lease arrangements (see note 19)	2.4	2.6	3.0	3.2
	286.8	**237.8**	**213.2**	**219.6**

The ageing of the Group's net trade receivables which are past due but not impaired is as follows:

	30 June 2016	30 June 2015	30 June 2014	1 July 2013
	£'m	£'m	£'m	£'m
Up to 30 days overdue	10.0	11.1	3.8	8.8
Up to 90 days overdue	5.6	3.3	5.6	7.7
Between 91 and 150 days overdue	2.0	0.3	0.4	1.5
More than 150 days overdue	0.7	—	—	2.0
	18.3	**14.7**	**9.8**	**20.0**

Trade receivables are stated after deducting allowances for doubtful debts, as follows:

	30 June 2016	30 June 2015	30 June 2014
	£'m	£'m	£'m
Allowance at 1 July	**9.8**	**14.9**	**11.4**
Amounts utilised	(2.5)	(4.3)	(6.8)
Provided / (reversed) during the year	2.2	(0.8)	10.3
Allowance at 30 June	**9.5**	**9.8**	**14.9**

The Group's policy is to recommend providing for trade receivables outstanding for more than 90 days beyond the agreed terms, or where the business environment indicates a specific risk. Management will make an assessment of the level of provision based on the Group policy. Adjustments to the calculated level of provision will be made accordingly.

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

19 Finance lease receivables

	30 June 2016	30 June 2015	30 June 2014	1 July 2013
	£'m	£'m	£'m	£'m
Gross amounts receivable under finance leases:				
Within one year	0.4	0.4	0.5	0.5
In the second to fifth years inclusive	1.9	1.9	1.9	2.4
After five years	1.2	1.8	2.3	2.3
	3.5	4.1	4.7	5.2
Less: unearned finance income	(1.1)	(1.5)	(1.7)	(2.0)
Present value of minimum lease payments receivable	2.4	2.6	3.0	3.2
Net amounts receivable under finance leases:				
Within one year	0.2	0.2	0.2	0.2
In the second to fifth years inclusive	1.2	1.0	0.9	1.1
After five years	1.0	1.4	1.9	1.9
Present value of minimum lease payments receivable	2.4	2.6	3.0	3.2
Analysed as:				
Non-current finance lease receivables	2.2	2.4	2.8	3.0
Current finance lease receivables	0.2	0.2	0.2	0.2
Total finance leases	**2.4**	**2.6**	**3.0**	**3.2**

The group entered into finance leasing arrangements for certain sites. The average outstanding term of finance leases entered in to is 7.8 years at 30 June 2016 (2015: 8.8 years; 2014: 9.8 years; 2013: 10.8 years).

20 Deferred tax

The movement on the deferred tax account is shown below:

	30 June 2016	30 June 2015	30 June 2014
	£'m	£'m	£'m
Opening asset	—	55.7	139.3
Charged to the income statement	—	(56.9)	(84.0)
Credited to other comprehensive income	—	1.2	0.4
Closing asset	—	—	55.7

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Accelerated tax depreciation	Derivative financial instruments	Total
	£'m	£'m	£'m
At 1 July 2013	—	212.3	212.3
Charged to the income statement	—	(116.0)	(116.0)
At 30 June 2014	—	96.3	96.3
Charged to the income statement	—	(71.0)	(71.0)
At 30 June 2015	—	25.3	25.3
Credited / (charged) to the income statement	13.9	(25.3)	(11.4)
At 30 June 2016	13.9	—	13.9

20 Deferred tax (Continued)

Deferred tax liabilities	Accelerated tax depreciation	Other temporary differences	Total
	£'m	£'m	£'m
At 1 July 2013	(60.0)	(13.0)	(73.0)
Credited to the income statement	29.8	2.2	32.0
Credited to other comprehensive income	—	0.4	0.4
At 30 June 2014	(30.2)	(10.4)	(40.6)
Credited / (charged) to the income statement	21.6	(7.5)	14.1
Credited to other comprehensive income	—	1.2	1.2
At 30 June 2015	(8.6)	(16.7)	(25.3)
Credited to the income statement	8.6	2.8	11.4
At 30 June 2016	—	(13.9)	(13.9)

Deferred tax assets are not recognised unless it is probable that there are sufficient taxable profits against which they will be realised. Due to the level of tax deductible interest and capital allowances available, the group has an unrecognised deferred tax asset of £205.4m (2015: £216.5m; 2014: £154.6m; 2013: £86.5m). This is in respect of tax losses £39.9m (2015: £42.3m; 2014: £39.5m; 2013: £23.1m), derivative financial instruments £163.8m (2015: £174.2m; 2014: £115.1m; 2013: £63.4m) and accelerated tax depreciation £1.7m (2015: £nil; 2014: £nil; 2013: £nil). These deferred tax assets may be carried forward indefinitely.

This value has been calculated based on the UK corporation tax rate of 18.0% (2015: 20.0%; 2014: 20%; 2013: 23%); the rate substantively enacted at the balance sheet date.

No deferred tax liability is recognised on temporary differences of £nil (2015: £nil; 2014: £nil) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. Temporary differences arising in connection with interests in associates are insignificant.

21 Cash and cash equivalents

	30 June 2016	30 June 2015	30 June 2014	1 July 2013
	£'m	£'m	£'m	£'m
Cash at bank	5.2	3.6	16.4	12.5
Short term deposits	5.6	40.8	35.0	107.9
Restricted cash	28.5	28.5	28.5	28.5
Total cash and cash equivalents	**39.3**	**72.9**	**79.9**	**148.9**

The restricted cash balance relates to a reserve account required to cover one semi-annual interest payment on the £600.0m of junior bonds, maturing in 2020.

22 Trade and other payables

	30 June 2016 £'m	30 June 2015 £'m	30 June 2014 £'m	1 July 2013 £'m
Current				
Trade payables	55.5	44.4	77.4	68.4
Amounts payable to other group entities	892.4	808.6	433.7	112.1
Taxation and social security	29.8	24.4	20.1	18.8
Other payables	7.3	6.0	6.5	5.7
Accruals	93.6	107.5	117.4	129.2
Deferred revenue	180.5	183.9	165.9	161.9
Total current trade and other payables	**1,259.1**	**1,174.8**	**821.0**	**496.1**
Non-current				
Other payables	—	—	0.3	1.2
Deferred revenue	148.2	111.0	107.1	116.2
Total non-current trade and other payables	**148.2**	**111.0**	**107.4**	**117.4**

23 Borrowings

		30 June 2016 £'m	30 June 2015 £'m	30 June 2014 £'m	1 July 2013 £'m
Within current liabilities:					
Finance lease obligations (see note 24)	Sterling denominated	0.4	0.4	0.3	0.5
Bank facility	Sterling denominated	5.0	—	—	—
Borrowings due within one year		**5.4**	**0.4**	**0.3**	**0.5**
Within non-current liabilities:					
Bank loans		**839.0**	**837.0**	**1,012.2**	**1,161.0**
—Senior debt	*Sterling denominated*	*723.5*	*723.5*	*1,023.5*	*1,186.0*
—Issue costs	*Sterling denominated*	*(4.5)*	*(6.5)*	*(11.3)*	*(25.0)*
—Capital expenditure facility	*Sterling denominated*	*120.0*	*120.0*	—	—
Other loans		**2,223.8**	**2,179.4**	**1,858.9**	**1,716.1**
—Senior bonds, notes and private placements	*Sterling denominated*	*1,377.0*	*1,377.0*	*1,077.0*	*913.0*
	US dollar denominated	*266.5*	*227.7*	*210.4*	*234.9*
—Junior bonds	*Sterling denominated*	*600.0*	*600.0*	*600.0*	*600.0*
—Issue costs	*Sterling denominated*	(19.7)	(25.3)	(28.5)	(31.8)
Amounts payable to other group entities	*Sterling denominated*	**45.2**	**45.2**	**3,346.8**	**3,346.8**
Finance lease obligations (see note 24)	Sterling denominated	**13.0**	**13.4**	**13.7**	**14.0**
Borrowings due after more than one year		**3,121.0**	**3,075.0**	**6,231.6**	**6,237.9**
Analysis of total borrowings by currency:					
Sterling		2,859.9	2,847.7	6,021.5	6,003.5
US Dollar		266.5	227.7	210.4	234.9
Total borrowings		**3,126.4**	**3,075.4**	**6,231.9**	**6,238.4**

23 Borrowings (Continued)

The fair value of the quoted senior bonds based upon observable market prices was £996.0m (2015: £983.2m; 2014: £945.2m; 2013: £736.6m) whilst their carrying value was £914.0m (2015: £914.0m; 2014: £914.0m; 2013: £750.0m).

The fair value of the quoted junior bonds based upon observable market prices was £642.1m (2015: £662.5m; £688.1m; 2013: £623.7m) whilst their carrying value was £600.0m (2015: £600.0m; £600.0m; 2013: £600.0m).

The weighted average interest rate of borrowings is 7.86% (2015: 7.82%; 2014: 7.88%).

An analysis of total borrowings (excluding issue costs) by maturity is as follows:

	30 June 2016	30 June 2015	30 June 2014	1 July 2013
	£'m	£'m	£'m	£'m
Borrowings falling due within:				
One year	5.4	0.4	0.3	0.5
One to five years	1,638.6	1,547.9	669.2	1,187.5
More than five years	1,506.6	1,558.9	5,602.1	5,107.2
Total	**3,150.6**	**3,107.2**	**6,271.6**	**6,295.2**

Bank loans are comprised from the Group's **senior debt. Other loans** are comprised from the Group's **senior bonds** and **junior bonds**.

Senior debt includes 5-year term bank debt of £353.5m, due in 2018, borrowed by Arqiva Senior Finance Ltd under a Senior Facility Agreement (2015: £353.5m; 2014: £653.5m; 2013: £786.0m). The loan has a floating interest rate which ranges between LIBOR + 2.5% to LIBOR + 4.00% by the end of the agreement. The Group also holds a £180.0m 10 year term loan from institutional investors (drawn in January 2014) held by Arqiva Financing No 1 Ltd; and a £190.0m 10 year term loan from the European Investment Bank ('EIB'), again held by Arqiva Financing No 1 Ltd.

The Group has £575.0m (2015: £580.0m; 2014: £700.0m; 2013: £700.0m) undrawn facilities available. These facilities are at floating interest rates. For further information on the Group's liquidity risk management, see note 25.

In December 2013, as part of the Group's smart metering contract we established two further facilities in Arqiva Smart Financing Limited, a Group company that sits outside the main WBS financing Group. The Comms Hub Receivables Purchasing ('CHuRP') facility allows the Group to borrow up to £30.0m, the Fee Facility allows the Group to borrow up to £1.6m. At 30 June 2016 a balance of £0.9m (2015: £0.7m; 2014: £0.5m; 2013: nil) has been drawn against the fee facility, this loan has floating interest rates of LIBOR + 1.20% and is fully repayable on 30 June 2017. There were no drawdowns on the CHuRP facility as at 30 June 2016 (2015: nil; 2014: nil), and this loan has floating interest rates which range from LIBOR + 1.20% to LIBOR + 1.75% during the initial six years of the facility, increasing to LIBOR + 2.50% at the end of the agreement in June 2026.

Senior bonds, notes and private placements include the issuance of £750.0m Notes raised in February 2013 and £164.0m Notes raised in February 2014 by Arqiva Financing Plc, each of which are listed on the London Stock Exchange. These are rated BBB by Standard & Poors and Fitch. These Notes have fixed interest rates which range between 4.04% and 5.34% and are repayable between June 2018 and December 2032.

Of the remaining senior bonds, £300.0m were raised in July 2014 at a coupon rate of LIBOR + 2.1% through a new 15-year amortising US Private Placement debt issue and £398.5m were raised in June 2013 by Arqiva PP Financing Plc through a US Private Placement transaction in a combined sterling and US dollar denominated offering. These Notes have fixed interest rates which range between 4.101% and 4.420% and have amortising repayment profiles commencing December 2018 with an end maturity date of June 2025.

23 Borrowings (Continued)

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

Junior bonds of £600.0m represent amounts raised from the issuance of Notes by Arqiva Broadcast Finance Plc. These Notes have a fixed interest rate of 9.5% and are repayable in March 2020. These Notes are listed on the Luxembourg Market and have interest cover and debt leverage covenants attached. The Group continues to comply with all covenant requirements.

There have been no breaches of the terms of the loan agreements during the current or previous year.

24 Obligations under finance leases

Future minimum payments under finance leases are as follows:

	30 June 2016	30 June 2015	30 June 2014	1 July 2013
	£'m	£'m	£'m	£'m
Within one year	1.4	1.4	1.3	1.6
In more than one year, but not more than five years	5.8	5.7	5.6	5.5
After five years	14.9	16.4	17.9	19.3
Total gross payments	**22.1**	**23.5**	**24.8**	**26.4**
Less finance charges included above	(8.7)	(9.7)	(10.8)	(11.9)
Total finance leases	**13.4**	**13.8**	**14.0**	**14.5**
Analysed as:				
Amounts due for settlement within one year	0.4	0.4	0.3	0.5
Amounts due for settlement after one year	13.0	13.4	13.7	14.0
Total finance leases	**13.4**	**13.8**	**14.0**	**14.5**

The fair value of the Group's lease obligations is approximately equal to their carrying amount.

The group's obligations under finance leases are secured by the lessors' rights over the leased assets.

Capital risk management

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

The capital structure of the Group consists of net debt (as set out in note 28; see note 21 for cash and cash equivalents and note 23 for borrowings) and equity of the Group (comprising issued capital and share premium, reserves, retained earnings and non-controlling interests).

To the extent the Group has arrangements with regulators and licence providers, they may include certain capital requirements.

Significant accounting policies

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

The Group's derivatives (i.e. interest rate swaps, cross-currency swaps and swap options) are measured on a fair value through profit and loss basis. Whilst the Group's derivatives act as an effective hedge in economic terms, hedge accounting principles are not applied. This means that the Group's derivatives are recognised at their risk-adjusted fair value (i.e. risk-adjusted Mark-to-Market value) at the date they are entered into and are revalued at each balance sheet date, with gains and losses being reported separately in the income statement as 'other gains and losses'. Net amounts paid in the year (excluding termination amounts) on interest rate swaps (together with similar amounts under the cross currency and index linked swaps) are reported as a component of net bank and other loan interest within interest payable.

25 Financial instruments and risk management

Financial risk management

The Group's Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group using financial instruments wherever it is appropriate to do so. The Treasury function reports directly into the Chief Financial Officer and the Group's Board of Directors and the Audit Committee, an independent function with a scope that includes monitoring the risks and policies implemented to mitigate risk exposures. The main risks addressed by financial instruments are interest rate risk and foreign currency exchange risk. The Group's policies in respect of these risks, which remain unchanged throughout the year, are set out below.

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

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

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

Foreign currency risk management

The Group principally operates from UK sites and predominantly in the UK market, but has some overseas subsidiaries and transactions denominated in foreign currencies. While some customer and supplier contracts are denominated in other currencies (mainly U.S. dollars and euros), the majority of the Group's turnover and costs are sterling based and accordingly exposure to foreign exchange risk is limited.

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

- ***Transactional risk:*** The Group's policy is to hedge material transactional currency exposures via the use of forward foreign exchange contracts. The measurement and control of this risk is monitored on a Group—wide basis.
- ***Translation risk:*** The Group translates overseas results and net assets in accordance with the accounting policy in note 3. Given the Group predominantly operates in the UK, there is a relatively small exposure with overseas entities accounting for only 0.5% (2015: 0.1%; 2014: 1.1%) of operating profit and 0.1% (2015: 0.1%; 2014: 0.2%; 2013: 0.1%) of total assets for the Group.

25 Financial instruments and risk management (Continued)

The sterling equivalents of the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the year-end were as follows:

	30 June 2016	30 June 2015	30 June 2014	1 July 2013
	£'m	£'m	£'m	£'m
Monetary assets:				
—US Dollar	6.9	6.8	6.7	8.5
—Euro	11.9	17.0	28.3	36.7
—Other (including SGD*)	0.5	0.3	0.1	—
Total	**19.3**	**24.1**	**35.1**	**45.2**
Monetary liabilities:				
—US Dollar	(2.8)	(4.2)	(4.3)	(6.8)
—Euro	(10.2)	(8.1)	(11.6)	(16.1)
—Other (including SGD*)	(0.1)	(0.1)	(0.1)	—
Total	**(13.1)**	**(12.4)**	**(16.0)**	**(22.9)**

* refers to Singapore dollar, being the most frequently transacted currency within 'other monetary assets and liabilities'.

Foreign currency denominated cash balances have a weighted average interest rate of 0.0% (2015: 0.0%; 2014: 0.0%).

During the year cross currency swaps (nominal value USD 358.0m) were used to fix the exchange rate to $1.52/£1 in relation to U.S. dollar-denominated senior notes (nominal value USD 358.0m). This provides an effective economic hedge of the foreign currency impact on the Sterling cost of future interest and capital repayment obligations.

After taking into account our hedging activities, management does not consider there to be a material residual exposure to exchange rates. Accordingly no sensitivity analysis has been presented.

Interest rate risk management

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

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

Liquidity risk management

To ensure it has sufficient available funds for working capital requirements and planned growth, the Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. Details of the Group's debt maturity profile are shown on page 25. The Group carefully manages the counterparty credit risk on liquid funds and derivative financial instruments with balances currently spread across a range of major financial institutions, which have satisfactory credit ratings assigned by international credit rating agencies. The levels of credit risk are monitored through the Group's on-going risk management processes, which include a regular review of counterparty credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.

25 Financial instruments and risk management (Continued)

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

	30 June 2016 £'m	30 June 2015 £'m	30 June 2014 £'m	1 July 2013 £'m
Secured bank facilities:				
—Amount utilised	125.0	120.0	—	—
—Amount unutilised	575.0	580.0	700.0	700.0
Total	**700.0**	**700.0**	**700.0**	**700.0**

The table below shows the maturity profile of the Group's hedge derivative financial instruments (excluding swap options, and cross-currency swaps) and hedged borrowings. Amounts are stated at their nominal amounts:

	30 June 2016 £'m	30 June 2015 £'m	30 June 2014 £'m	1 July 2013 £'m
Derivative financial instruments				
Falling due within:				
One year	—	—	—	—
One to five years	703.5	703.5	653.5	1,187.5
More than five years	1,632.2	1,632.2	1,682.2	1,148.2
Total	**2,335.7**	**2,335.7**	**2,335.7**	**2,335.7**
Borrowings				
Falling due within:				
One year	—	—	—	
One to five years	703.5	703.5	653.5	1,187.5
More than five years	1,632.5	1,632.5	1,682.5	1,148.5
Total	**2,336.0**	**2,336.0**	**2,336.0**	**2,336.0**

When debt has been refinanced the Group has also restructured the associated swaps to reflect the new maturity profile.

Credit risk management

The Group is exposed to credit risk on customer receivables, which is managed through credit-checking procedures prior to taking on new customers and higher risk customers paying in advance of services being provided. Performance is closely monitored to ensure agreed service levels are maintained, reducing the level of queried payments and mitigating the risk of uncollectable debts.

Financial instruments

With the exception of derivative financial instruments (which are recognised and measured at fair value through profit and loss) the Group's financial assets and financial liabilities are recognised and measured following the loans and receivables recognition category.

The weighted average interest rate of fixed rate financial liabilities at 30 June 2016 was 6.10% (2015: 6.10%; 2014: 5.83%) and the weighted average period of funding was 6.8 years (2015: 7.4 years; 2014: 7.5 years; 2013: 6.9 years).

Within the Group's financial liabilities were borrowings of £3,150.2m (2015: £3,106.8m; 2014: £6,271.6m; 2013: £6,295.2m) (see note 23), which includes £1,023.5m (2015: £1,023.5m; 2014: £1,023.5m; 2013: £1,023.5m) with floating rate interest and the remainder with fixed rate interest (prior to the hedging arrangements described previously).

25 Financial instruments and risk management (Continued)

Derivative financial instruments

The Group seeks to manage the exposures of its debt payment obligations through a combination of indexed linked, interest rate and cross currency swaps.

At the year end, the Group held interest rate swaps with notional amounts of £1,023.2m which hedge the interest obligations of the Group's variable rate debt. The average fixed rate on these instruments is 6.213%. £353.2m of these instruments have mandatory break clauses co-terminus with the 2018 maturity date of the Group's floating rate term loan, whilst the remaining £670.0m have maturity dates between 2024 and 2029 which match the maturity dates of the Institutional Term Loan ('ITL') and EIB loans and the amortising 2014 US Private Placement issue.

The Group also holds index linked swaps with notional amounts of £1,312.5m where the Group receives floating and pays fixed interest obligations to an average rate of 2.906% indexed with RPI. The notional amounts of these swaps increase with RPI and these accretion amounts are cash settled annually, most recently in June 2016 (£26.0m). All of these instruments have a maturity date of April 2027, however £235.0m of these have a mandatory break clause in 2023. These instruments have been entered into to hedge the Group's fixed rate debt (namely fixed rate sterling bonds and the 2013 US Private Placement issue) and in order to ensure that the cash flow characteristics align with these instruments, the Group has entered into £1,312.5m of fixed to floating rate interest rate swaps to match the cash flows on both the fixed rate debt instruments and the index linked swaps set out above.

In addition, the Group has entered into USD 358.0m of cross-currency swaps to fix the Sterling cost of future interest and capital repayment obligations relating to the USD tranche of the 2013 Private Placement at an exchange rate of 1.52.

The fair value of the interest rate, inflation and cross currency swaps at 30 June 2016 excluding the inflation swap principal accretion of £nil (2015: £nil; 2014: £59.9m; 2013: £20.2m), is a liability of £1,157.2m (2015: £1,213.1m; 2014: £1,208.8m; 2013: £1,201.5m). This fair value is calculated using a risk-adjusted rate.

The Group holds Swap Options with a total notional principal amount of £353.2m (2015: £410.7m; 2014: £843.2m). The options are exercisable at maturity in February 2018, and hedge the Group's exposure for the duration of the interest rate swaps to a decline in LIBOR to below 1%.

The following table details the fair value of financial instruments recognised on the statement of financial position within non-current liabilities:

	30 June 2016	30 June 2015	30 June 2014	1 July 2013
	£'m	£'m	£'m	£'m
Interest rate swaps	(441.9)	(355.5)	(295.4)	(300.0)
Inflation-linked interest rate swaps (including principal accretion of £nil; 2015: £nil; 2014: £59.9m; 2013: £20.2m)	(746.4)	(842.8)	(946.7)	(914.2)
Swap Options	10.9	2.8	1.7	2.9
Cross-currency swaps	31.1	(14.8)	(26.6)	(7.5)
Total	**(1,146.3)**	**(1,210.3)**	**(1,267.0)**	**(1,218.8)**
Change in fair value recognised in the income statement:				
—Attributable to changes in market conditions	(27.0)	(14.0)	39.8	
—Attributable to changes in perceived credit risk	65.0	(4.1)	(88.0)	
Total gain/(loss) recognised in the income statement	**38.0**	**(18.1)**	**(48.2)**	
Less cash settlement of principal accretion on inflation-linked swaps	26.0	74.9	—	
Total change in fair value	**64.0**	**56.8**	**(48.2)**	

Where possible, the Group seeks to match the maturity of any derivative contracts with that of debt instruments that it has issued. In some of the Group's derivative instruments, break clauses have been

25 Financial instruments and risk management (Continued)

included to both match underlying facility maturities and to optimise the availability and cost of hedging lines with our derivative counterparties.

Fair value hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Interest rate swaps, inflation rate swaps, swap options and cross-currency swaps (as disclosed on above) are all classed as level 2 on the fair value hierarchy. In each case the items are valued based upon discounted cash flow. Future cash flows are estimated based on forward (interest/inflation/exchange) rates observable from rates and yield curves at the end of the reporting period, and contract rates, discounted at a risk-adjusted rate.

26 Provisions

	Onerous contracts	Decommissioning	Restructuring	Remediation	Other	Total
	£'m	£'m	£'m	£'m	£'m	£'m
At 1 July 2013	2.2	37.2	3.5	10.4	0.8	54.1
Income statement expense	1.3	0.2	7.5	—	—	9.0
Unwind of discount	—	1.6	—	—	—	1.6
Released	(0.5)	(0.1)	—	(6.8)	(0.3)	(7.7)
Utilised	(1.0)	(0.2)	(7.8)	(0.1)	—	(9.1)
At 30 June 2014	**2.0**	**38.7**	**3.2**	**3.5**	**0.5**	**47.9**
Income statement expense	3.4	—	11.7	0.4	—	15.5
Unwind of discount	—	1.7	—	—	—	1.7
Released	—	—	(0.3)	—	—	(0.3)
Utilised	(0.2)	(0.6)	(8.8)	—	—	(9.6)
At 30 June 2015	**5.2**	**39.8**	**5.8**	**3.9**	**0.5**	**55.2**
Income statement expense	2.3	0.3	2.9	0.8	0.4	6.7
Additions created through property, plant and equipment	—	8.2	—	—	—	8.2
Unwind of discount	0.1	2.1	—	—	—	2.2
Released	(1.0)	(1.0)	—	—	—	(2.0)
Utilised	(1.5)	—	(8.2)	—	—	(9.7)
At 30 June 2016	**5.1**	**49.4**	**0.5**	**4.7**	**0.9**	**60.6**

	30 June 2016	30 June 2015	30 June 2014	1 July 2013
	£'m	£'m	£'m	£'m
Analysed as:				
Current	8.0	11.2	7.4	7.2
Non-current	52.6	44.0	40.5	46.9
	60.6	**55.2**	**47.9**	**54.1**

26 Provisions (Continued)

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

Provisions are made for decommissioning and asset at risk costs where the Group has an obligation to restore sites and the cost of restoration is not recoverable from third parties. The provision is in relation to assets of which the remaining useful economic life ranges up to 18 years.

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

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

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

27 Share capital and other reserves

Share capital

	30 June 2016	30 June 2015	30 June 2014	1 July 2013
	£'m	£'m	£'m	£'m
Authorised, issued and fully paid:				
100,002 ordinary shares of £1 each	**0.1**	**0.1**	**0.1**	**0.1**

Other reserves

	Capital contribution reserve	Merger reserve
	£'m	£'m
At 1 July 2013	**—**	**(188.5)**
At 30 June 2014	**—**	**(188.5)**
Capital contribution	120.3	—
At 30 June 2015	**120.3**	**(188.5)**
Capital contribution		
At 30 June 2016	**120.3**	**(188.5)**

The merger reserve arose as a result of the true and fair override on the acquisition of the Arqiva UK Broadcast Holdings Limited ('AUKBH') sub-group in 2007.

The capital contribution reserve in the Group was recognised as a result of a capital contribution from the Company's immediate parent offset by the cumulative effect of intra-group releases. This reserve is non-distributable in accordance with section 830 of the Companies Act 2006. The release of amounts owed by AF1 to Arqiva Group Intermediate Limited (indirectly held subsidiaries within the Group) was treated as realised.

28 Notes to the cash flow statement

Reconciliation from loss for the year to net cash from operating activities:

	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014
	£'m	£'m	£'m
Operating profit	276.2	251.3	277.3
Adjustments for:			
Depreciation of property, plant and equipment	128.4	112.7	114.1
Amortisation of intangible assets	10.3	8.1	10.6
Impairment	—	38.9	—
Loss on disposal of property, plant and equipment	0.3	0.3	1.3
Other income	(0.2)	—	—
Share of results of associates and joint ventures	(0.1)	(2.4)	(1.2)
Operating cash flows before movements in working capital	414.9	408.9	402.1
(Increase) / decrease in receivables	(50.2)	(12.6)	16.6
Decrease in payables	(2.1)	(29.9)	(68.4)
Increase / (decrease) in provisions	3.1	5.4	(7.7)
Cash generated from operating activities	**365.7**	**371.8**	**342.6**
Taxes refunded / (paid)	0.2	(0.5)	(0.4)
Net cash from operating activities	**365.9**	**371.3**	**342.2**

Analysis of changes in net debt (comprising bank and other loans and finance lease obligations offset by cash and loans to joint ventures):

	Note	At 1 July 2015	Cash flows	Non-cash changes	At 30 June 2016
		£'m	£'m	£'m	£'m
Cash at bank and cash equivalents	21	44.4	(33.6)	—	10.8
Amounts receivable from joint ventures	18	0.5	—	—	0.5
Amounts receivable from other group entities	18	30.9	—	11.0	41.9
Debt due within one year	23	(0.4)	(4.6)	(0.4)	(5.4)
Debt due after one year	23	(3,075.0)	(1.1)	(44.9)	(3,121.0)
Total		**(2,999.6)**	**(39.3)**	**(34.3)**	**(3,073.2)**

	Note	At 1 July 2014	Cash flows	Non-cash changes	At 30 June 2015
		£'m	£'m	£'m	£'m
Cash at bank and cash equivalents	21	51.4	(7.0)	—	44.4
Amounts receivable from joint ventures	18	0.3	0.2	—	0.5
Amounts receivable from other group entities	18	14.7	—	16.2	30.9
Debt due within one year	23	(0.3)	0.2	(0.3)	(0.4)
Debt due after one year	23	(6,231.6)	(27.2)	3,183.8	(3,075.0)
Total		**(6,165.5)**	**(33.8)**	**3,199.7**	**(2,999.6)**

28 Notes to the cash flow statement (Continued)

	Note	At 1 July 2013	Cash flows	Non-cash changes	At 30 June 2014
		£'m	£'m	£'m	£'m
Cash at bank and cash equivalents	21	120.4	(69.0)	—	51.4
Amounts receivable from joint ventures	18	0.1	0.2	—	0.3
Amounts receivable from other group entities	18	0.2	—	14.5	14.7
Debt due within one year	23	(0.5)	0.5	(0.3)	(0.3)
Debt due after one year	23	(6,237.9)	32.1	(25.8)	(6,231.6)
Total		**(6,117.7)**	**(36.2)**	**(11.6)**	**(6,165.5)**

Major non-cash changes include a movement in unamortised debt issue costs and revaluations in US dollar denominated borrowings (see note 23).

29 Financial commitments and contingent liabilities

Financing commitments

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

Capital commitments

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

	30 June 2016	30 June 2015	30 June 2014	1 July 2013
	£'m	£'m	£'m	£'m
Within one year	21.9	33.5	33.7	19.8
Within two to five years	0.5	0.2	10.7	—
Total capital commitments	**22.4**	**33.7**	**44.4**	**19.8**

Operating leases

Future minimum operating lease payments for the Group in relation to non-cancellable operating leases for land, buildings and other infrastructure locations fall due as follows:

	30 June 2016	30 June 2015	30 June 2014	1 July 2013
	£'m	£'m	£'m	£'m
Within one year	29.4	25.1	22.9	22.5
Within two to five years	91.9	78.3	73.1	76.0
After five years	148.2	135.6	139.5	143.0
Total future minimum operating lease payments	**269.5**	**239.0**	**235.5**	**241.5**

Other annual lease commitments fall due:

	30 June 2016	30 June 2015	30 June 2014	1 July 2013
	£'m	£'m	£'m	£'m
Within one year	1.6	1.8	1.3	1.5
Within two to five years	1.4	1.5	1.2	0.9
Total future minimum operating lease payments	**3.0**	**3.3**	**2.5**	**2.4**

30 Profit on disposal of subsidiary

On 11 December 2015 the Group sold its 100% interest in the ordinary share capital of NWP Street Limited, a subsidiary undertaking. There were no disposals of subsidiaries made in 2015 or 2014.

	Year ended 30 June 2016
	£'m
Profit on disposal	14.4
Total consideration	16.5
Satisfied by: cash and cash equivalents	16.5
Net cash inflow arising on disposal:	16.4

The profit on disposal is included within the income statement in other gains and losses as an exceptional item (see notes 11 and 7 respectively).

31 Retirement benefits

Defined contribution scheme

Arqiva Limited has operated a Defined Contribution Scheme during the year, for those employees who are not members of the Group's Defined Benefit Plan. Contributions payable in respect of this Scheme for the year were £7.0m (2015: £6.4m; 2014: £6.0m). The assets of the Scheme are held outside of the Group.

An amount of £0.6m (2015: £0.9m; 2014: £1.0m) is included in accruals being the outstanding contributions to the Defined Contribution Scheme.

Defined benefit plan

In the year to 30 June 2016, the Group operated one Defined Benefit Plan, sponsored by Arqiva Limited. The Defined Benefit Plan is administered by a separate entity that is legally separated from the Group, and therefore the Plan assets are held separately from those of Arqiva Limited. The trustees of the Plan are required by law to act in the interests of the Plan and of all relevant stakeholders in the Plan. The trustees are responsible for the investment policy with regard to the Plan assets.

The Plan typically exposes the Group to risks such as: investment risk, interest rate risk, and longevity risk.

Investment risk .... The present value of the defined benefit Plan liability for IAS19 purposes is calculated using a discount rate determined by reference to high quality corporate bond yields, which is different to how the Plan assets are invested. Currently the Plan has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the Plan liabilities, the trustees of the Plan consider it appropriate that a reasonable portion of the Plan assets should be invested in equity securities to leverage the expected return generated by the Plan assets.

Interest risk .... A decrease in the bond interest rate will increase the valuation of the Plan's IAS19 liability but this will be partially offset by an increase in the value of the Plan's corporate bond investments.

Longevity risk ..... The present value of the defined benefit Plan liability is calculated by reference to a best estimate of the mortality of Plan participants both during and after their retirement. An increase in the life expectancy of the Plan participants will increase the Plan's assessed liability.

Salary risk .... The present value of the defined benefit Plan liability is calculated by reference to the future salaries of Plan participants. As such, an increase in the salary of the Plan participants will increase the Plan's liability.

The Plan closed to the future accrual of benefits on 31 January 2016. The weighted average duration of the expected benefit payments from the Plan is around 21 years.

31 Retirement benefits (Continued)

The most recent triennial actuarial funding valuation of the Plan assets and the present value of the defined benefit liability was carried out at 30 June 2014 by an independent firm of consulting actuaries. The present value of the IAS19 defined benefit liability, and the related current service cost and past service cost, have been measured using the projected unit credit method based on roll-forward updates to the triennial valuation figures.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	30 June 2016	30 June 2015	30 June 2014	1 July 2013
Key assumptions				
Discount rate	3.10%	4.00%	4.40%	4.40%
Price inflation (RPI)	2.80%	3.20%	3.30%	3.30%
Life expectancy of a male / female age 60 (current pensioner)	27.1yrs / 29.3yrs	27.0yrs / 29.2yrs	26.8yrs / 29.3yrs	26.7yrs / 29.3yrs
Life expectancy of a male / female age 60 (future pensioner)	29.0yrs / 31.3yrs	28.9yrs / 31.2yrs	28.4yrs / 31.2yrs	28.3yrs / 30.9yrs
Other linked assumptions				
Price inflation (CPI)	1.80%	2.20%	2.30%	2.40%
Pension increases (RPI with a minimum of 3% and maximum of 5%)	3.50%	3.70%	3.70%	3.70%
Pension increases (RPI with a maximum of 10%)	2.80%	3.20%	3.20%	3.40%
Salary growth	n/a	2.70%	2.80%	3.40%

Amounts recognised in the consolidated income statement in respect of the defined benefit plan were as follows:

	Year ended 30 June 2016 £'m	Year ended 30 June 2015 £'m	Year ended 30 June 2014 £'m
Service cost:			
—Current service cost	2.9	4.8	4.7
—Past service cost and loss from settlements	0.4	0.4	—
Gains from curtailments	(0.5)	—	—
Components of defined benefit costs recognised in profit or loss	(0.5)	(0.3)	(0.2)
	2.3	**4.9**	**4.5**

The net interest item has been included within finance income (see note 9). All other items in the table above have been included in administrative expenses. The re-measurement of the net defined benefit liability is included in the statement of comprehensive income.

Amounts recognised in the statement of comprehensive income in respect of the defined benefit plan were as follows:

	Year ended 30 June 2016 £'m	Year ended 30 June 2015 £'m	Year ended 30 June 2014 £'m
Return on Plan assets excluding Interest Income	(13.4)	(11.4)	(5.3)
Experience (gains) / losses arising on the Plan's liabilities	(2.9)	(2.8)	—
Actuarial losses / (gains) arising from changes in financial assumptions	23.1	12.4	9.2
Actuarial losses arising from changes in demographic assumptions	—	0.5	—
	6.8	**(1.3)**	**3.9**

31 Retirement benefits (Continued)

The amount included in the statement of financial position arising from the Group's obligations in respect of its defined benefit plan were as follows:

	30 June 2016	30 June 2015	30 June 2014	1 July 2013
	£'m	£'m	£'m	£'m
Present value of defined benefit Plan liabilities	216.0	189.9	169.7	150.1
Fair value of Plan assets	(223.4)	(196.5)	(174.4)	(147.1)
(Surplus) / Deficit at 30 June	**(7.4)**	**(6.6)**	**(4.7)**	**3.0**

The Group have considered the impact of IFRIC14 and in line with the Plan's Rules, the Group is able to recognise the Plan's surplus in its entirety.

The reconciliation of the statement of financial position over the year is as follows:

	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014
	£'m	£'m	£'m
(Surplus) / Deficit at 1 July	(6.6)	(4.7)	3.0
Amount recognised in expense	2.3	4.9	4.5
Amount recognised in Other Comprehensive Income	6.8	(1.3)	3.9
Company contributions	(9.9)	(5.5)	(16.1)
Surplus at 30 June	**(7.4)**	**(6.6)**	**(4.7)**

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

	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014
	£'m	£'m	£'m
1 July	189.9	169.7	150.1
Current service costs	2.9	4.8	4.7
Past service cost	0.4	0.4	—
Gains from curtailments	(0.5)	—	—
Contributions by employees	1.0	1.4	1.3
Interest cost	7.5	7.4	7.2
Benefits paid	(5.4)	(3.9)	(2.8)
Experience gains arising on the Plan's liabilities	(2.9)	(2.8)	—
Actuarial losses arising from changes in financial assumptions	23.1	12.4	9.2
Actuarial losses arising from changes in demographic assumptions	—	0.5	—
30 June	**216.0**	**189.9**	**169.7**

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

	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014
	£'m	£'m	£'m
1 July	(196.5)	(174.4)	(147.1)
Interest income	(8.0)	(7.7)	(7.4)
Return on Plan assets excluding interest income	(13.4)	(11.4)	(5.3)
Contributions by employer	(9.9)	(5.5)	(16.1)
Contributions by employees	(1.0)	(1.4)	(1.3)
Benefits paid	5.4	3.9	2.8
30 June	**(223.4)**	**(196.5)**	**(174.4)**

31 Retirement benefits (Continued)

The major categories and fair values of Plan assets at the end of the reporting period for each category are as follows:

	30 June 2016	30 June 2015	30 June 2014
	£'m	£'m	£'m
Equity instruments	71.2	66.3	58.5
Diversified growth funds	18.7	19.6	18.8
Corporate bonds	59.5	49.3	46.8
Government bonds	71.7	60.8	50.1
Cash and equivalents	2.3	0.5	0.2
Total	**223.4**	**196.5**	**174.4**

The majority of the Plan's equity and debt instruments have quoted prices in active markets.

The Plan includes holdings of gilts and corporate bonds, which are intended to partially hedge the financial risk from liability valuation movements associated with changes in gilt and corporate bond yields. IAS19 liability movements from changes in the discount rate will also be partially hedged by the Plan's corporate bond holding.

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

Following completion of the latest funding valuation as at 30 June 2014, Arqiva Limited has agreed to pay deficit contributions of £2.5m per annum to 31 July 2018, and then payments of £3.3m per annum to July 2020. As such, the Group anticipates contributions to the defined benefit plan for the year ending 30 June 2017 will be £2.5m.

Sensitivity Analysis

The assumptions considered to be the most significant are the discount rate adopted, inflation represented by RPI, and the longevity assumptions.

The sensitivity of the 2016 year end results to changes in the three key assumptions is shown below:

Funding Position	Discount rate movement of 0.1%	RPI movement of 0.1%	Longevity assumption movement of 1 year
Increase in Plan liabilities	£4.7m	£4.8m	£5.6m

The sensitivity of the 2015 year end results to changes in the three key assumptions is shown below:

Funding Position	Discount rate movement of 0.1%	RPI movement of 0.1%	Longevity assumption movement of 1 year
(Decrease) / Increase in Plan liabilities	(£3.9m)	(£4.0m)	£4.4m

The sensitivity of the 2014 year end results to changes in the three key assumptions is shown below:

Funding Position	Discount rate movement of 0.1%	RPI movement of 0.1%	Longevity assumption movement of 1 year
(Decrease) / Increase in Plan liabilities	(£3.7m)	(£3.3m)	£0.3m

This sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The Group anticipates contributions to the defined benefit Plan for the year ending 30 June 2017 will be £nil due to the closure of the scheme to future accrual.

32 Related party transactions

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions with the Group's pension scheme are disclosed in note 31. Transactions between the group and its associates are disclosed below.

Trading transactions

During the year ended 30 June 2016 the Group entered into the following transactions with related parties who are not members of the Group:

	Sale of goods and services			Purchase of goods and services		
	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014
	£'m	£'m	£'m	£'m	£'m	£'m
Associates	—	—	—	7.1	6.9	4.3
Joint ventures	0.8	—	—	1.1	0.9	3.4
Entities under common control	30.2	16.4	13.4	11.3	0.5	0.4
Immediate parent	—	—	—	—	—	—
Other group entities	21.2	19.9	16.2	—	0.7	—
	52.2	**36.3**	**29.6**	**19.5**	**9.0**	**8.1**

All transactions are on third-party terms and all outstanding balances, with the exception of the amount outstanding referenced below, are interest free, un-secured and are not subject to any financial guarantee by either party.

In addition, the Group received £nil (2015: £0.1m; 2014: £0.1m) of dividends from associates and £nil (2015: £0.2m; £0.3m) from joint ventures in which it holds an investment.

As at 30 June 2016, the amount receivable from associates was £nil (2015: £nil; 2014: £1.8m) and joint ventures was £0.5m (2015: £0.5m; 2014: £0.3m). Interest received during the year from joint ventures was £0.1m (2015: £0.1m; 2014: £nil) charged at 12% of the outstanding balance.

As at 30 June 2016, the amount receivable from entities under common control was £nil (2015: £0.4m; 2014: £0.4m).

As at 30 June 2016, the amounts receivable from and payable to other group entities are disclosed in notes 18 and 22 respectively.

Remuneration of key management personnel

The remuneration of the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures.*

	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014
	£'m	£'m	£'m
Short-term employee benefits	5.8	5.5	5.9
Termination benefits	2.2	0.6	—
Post-employment benefits	0.2	0.3	0.3
	8.2	**6.4**	**6.2**

One member of key management personnel (2015: one; 2014: one) is a member of the Group's defined benefit pension scheme (see note 31).

The members of key management personnel had no material transactions with the Group during the year, other than in connection with their service agreements.

Further information in respect of the remuneration of the Company's statutory directors has been provided on page 123.

33 Controlling parties

The Company's immediate parent is Arqiva Financing No. 3 Plc ('AF3'). Copies of the AF3 financial statements can be obtained from the Company Secretary at Crawley Court, Winchester, Hampshire, SO21 2QA.

The ultimate UK parent undertaking is AGL (formerly Arqiva Broadcast Holdings Limited), which is the parent undertaking of the largest group to consolidate these financial statements.

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

AGL is owned by a consortium of shareholders including Canada Pension Plan Investment Board, Macquarie European Infrastructure Fund II, other Macquarie managed funds and minorities. There is no ultimate controlling party of the Company.

34 Events after the report date

On 7th September 2016 the Group entered into an agreement for the sale of Arqiva WiFi Limited, a subsidiary undertaking of the Group that forms part of the Telecoms & M2M reporting segment (see note 5 to the financial statements). The sale is subject to various pre-completion conditions and is expected to be completed before the end of the calendar year. This disposal is in accordance with management's strategy to divest non-core business areas. The results of the disposal group are not material to the Group's financial statements. Further information is contained on page 49.

35 First time adoption of IFRSs

The following tables present the recognition and measurement differences relating the presentation of financial performance and position under IFRS. 'As report under UK GAAP' refers to the historic UK GAAP framework prevailing at each respective reporting date. The financial reporting framework which now applies to entities preparing financial statements in accordance with legislation, regulation or accounting standards applicable in the UK and the Republic of Ireland is FRS 100, Application of Financial Reporting Requirements, which was issued in November 2012. FRS 100 includes EU-endorsed IFRS, FRS 101 (IFRS with a reduced disclosure framework) and FRS 102 (a framework based on IFRS) as permissible reporting frameworks. These standards are mandatory for statutory financial statements for accounting periods beginning on or after 1 January 2015. Pursuant to the introduction of these new standards, the Group has adopted IFRS for these consolidated financial statements.

35 First time adoption of IFRSs (Continued)

Group reconciliation of equity as at 1 July 2013 ('transition date')

	Notes to the reconciliation	As reported under UKGAAP	Recognition and measurement differences	Re-classification for presentational purposes	IFRS at 1 July 2013
		£'m	£'m	£'m	£'m
Non-current assets					
Goodwill	A	2,009.4	—	—	2,009.4
Other intangible assets	B	9.2	—	24.1	33.3
Property, plant and equipment	B	1,658.3	—	(24.1)	1,634.2
Deferred tax	F	—	103.4	35.9	139.3
Interest in associates and joint ventures	A	10.0	—	—	10.0
		3,686.9	**103.4**	**35.9**	**3,826.2**
Current assets					
Trade and other receivables	F	254.8	—	(35.2)	219.6
Cash and cash equivalents		148.9	—	—	148.9
		403.7	**—**	**(35.2)**	**368.5**
Total assets		**4,090.6**	**103.4**	**0.7**	**4,194.7**
Current liabilities					
Borrowings	D	—	—	(0.5)	(0.5)
Trade and other payables	D	(496.6)	—	0.5	(496.1)
Provisions	C	—	—	(7.2)	(7.2)
		(496.6)	**—**	**(7.2)**	**(503.8)**
Net current liabilities		**(92.9)**	**—**	**(42.4)**	**(135.3)**
Non-current liabilities					
Borrowings	D	—	—	(6,237.9)	(6,237.9)
Derivative financial instruments	D	—	(1,218.8)	—	(1,218.8)
Other payables (including accruals and deferred income)	D	(6,274.4)	(80.9)	6,237.9	(117.4)
Provisions	C	(54.1)	—	7.2	(46.9)
Retirement benefits	G	(2.3)	—	(0.7)	(3.0)
		(6,330.8)	**(1,299.7)**	**6.5**	**(7,624.0)**
Total liabilities		**(6,827.4)**	**(1,299.7)**	**(0.7)**	**(8,127.8)**
Net liabilities		**(2,736.8)**	**(1,196.3)**	**—**	**(3,933.1)**
Share capital		0.1	—	—	0.1
Merger reserve		(188.5)	—	—	(188.5)
Retained earnings	A – F	(2,548.9)	(1,196.3)	0.8	(3,744.4)
Translation reserve		—	—	(0.8)	(0.8)
Equity attributable to owners of the Company		(2,737.3)	(1,196.3)	—	(3,933.6)
Non-controlling interest		0.5	—	—	0.5
Total equity		**(2,736.8)**	**(1,196.3)**	**—**	**(3,933.1)**

35 First time adoption of IFRSs (Continued)

Group reconciliation of equity as at 30 June 2014

	Notes to the reconciliation	As reported under UKGAAP	Recognition and measurement differences	Re-classification for presentational purposes	IFRS at 30 June 2014
		£'m	£'m	£'m	£'m
Non-current assets					
Goodwill	A	1,857.2	155.1	—	2,012.3
Other intangible assets	B	10.1	—	33.7	43.8
Property, plant and equipment	B	1,709.1	—	(33.7)	1,675.4
Deferred tax	F	—	—	55.7	55.7
Retirement benefits	G	3.8	—	0.9	4.7
Interest in associates and joint ventures	A	10.6	0.5	—	11.1
		3,590.8	**155.6**	**56.6**	**3,803.0**
Current assets					
Trade and other receivables	F	269.8	—	(56.6)	213.2
Cash and cash equivalents		79.9	—	—	79.9
		349.7	**—**	**(56.6)**	**293.1**
Total assets		**3,940.5**	**155.6**	**—**	**4,096.1**
Current liabilities					
Borrowings	D	—	—	(0.3)	(0.3)
Trade and other payables	D	(890.3)	69.0	0.3	(821.0)
Provisions	C	—	—	(7.4)	(7.4)
		(890.3)	**69.0**	**(7.4)**	**(828.7)**
Net current liabilities		**(540.6)**	**69.0**	**(64.0)**	**(535.6)**
Non-current liabilities					
Borrowings	D	—	—	(6,231.5)	(6,231.5)
Derivative financial instruments	D	—	(1,267.0)	—	(1,267.0)
Other payables (including accruals and deferred income)	D	(6,370.1)	31.2	6,231.5	(107.4)
Provisions	C	(47.9)	—	7.4	(40.5)
		(6,418.0)	**(1,235.8)**	**7.4**	**(7,646.4)**
Total liabilities		**(7,308.3)**	**(1,166.8)**	**—**	**(8,475.1)**
Net liabilities		**(3,367.8)**	**(1,011.2)**	**—**	**(4,379.0)**
Share capital		0.1	—	—	0.1
Merger reserve		(188.5)	—	—	(188.5)
Retained earnings	A – F	(3,180.1)	(1,011.2)	0.3	(4,191.0)
Translation reserve		—	—	(0.3)	(0.3)
Equity attributable to owners of the Company		(3,368.5)	(1,011.2)	—	(4,379.7)
Non-controlling interest		0.7	—	—	0.7
Total equity		**(3,367.8)**	**(1,011.2)**	**—**	**(4,379.0)**

35 First time adoption of IFRSs (Continued)

Group reconciliation of equity as at 30 June 2015

	Notes to the reconciliation	As reported under UKGAAP	Recognition and measurement differences	Re-classification for presentational purposes	IFRS at 30 June 2015
		£'m	£'m	£'m	£'m
Non-current assets					
Goodwill	A	1,678.2	310.9	—	1,989.1
Other intangible assets	B	9.8	(1.1)	28.3	37.0
Property, plant and equipment	B	1,766.2	(2.2)	(28.3)	1,735.7
Deferred tax	F	—	—	—	—
Retirement benefits	G	—	6.6	—	6.6
Interest in associates and joint ventures	A	4.6	—	—	4.6
		3,458.8	**314.2**	**—**	**3,773.0**
Current assets					
Trade and other receivables	F	237.8	—	—	237.8
Cash and cash equivalents		72.9	—	—	72.9
		310.7	**—**	**—**	**310.7**
Total assets		**3,769.5**	**314.2**	**—**	**4,083.7**
Current liabilities					
Borrowings	D	—	—	(0.4)	(0.4)
Trade and other payables	D	(1,191.9)	16.7	0.4	(1,174.8)
Provisions	C	—	—	(11.2)	(11.2)
		(1,191.9)	**16.7**	**(11.2)**	**(1,186.4)**
Net current liabilities		**(881.2)**	**16.7**	**(11.2)**	**(875.7)**
Non-current liabilities					
Borrowings	D	—	—	(3,075.0)	(3,075.0)
Derivative financial instruments	D	—	(1,210.3)	—	(1,210.3)
Other payables (including accruals and deferred income)	D	(3,288.6)	102.6	3,075.0	(111.0)
Provisions	C	(55.2)	—	11.2	(44.0)
		(3,343.8)	**(1,107.7)**	**11.2**	**(4,440.3)**
Total liabilities		**(4,535.7)**	**(1,091.0)**	**—**	**(5,626.7)**
Net liabilities		**(766.2)**	**(776.8)**	**—**	**(1,543.0)**
Share capital		0.1	—	—	0.1
Merger reserve		(188.5)	—	—	(188.5)
Capital contribution reserve		120.3	—	—	120.3
Retained earnings	A – F	(698.4)	(776.9)	1.0	(1,474.3)
Translation reserve		—	—	(1.0)	(1.0)
Equity attributable to owners of the Company		(766.5)	(776.9)	—	(1,543.4)
Non-controlling interest		0.3	0.1	—	0.4
Total equity		**(766.2)**	**(776.8)**	**—**	**(1,543.0)**

35 First time adoption of IFRSs (Continued)

Group reconciliation of the income statement for the year ended 30 June 2014

	Notes to the reconciliation	UKGAAP Pre exceptional items	UKGAAP Exceptional items	UKGAAP Total	Recognition and measurement differences	IFRS for the year ended 30 June 2014 Pre exceptional items	IFRS for the year ended 30 June 2014 Exceptional items	IFRS for the year ended 30 June 2014 Total
		£'m	£'m	£'m	£'m	£'m	£'m	£'m
Continuing operations								
Group revenue		826.7	—	826.7	—	826.7	—	826.7
Cost of sales	I	(301.3)	—	(301.3)	24.0	(277.3)	—	(277.3)
Gross profit		**525.4**	**—**	**525.4**	**24.0**	**549.4**	**—**	**549.4**
Depreciation	B	(122.6)	—	(122.6)	8.5	(114.1)	—	(114.1)
Amortisation	A, B	(157.8)	—	(157.8)	147.2	(10.6)	—	(10.6)
Impairment		—	—	—	—	—	—	—
Other operating expenses	A, I	(117.1)	(7.4)	(124.5)	(24.1)	(141.1)	(7.5)	(148.6)
Total operating expenses		(397.5)	(7.4)	**(404.9)**	**131.6**	(265.8)	(7.5)	**(273.3)**
Share of result of joint venture and associates		2.7	—	2.7	(1.5)	1.2	—	1.2
Operating profit		130.6	(7.4)	**123.2**	**154.1**	284.8	(7.5)	**277.3**
Finance income		2.7	—	2.7	—	2.7	—	2.7
Finance costs	J, K	(658.7)	(112.3)	(771.0)	163.7	(607.3)	—	(607.3)
Other gains and losses	L	—	—	—	(31.1)	(24.1)	(7.0)	(31.1)
Loss on ordinary activities before taxation		(525.4)	(119.7)	**(645.1)**	**286.7**	(343.9)	(14.5)	**(358.4)**
Tax on loss on ordinary activities	F			18.2	(102.7)			(84.5)
Loss for the year after taxation				**(626.9)**	**184.0**			**(442.9)**
Non-controlling interests	H			(0.3)	0.3			
Loss for the financial year				**(627.2)**	**184.3**			

Group reconciliation of other comprehensive income for year ended 30 June 2014

	Notes to the reconciliation	UK GAAP	Recognition and measurement differences	IFRS for the year ended 30 June 2014
		£'m	£'m	£'m
Loss for the financial year		**(627.2)**	**184.3**	**(442.9)**
Items that will not be reclassified subsequently to profit or loss				
Actuarial (losses) / gains on defined benefit pension schemes	J	(5.3)	1.4	(3.9)
Movement on deferred tax relating to pension schemes	J	1.1	(0.7)	0.4
		(4.2)	**0.7**	**(3.5)**
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations		0.2	0.3	0.5
		(4.0)	**1.0**	**(3.0)**
Total comprehensive expense		**(631.2)**	**185.3**	**(445.9)**

35 First time adoption of IFRSs (Continued)

Group reconciliation of the income statement for the year ended 30 June 2015

	Notes to the reconciliation	UKGAAP Pre exceptional items	UKGAAP Exceptional items	UKGAAP Total	Recognition and measurement differences	IFRS at 30 June 2015 Pre exceptional items	IFRS at 30 June 2015 Exceptional items	IFRS at 30 June 2015 Total
		£'m	£'m	£'m	£'m	£'m	£'m	£'m
Continuing operations								
Group revenue		856.7	—	856.7	—	856.7	—	856.7
Cost of sales	I	(327.7)	—	(327.7)	21.6	(306.1)	—	(306.1)
Gross profit		**529.0**	**—**	**529.0**	**21.6**	**550.6**	**—**	**550.6**
Depreciation	B	(119.0)	—	(119.0)	6.3	(112.7)	—	(112.7)
Amortisation	A, B	(159.0)	—	(159.0)	150.9	(8.1)	—	(8.1)
Impairment	A	—	(33.7)	(33.7)	(5.2)	—	(38.9)	(38.9)
Other operating expenses	A, I	(109.4)	(11.0)	(120.4)	(21.6)	(131.0)	(11.0)	(142.0)
Total operating expenses		(387.4)	(44.7)	**(432.1)**	**130.4**	(251.8)	(49.9)	**(301.7)**
Share of result of joint venture and associates		3.6	—	3.6	(1.2)	2.4	—	2.4
Operating profit		145.2	(44.7)	**100.5**	**150.8**	301.2	(49.9)	**251.3**
Finance income	K	2.6	1.0	3.6	(1.0)	2.6	—	2.6
Finance costs	J, K	(639.3)	(100.5)	(739.8)	110.8	(629.0)	—	(629.0)
Other gains and losses	L	—	—	—	(34.5)	(35.5)	1.0	(34.5)
Loss on ordinary activities before taxation		(491.5)	(144.2)	**(635.7)**	**226.1**	(360.7)	(48.9)	**(409.6)**
Tax on loss on ordinary activities	F			(57.6)	0.3			(57.3)
Loss for the year after taxation				**(693.3)**	**226.4**			**(466.9)**
Non-controlling interests	H			(0.1)	0.1			
Loss for the financial year				**(693.4)**	**226.5**			

Group reconciliation of other comprehensive income for year ended 30 June 2015

	Notes to the reconciliation	UK GAAP	Recognition and measurement differences	IFRS at 30 June 2015
		£'m	£'m	£'m
Loss for the financial year		**(693.4)**	**226.5**	**(466.9)**
Items that will not be reclassified subsequently to profit or loss				
Actuarial (losses) / gains on defined benefit pension schemes	J	(6.9)	8.2	1.3
Movement on deferred tax relating to pension schemes	J	1.4	(0.2)	1.2
		(5.5)	**8.0**	**2.5**
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations		(0.6)	(0.1)	(0.7)
		(6.1)	**7.9**	**1.8**
Total comprehensive expense		**(699.5)**	**234.4**	**(465.1)**

Notes to the reconciliation of equity as at 1 July 2013, 30 June 2014 and 30 June 2015, and the income statement and statement of other comprehensive income for the years ended 30 June 2014 and 30 June 2015

35 First time adoption of IFRSs (Continued)

A. Goodwill and intangibles

On transition to IFRS, and in accordance with IFRS 1, goodwill has continued to be recognised at its carrying value.

Under UK GAAP, these goodwill balances were amortised in line with the Group's previous accounting policy. The amortisation for the years ended 30 June 2015 and 30 June 2014 has therefore been reversed to present the IFRS position as at 30 June 2015 and 30 June 2014 respectively. As a result, an additional £5.2m of impairment was recognised in the year ended 30 June 2015.

Under IFRS, acquisition related fees (£0.1m) that arose in the year ended 30 June 2014 and were capitalised as part of the carrying value of goodwill under UK GAAP, were re-classified as administrative expenses within the income statement.

B. Software and development costs

Under UK GAAP software and certain associated development costs were reported as tangible assets (carrying value at 30 June 2015: £30.5m; 30 June 2014: £33.7m; 1 July 2013: £24.1m). Under IAS 38, these capitalised costs are reclassified and presented as an intangible asset and amortised in line with the Group's accounting policy which is the same as the previous depreciation charges.

C. Classification of provisions

On adoption of IAS 37 *Provisions and contingent liabilities,* the element that is anticipated to fall due within one financial year has been separately presented as a current liability (carrying value at 30 June 2015: £11.2m; 30 June 2014: £7.4m; 1 July 2013: £7.2m) with the remaining balance presented as a non-current liability.

D. Recognition of derivative financial instruments and de-recognition of associated financial instruments

The fair value of the Group's derivative financial instruments (fair value liability at 30 June 2015: £1,210.3m; 30 June 2014: £1,267.0m; 1 July 2013: £1,218.8m) is recognised under IFRS, and was not recognised under UK GAAP. Their recognition at fair value is determined from the present value of the expected future cash flows when compared to prevailing market rates, discounted at a risk-adjusted discount rate.

The swap premium (carrying value at 30 June 2015: £16.6m within current liabilities and £172.0m within non-current liabilities; 30 June 2014: £9.1m within current liabilities and £94.5m within non-current liabilities; nil at 1 July 2013) previously recognised under UK GAAP requires de-recognition as its fair value is included within the fair value of the derivative instrument itself. In addition, principal accretion on inflation linked swaps, which had previously been recognised as a separate liability under UK GAAP (carrying value at 30 June 2015: nil; 30 June 2014: £59.9m; 1 July 2013: £20.2m), has been derecognised as a separate financial instrument and incorporated into the fair value and fair value movements of the inflation linked swaps to which it relates.

Certain historic derivative 'exit' costs (carrying value at 30 June 2015: £75.9m within non-current assets; 30 June 2014: £85.5m; 1 July 2013: £95.0m) which had been recognised on balance sheet under UK GAAP were de-recognised as they reflect the crystallisation of losses on previously held derivatives (not recognised under UK GAAP) when these instruments were disposed of. Under IFRS, the losses on de-recognition of the derivative instruments would have been recorded in profit and loss and therefore impact brought forward retained earnings under IFRS.

Under UK GAAP, the Group applied an adjustment (following the principles of SSAP 20 *Foreign Currency Translation*) to reduce foreign currency volatility on the balance sheet and profit and loss account in relation to its US dollar denominated borrowings. The cumulative effective of this adjustment has been reversed on transition to IFRS (carrying value at 30 June 2015: £7.8m; 30 June 2014: £25.1m; 1 July 2013 £0.6m).

35 First time adoption of IFRSs (Continued)

E. Debt issue costs

Under UK GAAP, certain costs capitalised and amortised in association with the issue of debt and its maturity profile (respectively), are treated as profit and loss items under IFRS where the instrument itself is measured on a fair value through profit and loss basis. These costs (carrying value at 30 June 2015: £1.3m; 30 June 2014: £2.9m; 1 July 2013: £6.7m) have been de-recognised in full.

F. Deferred tax

IFRS defines deferred tax in relation to temporary differences between carrying values and their related tax bases, rather than timing differences in the profit or loss, therefore adjustments are required to recognise a number of items for which no deferred tax was recognised under UK GAAP. This principally relates to the fair value moment on derivative financial instruments (which was not required to be recorded on the Group's UK GAAP balance sheet). The Group's accounting policy under IFRS, and previously under UK GAAP, is to recognise these differences as a deferred tax asset to the extent to which it is considered recoverable. Based on the forecasts available to management as at 1 July 2013 an additional £103.4m of deferred tax was recognised.

G. Retirement benefits—Statement of Financial Position

In the UK GAAP reported financial position at 30 June 2015, the Group restricted its recognition of its retirement benefit surplus on application of the rules of FRS 17 *Retirement Benefits*. On adoption of IFRS and application of IAS 19 *Employee benefits*, the Group has been able to support its recognition of its retirement benefits surplus in full and therefore presents an asset of £6.6m as at 30 June 2015.

H. Non-controlling interest

A presentational adjustment has been made to analyse the comprehensive loss for the year between that attributable to the owners of the Company and that attributable to non-controlling interests, i.e. the loss for the year is presented on a gross-basis.

I. Income statement classification

A presentational adjustment has been made to align the classification of certain operating costs and costs relating to certain cost of sales activities.

J. Retirement benefits—Income Statement

Under IFRS the net finance cost associated with the Group's defined benefit scheme is calculated based upon the deficit/surplus position in place at the start of the accounting period and the discount rate in force. Under UK GAAP, this was calculated based upon the expected return on assets.

K. Finance costs

Finance costs have been adjusted to reflect:

- The impact of the de-recognition of the swap premium, deferred derivative close out costs, certain debt issue costs and adjustments for foreign currency movements (2015 aggregate impact: £21.7m charge on conversion; 2014: £35.7m credit on conversion);
- The presentation of unrealised foreign currency movements on US$ denominated debt as 'other gains and losses' (2015: £17.5m charge; 2014: £24.2m gain)
- Adjustments with respect to the IAS 19 calculation of the return on scheme assets (2015: £1.6m; 2014: £3.5m);
- The grossing up of the fair value movement on derivatives to include the movement of principal accretion on inflation linked swaps charged to profit and loss (2015: £15.0m; 2014: £39.7m) (see note L); and

35 First time adoption of IFRSs (Continued)

- The de-recognition of swap break costs (2015: £100.5m; 2014: £112.3m), classified as exceptional financing costs under UK GAAP where these are represented in the opening balances.

L. Other gains and losses

Other gains and losses present:

- Fair value movements on derivatives including principal accretion (see notes D and K);
- Unrealised foreign currency movements on US$ denominated debt as described in note K.
- Exceptional break costs on the exit of swap arrangements which were cash settled (in the year ended 30 June 2014);
- Exceptional proceeds on the disposal of the swap options (in the year ended 30 June 2015) reclassified from exceptional finance income.

M. Restatement of cash flow statement from UK GAAP to IFRS

The transition from UK GAAP to IFRS has no effect upon the cash flows generated by the Group. The IFRS cash flow statement is presented in a different format from that required under UK GAAP with cash flows split into three categories of activities—operating activities, investing activities and financing activities. The reconciling items between the UK GAAP presentation and the IFRS presentation have no net impact on the cash flows generated.

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

Report on the audit of the financial statements

Opinion

In our opinion:

- Arqiva Broadcast Parent Limited's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2017 and of the Group's loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated statement of financial position and the Company statement of financial position as at 30 June 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity and the Company statement of changes in equity for the year then ended; the notes to the consolidated financial statements and the Company notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Materiality

- Overall Group Materiality £15.5 million (2016: £14.8 million)—Group financial statements.
- Based on 5% of profit before interest, tax, other gains and losses and exceptional items.
- Overall Company Materiality £86.7 million (2016: £14.8 million)—Company financial statements.
- Based on 2% of total assets, capped in the prior year at Group Materiality.

Audit Scope

- For the Group financial statements we performed an audit of the complete financial information of 10 reporting units. We also conducted audit procedures of specific line items for 1 reporting unit.
- The audit work performed gave us coverage of 92% of revenue and 98% of profit before interest, tax, other gains and losses and exceptional items.
- All entities have been audited by the Group team and hence no component auditor has been involved in the audit of consolidated financial statements.

Key Audit Matters

- Revenue and profit recognition on complex contracts (Group).
- Valuation of financial instruments (Group).
- Accruals and provisions, including amounts relating to infrastructure and bonuses and decommissioning of sites (Group).
- Classification of exceptional items (Group).
- Impairment of intangible assets and goodwill (Group) and investments in subsidiaries (Company only).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Revenue and profit recognition on complex contracts (Group) *Refer to page 75, page 82 and page 85 (note 3—significant accounting policies—revenue recognition, note 4—critical accounting judgements and key sources of estimation uncertainty—revenue recognition and note 5—revenue and segmental information)* The Group has a number of complex customer contracts which are delivered in phases over a number of accounting periods. These contracts include smart metering contracts, contracts with telecommunications network operators for access to communications infrastructure and contracts for the clearance of spectrum. As a result the accounting for revenue and profit recognition is complex. There are multiple elements involved and a degree of management judgement in determining what is included in the total contract position to completion and the margin to be recognised.	We obtained schedules for each contract and for each deliverable showing the amount of revenue and gross margin for the year to 30 June 2017 and for all prior years for which the contract was in operation and all future years for which there are performance obligations under the contract. We compared the total amounts of revenue to the contract and determined that the separate contract elements were separately identified and performed testing over the amounts of revenue allocated to each element to ensure this was appropriate. We assessed the revenue profit margins for consistency with contract deliverable costs by considering the costs incurred to date and forecast for the relevant revenue stream. We also compared this to the consistency of past and future gross margins, obtaining explanations for variations where necessary. For each element we assessed the extent of performance of deliverables that had been achieved in the year, and the amount of revenue recognised, by, for example, reviewing the evidence of milestone achievement and amounts invoiced, discussion with project managers, and assessing management estimates used to determine the revenue recognised, verifying estimated costs to come with third party evidence where available or corroborating with other available information within the business if appropriate. Where contract variations arose we assessed the appropriateness and timing of the recognition of the related revenues by obtaining an understanding of the reason for the variations and the timing of their delivery and validated this to the signed contract variation addendums. Through our procedures performed we assessed whether the revenue recognised on the contracts was in line with the Group accounting policies and IAS 18. Our testing did not identify any material differences in relation to revenue and profit recognition on these complex contracts.

Key audit matter	How our audit addressed the key audit matter
Valuation of financial instruments (Group)	
Refer to page 78, page 84 and page 109 (note 3—significant accounting policies—financial instruments, note 4—critical accounting judgements and key sources of estimation uncertainty—fair value measurements and valuation processes and note 25—derivative financial instruments) The Group holds a number of derivative financial instruments, comprising interest rate, cross currency and inflation linked swaps, in relation to the financing of the Group. These derivative financial instruments are significantly out of the money. The Group accounts for the valuations of those instruments using valuations provided by the counter party institutions with adjustments made by management for counter party credit risk. This is considered a key audit matter due to the complexity of the valuations and the quantum of balances involved.	We engaged PwC valuations experts to assist with the audit of the counter parties' valuations of each interest rate swap, cross currency swap and inflation linked swap, and management's adjustments for counter party credit risk of those instruments. This recalculated the fair value using the internal PwC valuation model for every instrument which was then compared to the amount recognised in the financial statements. There were no material differences arising between the Group fair values of derivative financial instruments recognised and our valuations.
Accruals and provisions (Group)	
Refer to page 83 and page 115 (note 4—critical accounting judgements and key sources of estimation uncertainty—provisions and contingent liabilities and note 26—provisions) Arqiva's business results in recognising complex accruals and provisions including those related to infrastructure across the extensive asset portfolio, various bonus accruals and decommissioning provisions. As there is an element of estimation involved, there is considered to be a risk that these balances may not be appropriately determined.	On a sample basis, we tested the accounting for accruals and provisions to supporting documentation and have challenged management where judgement has been applied, looking to corroborate the reasonableness of assumptions made with either historic performance or alternative evidence. This included: • For rent, rates and power understanding the processes for identifying and aggregating accruals and testing on a sample basis for accuracy by testing to supporting documentation; • For the decommissioning provision we obtained management's calculations and assumptions and confirmed that the methodology is appropriate. We then assessed the reasonableness of the assumptions in conjunction with the asset plan, decommissioning cost estimates and actual experience, and the appropriateness of the discount rate; • For bonuses we tied the assumptions included to the current year outcome and, where also relevant, to the long term plan which has been approved by the board. From our work performed, we have not identified any material differences or where the rationale for recognition of an accrual/provision was not considered appropriate.

Key audit matter	How our audit addressed the key audit matter
Classification of exceptional items (Group) *Refer to page 90 (note 7—exceptional items)* Costs of £50.1m have been classified as exceptional items in the current year financial statements. One of the Group's financial reporting KPIs is EBITDA prior to exceptional items. There is a risk that some non-exceptional costs could have been incorrectly classified as exceptional costs.	We assessed the disclosed accounting policy for compliance with accounting standards and for consistency of application. We scanned the listing of exceptional items for costs that appeared unusual to us in the context of the accounting policy and tested a sample of items to assess whether such items were appropriately classified. Our testing did not identify any material misstatements in the amounts or presentation of exceptional items.
Impairment of intangible assets, goodwill (Group) and investments in subsidiaries (Company only) *Refer to page 83 and page 95 (note 4—critical accounting judgements and key sources of estimation uncertainty—Impairment of goodwill and note 14—goodwill)* IAS 36 'Impairment of assets' requires management to prepare annual impairment reviews in respect of all indefinite lived intangible assets, such as goodwill. The Group's intangible assets and goodwill are material, amounting to £2,029 million and the impairment reviews performed over these include a number of assumptions which are subject to management judgement.	We obtained an understanding of the allocation of goodwill to business units in management's impairment model and assessed its appropriateness. We tested the impairment model, assessing its mathematical accuracy, the reliability of inputs to the model and the reasonableness of the assumptions applied by management in assessing the valuation of intangibles and goodwill for each business unit. These included the assumptions on revenue and cost growth, capital expenditure and the discount rate used. We involved our PwC valuations experts to evaluate the discount rate used to calculate the present value of the cash flows and ensure this was calculated using an acceptable methodology and in line with what we would expect for the business units. Based on this testing, we considered whether the carrying value of these intangibles was adequately supported by the value-in-use impairment model prepared by management, and found there to be a significant level of headroom. For the Company's investment in subsidiaries we have compared the net assets of the subsidiary at 30 June 2017 with the carrying value of the investment. For any subsidiaries where net assets do not exceed the carrying value, for example the entities which hold the Group's debt, we have looked further down the Group hierarchy at the subsidiaries held by that entity and confirmed that, by taking into account the net assets of these, the carrying value of the investment held in the Company is supported. We also considered for both the Group and Company positions whether there are any further indicators which would cause there to be an impairment and found that to be unlikely.

How we tailored the audit scope

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

Arqiva Broadcast Parent Limited's business is carried out through two principal trading subsidiaries, aligned into three customer-facing business units; Terrestrial Broadcast, Telecoms & M2M and Satellite and Media, supported by the Group's corporate functions. In addition there are a number of entities which provide financing to the operations.

All of the audit work including the audit of the consolidation has been performed by the Group engagement team since the accounting is performed in Arqiva's Winchester location.

Materiality

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

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

	Group financial statements	Company financial statements
Overall materiality	£15.5 million (2016: £14.8 million).	£86.7 million (2016: £14.8 million).
How we determined it	5% of profit before interest, tax, other gains and losses and exceptional items.	2% of total assets, capped in the prior year at Group Materiality
Rationale for benchmark applied	Based on our professional judgement, profit before interest and tax is an appropriate measure to assess the performance of the Group, and is a generally accepted auditing benchmark.	Based on our professional judgement, total assets is an appropriate measure to assess the performance of the Company and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.7 million and £14 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.5 million (Group audit) (2016: £0.5 million) and £0.5 million (Company audit) (2016: £0.5 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

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

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

With respect to the Strategic Report and the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 57, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Graham Lambert (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
September 2017

Consolidated income statement

	Notes	Year ended 30 June 2017 Pre-exceptional items	Exceptional items	Total	Year ended 30 June 2016 Pre-exceptional items	Exceptional items	Total
		£m	£m	£m	£m	£m	£m
Revenue	5	941.3	—	941.3	884.0	—	884.0
Cost of sales		(353.5)	—	(353.5)	(343.5)	—	(343.5)
Gross profit		**587.8**	—	**587.8**	**540.5**	—	**540.5**
Depreciation	16	*(141.6)*	—	*(141.6)*	*(128.4)*	—	*(128.4)*
Amortisation	15	*(12.6)*	—	*(12.6)*	*(10.3)*	—	*(10.3)*
Other operating expenses(1)	7	*(114.4)*	*(29.5)*	*(143.9)*	*(112.3)*	*(13.6)*	*(125.9)*
Total operating expenses		(268.6)	(29.5)	(298.1)	(251.0)	(13.6)	(264.6)
Other income		1.1	—	1.1	0.2	—	0.2
Share of results of associates and joint ventures	17	0.3	—	0.3	0.1	—	0.1
Operating profit	6,7	**320.6**	(29.5)	**291.1**	**289.8**	(13.6)	**276.2**
Finance income	9	3.7	—	3.7	1.3	—	1.3
Finance costs	10	(358.5)	—	(358.5)	(342.2)	—	(342.2)
Other gains and losses(1)	7,11	(112.5)	(20.6)	(133.1)	(0.1)	14.4	14.3
Loss before tax		**(146.7)**	(50.1)	**(196.8)**	**(51.2)**	0.8	**(50.4)**
Tax	12			(0.1)			0.1
Loss for the year				**(196.9)**			**(50.3)**
Attributable to:							
Owners of the Company				(197.1)			(50.4)
Non-controlling interests				0.2			0.1
				(196.9)			**(50.3)**

(1) Exceptional items are presented to assist with the understanding of the Group's performance. See note 7 for further information.

All results are from continuing operations. Further comments on consolidated income statement line items are presented in the notes to the financial statements.

Consolidated statement of comprehensive income

	Note	Year ended 30 June 2017	Year ended 30 June 2016
		£m	£m
Loss for the year		**(196.9)**	**(50.3)**
Items that will not be reclassified subsequently to profit or loss			
Actuarial losses on defined benefit pension schemes	30	(0.5)	(6.8)
		(0.5)	**(6.8)**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(0.5)	(1.8)
		(1.0)	**(8.6)**
Total comprehensive loss		**(197.9)**	**(58.9)**
Attributable to:			
Owners of the Company		(198.1)	(59.0)
Non-controlling interests		0.2	0.1
		(197.9)	**(58.9)**

Consolidated statement of financial position

	Note	30 June 2017	30 June 2016
		£m	£m
Non-current assets			
Goodwill	14	1,980.6	1,987.4
Other intangible assets	15	48.9	44.1
Property, plant and equipment	16	1,770.2	1,768.8
Retirement benefits	30	7.1	7.4
Interest in associates and joint ventures	17	5.1	4.8
		3,811.9	**3,812.5**
Current assets			
Trade and other receivables	18	289.9	286.8
Cash and cash equivalents	21	35.6	39.3
		325.5	**326.1**
Total assets		**4,137.4**	**4,138.6**
Current liabilities			
Trade and other payables	22	(1,390.8)	(1,259.1)
Borrowings	23	(113.7)	(5.4)
Provisions	26	(18.8)	(8.0)
		(1,523.3)	**(1,272.5)**
Net current liabilities		**(1,197.8)**	**(946.4)**
Non-current liabilities			
Other payables (including deferred revenue)	22	(159.4)	(148.2)
Borrowings	23	(3,017.9)	(3,121.0)
Derivative financial instruments	25	(1,179.7)	(1,146.3)
Provisions	26	(57.0)	(52.6)
		(4,414.0)	**(4,468.1)**
Total liabilities		**(5,937.3)**	**(5,740.6)**
Net liabilities		**(1,799.9)**	**(1,602.0)**
Equity			
Share capital		0.1	0.1
Accumulated losses		(1,729.1)	(1,531.5)
Merger reserve		(188.5)	(188.5)
Capital contribution reserve		120.3	120.3
Translation reserve		(3.3)	(2.8)
Total equity attributable to owners of the Parent		(1,800.5)	(1,602.4)
Non-controlling interest		0.6	0.4
Total equity		**(1,799.9)**	**(1,602.0)**

These financial statements on pages 68 to 125 were approved by the Board of Directors and authorised for issue on September 2017. They were signed on its behalf by:

Paul Dollman—Director

Consolidated statement of changes in equity

	Note	Share capital*	Accumulated losses	Merger reserve	Capital contribution reserve	Translation reserve	Total Equity attributable to owners of the Parent	Non-controlling interest	Total equity
		£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 July 2015		**0.1**	**(1,474.3)**	**(188.5)**	**120.3**	**(1.0)**	**(1,543.4)**	**0.4**	**(1,543.0)**
Loss for the year		—	(50.4)	—	—	—	(50.4)	0.1	(50.3)
Other comprehensive losses		—	(6.8)	—	—	(1.8)	(8.6)	—	(8.6)
Total comprehensive loss		—	(57.2)	—	—	(1.8)	(59.0)	0.1	(58.9)
Dividends paid	13	—	—	—	—	—	—	(0.1)	(0.1)
Balance at 30 June 2016		**0.1**	**(1,531.5)**	**(188.5)**	**120.3**	**(2.8)**	**(1,602.4)**	**0.4**	**(1,602.0)**
Loss for the year		—	(197.1)	—	—	—	(197.1)	0.2	(196.9)
Other comprehensive losses		—	(0.5)	—	—	(0.5)	(1.0)	—	(1.0)
Total comprehensive loss		—	(197.6)	—	—	(0.5)	(198.1)	0.2	(197.9)
Balance at 30 June 2017		**0.1**	**(1,729.1)**	**(188.5)**	**120.3**	**(3.3)**	**(1,800.5)**	**0.6**	**(1,799.9)**

* Comprises 100,002 (2016:100,002) authorised, issued and fully paid ordinary shares of £1 each.

Consolidated cash flow statement

	Note	Year ended 30 June 2017	Year ended 30 June 2016
		£m	£m
Net cash inflow from operating activities	27	**489.7**	**365.9**
Investing activities			
Interest received		0.7	0.5
Purchase of tangible assets	5	(151.0)	(168.4)
Purchase of intangible assets	5	(10.3)	(0.6)
Interest element of finance lease rentals		(1.0)	(1.0)
Sale of tangible assets		—	5.7
Sale of subsidiary undertakings		23.2	16.4
		(138.4)	**(147.4)**
Financing activities			
Raising of external borrowings	23	554.5	5.0
Repayment of external borrowings	23	(573.5)	—
Repayment of finance lease capital	23	(0.4)	(0.4)
Movement in borrowings		(19.4)	4.6
Interest paid		(236.9)	(230.7)
Cash settlement of principal accretion on inflation-linked swaps	25	(53.4)	(26.0)
Debt issue costs and facility arrangement fees		(12.5)	—
Cash outflow on close out of swap arrangements		(36.0)	—
Proceeds on disposal of swap options		3.2	—
		(355.0)	**(252.1)**
Decrease in cash and cash equivalents	21	**(3.7)**	**(33.6)**

Notes to the Group financial statements

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

Arqiva Broadcast Parent Limited ('ABPL') ('the Company') is a private company limited by shares and incorporated in England, in the United Kingdom ('UK') under the Companies Act 2006 under registration number 08085823. The address of the registered office is Crawley Court, Winchester, Hampshire, England SO21 2QA.

These consolidated financial statements of the Company and its subsidiaries for the year ended 30 June 2017 comprise the Company and its subsidiaries (together the "Group").

The nature of the Group's operations and its principal activities are set out in the strategic report on pages 8 to 40.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") (including International Accounting Standards ("IAS") and interpretations issued by the International Accounting Standards Board ("IASB") and its committees) as adopted for use in the European Union ("EU") and the Companies Act 2006.

The Company has elected to prepare its financial statements in accordance with FRS 101 Reduced Disclosure Framework. These are presented on pages 126 to 134.

2 Adoption of new and revised Standards

New and revised Standards

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

Amendments to IAS 1	Disclosure initiatives
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to IAS 27	Equity method in separate financial statements
Annual improvements 2012 – 2014 cycle	Clarify guidance and wording for IFRS 5, IFRS 7, IAS 19 and IAS 34
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: applying the consolidation exception

2 Adoption of new and revised Standards (Continued)

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been endorsed by the EU):

		Effective for annual periods beginning on or after:	Effective for Arqiva year ending:
Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses	1 January 2017	30 June 2018
Annual improvements 2014 – 2016 cycle	Includes amendments to IFRS 12	1 January 2017	30 June 2018
IFRS 9	Financial instruments (2014)	1 January 2018	30 June 2019
IFRS 15	Revenue from contracts with customers	1 January 2018	30 June 2019
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018	30 June 2019
IFRS 16 (not yet EU endorsed)	Leases	1 January 2019	30 June 2020
IAS 7 (not yet EU endorsed)	Disclosure initiatives	1 January 2017	30 June 2018

Management have performed an impact assessment on the adoption of IFRS 15 and do not expect it to have a material impact on the financial statements. With the exception of IFRS 16, the directors do not expect that the adoption of the other Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods.

IFRS 16 Leases, which is not yet endorsed for use in the EU, is expected to have a material impact on the financial statements of the Group in future periods. This is primarily through the recognition of the Group's operating leases on the balance sheet and reclassification of costs in the income statement leading to an increase in EBITDA, however it is not practicable to provide a reasonable estimate of the effect of this standard until a more detailed review has been completed. Further details of the Group's operating lease commitments are shown in note 28.

3 Significant accounting policies

Basis of preparation

The financial framework which now applies to entities preparing financial statements in accordance with legislation, regulation or accounting standards applicable in the UK and the Republic of Ireland is FRS 100, Application of Financial Reporting Requirements, which was issued in November 2012. These standards are mandatory for statutory financial statements for accounting periods beginning on or after 1 January 2015. Pursuant to the introduction of these new standards, the Group adopted EU-endorsed IFRS, which is an acceptable basis of reporting under FRS 100, and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies applying IFRS and in accordance with IFRS Interpretations Committee interpretations.

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

3 Significant accounting policies (Continued)

The Company's financial statements have been prepared under FRS 101 and are included in this report—see page 126.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries, together the Group) made up to 30 June 2017.

Control is achieved when the Company:

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

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

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

Intra-group profits have been eliminated. Undertakings, other than subsidiary undertakings, in which the Group has an investment representing not less than 20% of the voting rights and over which it exerts significant influence are treated as associated undertakings. Where the Group has an investment that has joint control, this is treated as a joint venture. Associates and joint ventures are accounted for using the equity method of accounting in accordance with IAS 28 'Investments in Associates and Joint Ventures'.

Going concern

The Group meets its day-to-day working capital and financing requirements through the net cash generated from its operations. The Group has access to sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments as set out in note 28. For this reason the Directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for the allocation of resources and assessment of performance of the operating segments, has been identified as collectively the Board of Directors, which includes the Chief Executive Officer and the Chief Financial Officer.

Revenue recognition

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

Where a contractual arrangement consists of two or more elements that are separable and have value to a customer on a standalone basis, revenue is recognised for each element as if it were an individual contract. The total contract consideration is allocated between the separate elements on the basis of relative fair value and the appropriate revenue recognition criteria are applied to each element. Likewise where elements of a contract, or multiple contracts, are so intrinsically linked that it is necessary to consider the

3 Significant accounting policies (Continued)

elements on a bundled basis revenue is recognised in respect of the bundled contractual obligations taken as a whole.

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

Rendering of services

Revenue from the rendering of services is recognised in line with the service provision over the contractual period. Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue and the associated costs can be measured reliably. Such revenues include television and radio transmission services, tower site rental to mobile network operators, installation services, in-building and small cells, network provision, media services, and machine-to-machine connectivity.

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

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

Delivery of engineering projects

Arqiva provides support to its customers by undertaking various engineering projects.

Revenue from such projects, which are long-term (greater than 12 months) contractual arrangements, are 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. Profit is recognised, if the final outcome can be assessed with reasonable certainty, by including revenue and related costs in the income statement as contract activity progresses.

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

Sale of communications equipment

Revenue from the sale of communications equipment is recognised when the significant risks and rewards of ownership are transferred to the buyer, which is typically upon delivery and acceptance by the customer.

Business combinations, including goodwill

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill is measured as the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree

3 Significant accounting policies (Continued)

(if any) less the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually or where there is indication of impairment.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

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

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

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

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

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

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

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

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

Property, plant and equipment

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

Assets in the course of construction for production, supply or administrative purposes, are carried at cost, less any recognised impairment loss. The cost of self-constructed assets includes the cost of materials and

3 Significant accounting policies (Continued)

direct labour. Labour costs are capitalised within the cost of an asset to the extent that they are directly attributable to the construction of the asset. The value capitalised captures all elements of employee benefits as defined by IAS 19.

Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

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

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

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

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

Impairment of non-financial assets

At each reporting period date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

3 Significant accounting policies (Continued)

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

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

The Group's ***financial assets*** are classified into the following specified categories: financial assets 'at fair value through profit or loss' ('FVTPL'), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

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

The Group's ***financial liabilities*** are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities' according to the substance of the contractual arrangements entered into.

Borrowings

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

3 Significant accounting policies (Continued)

Trade other payables

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

Provisions

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

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

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

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

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

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

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

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Otherwise derivatives are presented as current assets or current liabilities. Where derivatives have an amortising profile, the fair value of the element (i.e. the notional principal) that matures within 12 months is presented as a current asset or current liability.

Fair value measurement

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is

3 Significant accounting policies (Continued)

determined on such a basis. Exceptions to this principle have been made for leasing transactions that are within the scope of IAS 17, and measurements that are approximations to fair value but are not fair value, such as value in use in IAS 36.

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

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

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

Retirement benefits

Defined contribution schemes

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

3 Significant accounting policies (Continued)

Defined benefit schemes

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

The Plan closed to future accrual of benefits on 31 January 2016.

Prior to closing the scheme to future accrual, the Group presented current and past service costs within cost of sales and administrative expenses (see note 30) in its consolidated income statement. Curtailments gains and losses are accounted for as a past-service cost.

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

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

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

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3 Significant accounting policies (Continued)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Government grants

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

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

Operating profit and exceptional items

Operating profit is stated after exceptional impairment and restructuring costs, and after the share of results of associates but before finance income and finance costs.

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

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction, except in the case of certain financing transactions where hedging arrangements are in place and transactions are recorded at the contracted rate.

Monetary assets and liabilities denoted in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date or the contracted rate if applicable. Any exchange differences arising are taken to the income statement. Transactions in the income statement of overseas operations are translated using an average exchange rate.

Exchange differences on translation of overseas branches are recognised through the statement of comprehensive income.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4 Critical accounting judgements and key sources of estimation uncertainty (Continued)

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

The following are the critical judgements and those involving estimations that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Revenue recognition (critical accounting judgement and key source of estimation uncertainty)

In applying the Group's revenue recognition policy, as set out in note 3, judgements are made in respect of certain areas including:

- determination of distinct contract components and performance obligations;
- measurement of variable consideration;
- determination of fair value of non-cash consideration; and
- the recognition of a significant financing component.

Such judgments are consistently applied across similar contracts and key estimates are regularly monitored throughout the relevant contractual periods with reference to the stage of completion and any applicable customer milestone acceptance. This is particularly relevant to the approach for significant engineering projects which typically contain a programme build phase and a long-term operational phase.

Deferred tax (critical accounting judgement)

The largest element of deferred tax that requires judgement relates to tax losses carried forward (see note 20). Applicable accounting standards permit the recognition of deferred tax assets only to the extent that future taxable profits will be generated to utilise the tax losses carried forward. The assessment of future taxable profits involves significant estimation uncertainty, principally relating to an assessment of management's projections of future taxable income based on business plans and on-going tax planning strategies in relation to substantively enacted tax legislation.

Useful lives for property, plant and equipment and intangibles (key source of estimation uncertainty)

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

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

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

Provisions and contingent liabilities (critical accounting judgement and key source of estimation uncertainty)

As disclosed in note 26, the Group's provisions principally relate to obligations arising from contractual obligations, restructuring and property remediation plans and decommissioning obligations.

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

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

Impairment of goodwill (critical accounting judgement and key source of estimation uncertainty)

The carrying amount of the Group's goodwill is reviewed at each statement of financial position date to determine whether there is any indication of impairment, in compliance with the Group's accounting

4 Critical accounting judgements and key sources of estimation uncertainty (Continued)

policies. Deciding the recoverable amount of a line of business to which goodwill is attributed involves management estimates. The recoverable amount is the higher of the fair value less costs to sell, and the value in use.

The Group determines these values using methods based on discounted cash flows. These discounted cash flows are founded on five-year projections built on financial plans approved by the Board. The cash flow projections take account of past experience, and are based on management's best estimates of future developments based on contracted growth and necessary expenditure to maintain the assets required to generate that expected revenue. Cash flows beyond the planning period are extrapolated using an expected terminal growth rate.

The key assumptions underlying the changes in value in use involve estimates of the discount rate (with reference to weighted average costs of capital), projected cash flows and terminal growth rate.

The carrying amount of goodwill at the statement of financial position date is disclosed in note 14.

Actuarial assumptions used to determine the carrying amount of the Group's defined benefit plan liabilities (key source of estimation uncertainty)

The Group's defined benefit *plan liabilities are* discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. The Group selects these assumptions in consultation with an external qualified actuary. Additionally, the present value of the scheme liabilities depend on such factors as the life expectancy of the members, the salary progression of our current employees and price inflation.

Estimates are used for all of these factors in determining the pension costs and liabilities incorporated in our financial statements. The assumptions reflect historical experience and our judgement regarding future expectations. The value of the net pension surplus at 30 June 2017, the key financial assumptions used for measurement, the sensitivity of the IAS 19 (Revised 2011) pension surplus at 30 June 2017 and of the income statement charge in the year then ended to changes in these assumptions are disclosed in note 30.

Fair value measurements and valuation processes (key source of estimation uncertainty)

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group uses estimation techniques in accordance with the requirements of IFRS 13. This includes the assessment of the fair value adjustments with respect to credit risk (specifically debit valuation adjustments to the fair value of the derivative liabilities) for which the Group incorporates market-observable data into its valuation techniques.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes 14 and 25.

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

5 Revenue and segmental information

The following revenue was generated by the Group:

	Year ended 30 June 2017	Year ended 30 June 2016
	£m	£m
Rendering of services	846.6	814.8
Engineering projects	83.0	56.5
Sale of goods	11.7	12.7
Revenue	**941.3**	**884.0**

Segmental reporting

Information reported to the Group's Chief Operating Decision Maker ('CODM') (which is collectively the Group's Board of Directors, including the CEO and CFO) for the purposes of resource allocation and the assessment of segmental performance is focused on the three customer-facing business units, supported by central corporate functions which are non-revenue generating. The Group's reportable segments under IFRS 8 are therefore:

- Terrestrial Broadcast;
- Telecoms & M2M; and
- Satellite and Media.

'Other' segment refers to our corporate business unit, which is non-revenue generating.

Information regarding the nature of these business units is contained on pages 13 to 15 within the Strategic report.

Year ended 30 June 2017	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other	Consolidated
	£m	£m	£m	£m	£m
Revenue	**449.0**	**345.4**	**146.9**	**—**	**941.3**
Segment result* (EBITDA)	**329.4**	**155.1**	**35.0**	**(46.0)**	**473.5**
Depreciation and amortisation					(154.2)
Other operating expenditure excluded from measuring EBITDA					(0.1)
Exceptional items					(29.5)
Share of results of joint ventures and associates					0.3
Other income					1.1
Operating profit					**291.1**
Finance income					3.7
Finance costs					(358.5)
Other gains and losses					(133.1)
Loss before tax					**(196.8)**

5 Revenue and segmental information (Continued)

Year ended 30 June 2016	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other	Consolidated
	£m	£m	£m	£m	£m
Revenue	**422.4**	**317.0**	**144.6**	**—**	**884.0**
Segment result* (EBITDA)	**308.0**	**133.7**	**31.3**	**(44.6)**	**428.4**
Depreciation and amortisation					(138.7)
Other operating expenditure excluded from measuring EBITDA					(0.2)
Exceptional items					(13.6)
Share of results of joint ventures and associates					0.1
Other income					0.2
Operating profit					**276.2**
Finance income					1.3
Finance costs					(342.2)
Other gains and losses					14.3
Loss before tax					**(50.4)**

* Segment result is defined as total operating profit before the items set out above.

EBITDA[1] is a key measure of the Group's financial performance. A reconciliation of the reported EBITDA to the financial statements is provided below:

		Year ended 30 June 2017	Year ended 30 June 2016
		£m	£m
Operating profit		291.1	276.2
Depreciation	16	141.6	128.4
Amortisation	15	12.6	10.3
Exceptional items charged to operating profit	7	29.5	13.6
Other income		(1.1)	(0.2)
Share of results of joint ventures and associates	17	(0.3)	(0.1)
Other[2]		0.1	0.2
EBITDA		**473.5**	**428.4**

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Segmental result represents the profit earned by each segment without allocation of the reconciling items above or central administration costs including investment revenue and finance costs, and income tax expense. This is the measure reported to the Group's CODM for the purpose of resource allocation and assessment of segment performance.

1 EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation' and includes add-backs for certain items charged to operating profit that do not reflect the underlying business performance. The table above reconciles this adjusted profit measure back to operating profit as presented in the income statement.

2 Includes add-backs for certain profit or loss on disposal of other intangibles and property, plant and equipment and includes deductions for non-interest related finance costs, principally bank charges that are not considered relevant in understanding the underlying performance of the business.

5 Revenue and segmental information (Continued)

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

	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other*	Consolidated
	£m	£m	£m	£m	£m
Capital expenditure:					
For the year ended 30 June 2017	44.6	79.4	11.7	25.6	**161.3**
For the year ended 30 June 2016	49.7	75.5	14.2	30.6	**170.0**

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

Note: the above is presented on a cash basis and therefore cannot be agreed directly to the capital additions presented in notes 15 and 16. The total balance comprises property, plant and equipment of £151.0m (2016: £168.4m) and intangible assets of £10.3m (2016: £0.6m) as referred to in the cash flow statement.

Geographical information

The UK is the Group's country of domicile and the Group generates the majority of its revenue from external customers in the UK. The geographic analysis of revenue is on the basis of the country of origin in which the customer is invoiced.

The following revenue was generated from external customers:

	Year ended 30 June 2017	Year ended 30 June 2016
	£m	£m
UK	928.5	869.3
Rest of European Economic Area (EEA)	8.4	8.8
Rest of World	4.4	5.9
Revenue	**941.3**	**884.0**

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

	30 June 2017	30 June 2016
	£m	£m
UK	3,801.3	3,800.8
Rest of European Economic Area (EEA)	2.7	2.8
Rest of World	0.8	1.5
	3,804.8	**3,805.1**

Information about major customers

Included in the revenues arising from Terrestrial Broadcast are revenues of £133.9m (2016: £137.0m) which arose from sales to a major customer. Additionally, Telecoms & M2M revenues include £150.6m (2016: £130.2m) from a major customer.

No other single customers contributed 10% or more to the Group's revenue in the aforementioned financial years.

6 Operating profit

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

	Year ended 30 June 2017	Year ended 30 June 2016
	£m	£m
Net foreign exchange losses / (gains)	0.3	(1.4)
Research and development costs	2.9	1.8
Depreciation of property, plant and equipment:		
Owned assets	141.2	128.0
Assets held under finance lease	0.4	0.4
Loss / (profit) on disposal of property, plant and equipment	0.2	(0.3)
Amortisation of intangible assets	12.6	10.3
Grant income	(2.7)	(0.7)
Operating lease rentals	59.9	53.1
Employee costs (see note 8)	93.2	98.8

Services provided by the Group's Auditors and network firms

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

	Group Year ended 30 June 2017	Group Year ended 30 June 2016
	£m	£m
Fees payable to Company Auditors for the audit of parent company and consolidated financial statements	0.1	0.1
Fees payable for the audit of the Company's subsidiaries	0.3	0.3
Non-audit services		
Other assurance services	0.6	0.4
Services relating to taxation	—	0.1
Total cost of services provided by the Group's Auditors	**1.0**	**0.9**

7 Exceptional items

The Group recognises exceptional items in accordance with IAS 1 'Presentation of Financial Statements' where material items, derived from events or transactions within the ordinary activities of the Group, require disclosure by virtue of their size or incidence for the financial statements to give a true and fair view. Further information is disclosed in note 3.

Loss before tax is stated after (charging)/crediting:

	Note	Year ended 30 June 2017	Year ended 30 June 2016
		£m	£m
Operating expenses:			
Reorganisation and severance		(24.0)	(13.3)
Corporate finance activities		(5.5)	(0.6)
Profit on disposal of property, plant and equipment		—	0.3
		(29.5)	(13.6)
Other gains and losses:			
(Loss)/profit on disposal of subsidiary	29	(5.2)	14.4
Close out of swap arrangements	11	(15.4)	—
Total exceptional items		**(50.1)**	**0.8**

7 Exceptional items (Continued)

Reorganisation and severance expenses include costs relating to delivery of the Group's FutureFit programme. This is a transformation programme that will help Arqiva streamline processes, modernise IT systems and achieve significant cost efficiencies and savings. This includes one-off compensation payments to align employee Terms and Conditions.

Corporate finance activity costs relate to costs associated with the shareholder strategic review.

Loss on disposal of subsidiary relates to the disposal of Arqiva WiFi Limited, a subsidiary undertaking of the Group that operated in non-core business areas, specifically certain WiFi contracts.

In November 2016 the Group refinanced its £353.5m term loan with new debt issues that extend the final maturity date to December 2029. Accordingly certain swap arrangements relating to the former term loan were closed out and new swap arrangements were entered into to match the maturity profiles of the new debt.

The Group also disposed of the remainder of its swap options (total notional principal of £353.2m). As a result, certain charges crystallised in respect of the de-recognition of these instruments at their fair value. See note 25 for further information.

The expense amounts included within exceptional items above are deductible for the purpose of taxation. The loss on disposal of subsidiary (see note 29 for further information) is not subject to corporation tax as a result of the substantial shareholding exemption.

8 Employees

The average monthly number of persons (representing 'full-time equivalents') employed by the Group during the year was as follows:

	Year ended 30 June 2017 Number	Year ended 30 June 2016 Number
UK	2,060	2,112
Non-UK	40	45
Total employees	**2,100**	**2,157**

	Year ended 30 June 2017 Number	Year ended 30 June 2016 Number
Terrestrial Broadcast	674	653
Telecoms & M2M	535	609
Satellite and Media	364	376
Corporate functions	527	519
Total employees	**2,100**	**2,157**

Their aggregate remuneration comprised:

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Wages and salaries	125.9	130.2
Social security costs	13.3	15.1
Other pension costs	10.7	10.9
Total staff costs	149.9	156.2
Own work capitalised	(56.7)	(57.4)
Income statement expense	**93.2**	**98.8**

9 Finance income

	Year ended 30 June 2017	Year ended 30 June 2016
	£m	£m
Bank deposits	0.4	0.5
Finance lease interest receivable	0.2	0.2
Other loans and receivables	3.1	0.6
Total finance income	**3.7**	**1.3**

Other loans and receivables includes £0.2m (2016: £0.5m) in relation to net finance income on the defined benefit pension scheme.

10 Finance costs

	Year ended 30 June 2017	Year ended 30 June 2016
	£m	£m
Interest on bank overdrafts and loans	101.1	100.1
Other loan interest	130.3	125.0
Bank and other loan interest	231.4	225.1
Amortisation of debt issue costs	13.0	12.2
Interest on obligations under finance leases	1.0	1.0
Interest payable to other group entities	93.2	84.6
Other interest	16.9	18.8
Total interest payable	**355.5**	**341.7**
Less amounts included in the cost of qualifying assets	—	(1.7)
Unwinding of discount on provisions (see note 26)	3.0	2.2
Total finance costs	**358.5**	**342.2**

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate on expenditure on such assets equal to the Group's effective interest rate for capital expenditure (2017: n/a; 2016: 3.0%).

11 Other gains and losses

	Notes	Year ended 30 June 2017	Year ended 30 June 2016
		£m	£m
Foreign exchange on financing		(8.3)	(38.1)
Fair value (loss) / gain on derivative financial instruments	25	(104.2)	38.0
Other gains and losses		**(112.5)**	**(0.1)**
Exceptional (loss) / profit on disposal of subsidiary	7,29	(5.2)	14.4
Exceptional close out of swap arrangements	7	(15.4)	—
Exceptional other gains and losses		**(20.6)**	**14.4**
Total other gains and losses		**(133.1)**	**14.3**

Foreign exchange on financing arises on the revaluation of the Group's US dollar denominated debt (see note 23).

Fair value gains and losses on derivative financial instruments reflect the re-measurement of the Group's derivative financial instruments (see note 25).

12 Tax

	Year ended 30 June 2017	Year ended 30 June 2016
	£m	£m
UK Corporation tax:		
—Current year	—	(0.1)
—Adjustment in respect of prior years	—	—
Current year overseas tax	0.1	—
Total current tax	0.1	(0.1)
Deferred tax (see note 20):		
—Origination and reversal of temporary differences	(30.6)	(10.1)
—Change in unrecognised deferred tax assets	52.8	11.7
—Adjustment in respect of prior years	(34.0)	(1.6)
—Impact of rate change	11.8	—
Total deferred tax	—	—
Total tax charge / (credit) for the year	**0.1**	**(0.1)**

UK Corporation tax is calculated at the weighted average rate of 19.75% (2016: 20.00%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	Year ended 30 June 2017	Year ended 30 June 2016
	£m	£m
Loss before tax on continuing operations	(196.8)	(50.4)
Tax at the UK Corporation tax rate of 19.75% (2016: 20.0%)	(38.9)	(10.1)
Tax effect of expenses that are not deductible in determining taxable profit	3.4	0.8
Tax effect of income not taxable in determining taxable profit	—	(2.9)
Change in unrecognised deferred tax assets	52.8	11.7
Adjustments with respect to prior years	(34.0)	—
Impact of change in tax rate	16.8	—
Tax loss surrendered for nil consideration	—	0.4
Total tax charge / (credit) for the year	**0.1**	**(0.1)**

Change in unrecognised deferred tax assets includes the changes in the tax losses in the year which have not been recognised as a deferred tax asset.

The main rate of UK corporation tax decreased from 20% to 19% during the period and a 19.75% blended tax rate (2016: 20.00%) has therefore been used for the reconciliation of total tax. Finance Act 2016 was substantively enacted in the period ended 30 June 2017 and further reduced the main rate of corporation tax from 19% to 17% with effect from 1 April 2020. UK deferred tax has been valued at 17% (2016: 18%) as this is the rate at which the deferred tax balances are forecast to unwind.

There were no amounts relating to tax recognised in other comprehensive loss.

13 Dividends

	Year ended 30 June 2017		Year ended 30 June 2016	
	£ per share	**£m**	**£ per share**	**£m**
Now Digital (East Midlands) Limited	—	—	0.30	0.1
South West Digital Radio Limited	—	—	0.42	—
Total dividends payable to minority interests		**—**		**0.1**

The above amounts represent dividends declared but not paid to non-controlling interest shareholders by Group companies. No dividends were paid to ABPL shareholders.

14 Goodwill

	£m
Cost:	
At 1 July 2015	2,012.3
Disposals	(24.5)
At 30 June 2016	1,987.8
Disposals	(6.8)
At 30 June 2017	**1,981.0**
Accumulated impairment losses:	
At 1 July 2015	23.2
Disposals	(22.8)
At 30 June 2016 and 30 June 2017	**0.4**
Carrying amount:	
At 30 June 2017	**1,980.6**
At 30 June 2016	1,987.4

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ('CGUs') that are expected to benefit from that business combination. The CGUs that have associated goodwill are Terrestrial Broadcast, Telecoms & M2M and Satellite & Media. These are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other groups of assets, and to which goodwill is allocated.

The Group disposed of £6.8m of goodwill in relation to its investment in Arqiva WiFi Limited which was disposed of by the Group on 1 November 2016. See note 29 for further information.

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

	30 June 2017	30 June 2016
	£m	£m
Terrestrial Broadcast	1,236.1	1,236.1
Telecoms & M2M	640.4	647.2
Satellite and Media	104.1	104.1
Total	**1,980.6**	**1,987.4**

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value-in-use calculations ('VIU'). The key assumptions for the VIU calculations are those regarding the discount rates, growth rates and expected changes to cash flows during the year for which management has detailed plans. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Growth rates are based on internal and external

14 Goodwill (Continued)

growth forecasts. Changes to cash flows are based on past practices and expectations of future changes in the market.

Projected cash flows and the 'recoverable amount'

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

Discount rate

The pre-tax discount rate applied to the cash flow forecasts are derived using the capital asset pricing model for comparable businesses. The assumptions used are benchmarked to externally available data. The pre-tax discount rate used is 8.0% (2016: 7.7%).

Terminal growth rates

The terminal growth rate is determined based on the long-term growth rates of the regions in which the CGU operates (2017: 1.8%; 2016: 2.1%). The growth rate has been benchmarked against externally available data. This rate does not exceed the average long-term growth rate for the relevant markets.

Sensitivities

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

15 Other intangible assets

	Licences	Development costs	Access rights	Software	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2015	7.5	7.5	22.9	59.8	97.7
Additions	—	7.0	—	10.5	17.5
Disposals	—	(5.8)	—	(0.4)	(6.2)
At 30 June 2016	7.5	8.7	22.9	69.9	109.0
Additions	8.0	2.2	—	0.1	10.3
Transfers from AUC (note 16)	—	3.7	—	9.7	13.4
Disposals	(0.4)	(1.0)	(7.5)	(2.1)	(11.0)
At 30 June 2017	**15.1**	**13.6**	**15.4**	**77.6**	**121.7**
Accumulated amortisation					
At 1 July 2015	3.8	5.7	18.1	33.1	60.7
Amortisation	0.5	1.3	0.8	7.7	10.3
Disposals	—	(5.7)	—	(0.4)	(6.1)
At 30 June 2016	4.3	1.3	18.9	40.4	64.9
Amortisation	0.5	2.6	0.3	9.2	12.6
Disposals	(0.3)	(0.4)	(3.8)	(0.2)	(4.7)
At 30 June 2017	**4.5**	**3.5**	**15.4**	**49.4**	**72.8**
Carrying amount					
At 30 June 2017	**10.6**	**10.1**	**—**	**28.2**	**48.9**
At 30 June 2016	3.2	7.4	4.0	29.5	44.1

15 Other intangible assets (Continued)

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

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

16 Property, plant and equipment

	Freehold land and buildings	Leasehold buildings	Plant and equipment	Assets under the course of construction (AUC)	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2015	326.6	139.6	1,713.8	181.9	2,361.9
Additions	—	—	11.0	155.7	166.7
Completion of AUC	2.6	7.8	227.2	(237.6)	—
Disposals	(1.0)	(0.9)	(31.7)	—	(33.6)
At 30 June 2016	328.2	146.5	1,920.3	100.0	2,495.0
Additions	—	0.2	11.8	154.7	166.7
Completion of AUC	5.7	2.2	144.0	(151.9)	—
Transfers to other intangibles (note 15)	—	—	—	(13.4)	(13.4)
Reclassifications	3.8	7.3	(11.1)	—	—
Disposals	(0.3)	(2.7)	(41.7)	—	(44.7)
At 30 June 2017	**337.4**	**153.5**	**2,023.3**	**89.4**	**2,603.6**
Accumulated depreciation					
At 1 July 2015	22.8	43.0	560.4	—	626.2
Depreciation	5.3	6.7	116.4	—	128.4
Disposals	(0.7)	(0.7)	(27.0)	—	(28.4)
At 30 June 2016	27.4	49.0	649.8	—	726.2
Depreciation	7.3	4.8	129.5	—	141.6
Reclassifications	1.7	4.8	(6.5)	—	—
Disposals	(0.2)	(2.0)	(32.2)	—	(34.4)
At 30 June 2017	**36.2**	**56.6**	**740.6**	**—**	**833.4**
Carrying amount					
At 30 June 2017	**301.2**	**96.9**	**1,282.7**	**89.4**	**1,770.2**
At 30 June 2016	300.8	97.5	1,270.5	100.0	1,768.8

Freehold land included above but not depreciated amounts to £180.0m (2016: £180.0m).

The Group's current and non-current assets have been pledged as security under the terms of the Group's external debt facilities (see note 23). In addition, the Group's obligations under finance leases (see note 24) are secured by the lessors' title of the leased assets, which have a carrying amount of £5.8m (2016: £6.2m) included within leasehold buildings.

During the year, £nil (2016: £1.7m) of interest was capitalised, as set out in note 10. The carrying value of capitalised interest included within property, plant and equipment was £14.8m (2016: £20.5m).

At 30 June 2017, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £49.1m (2016: £22.4m)—see note 28 for further details.

Included within plant and equipment are telecommunications assets initially recognised on a fair value basis at a value of £30.9m (2016: £20.6m) and accumulated depreciation of £6.1m (2016: £3.6m). Fair value was determined using observable inputs (fair value hierarchy level 2).

17 Interest in associates and joint ventures

In addition to the subsidiary undertakings (see the notes to the Company financial statements on page 131) the Group holds the following interests in associates and joint ventures:

Company	Country of incorporation	Principal activities	Registered office	Year end	Percentage of ordinary shares held
Joint ventures					
Sound Digital Limited	United Kingdom	Ownership and operation of UK DAB radio multiplex licence	Media House Peterborough Business Park, Lynch Wood, Peterborough, United Kingdom, PE2 6EA	31-Dec	40.0%
Arts Alliance Media Investment Limited	British Virgin Islands	Digital cinema distribution	Landmark House, Hammersmith Bridge Road, London, W6 9EJ	30-Jun	22.5%
YouView TV Limited	United Kingdom	Open source IPTV development	10 Lower Thames Street, Third Floor, London, EC3R 6YT	31-Mar	14.30%
Associate undertakings:					
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	96a, Curtain Road, London, EC2A 3AA	31-Dec	25.0%
DTT Multiplex Operators Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Mar	25.0%
Digital UK Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Dec	25.0%
DTV Services Limited	United Kingdom	Freeview market services	2nd Floor 27 Mortimer Street, London, England, W1T 3JF	31-May	20.0%
MXR Holdings Limited	United Kingdom	Transmission services	30 Leicester Square, London, WC2H 7LA	31-Mar	12.0%

Share of results of associates and joint ventures was £0.3m (2016: £0.1m) for the year with the interest in associates and joint ventures being £5.1m (2016: £4.8m).

There are no other associates or joint ventures that are considered material, either individually or in aggregate, to the Group's position or performance.

The Directors consider the carrying value of the Group's investments on an annual basis, or more frequently should indicators arise, and believe that the carrying values of the investments are supported by the underlying trade and net assets.

Transactions with associates and joint ventures in the year are disclosed in note 31.

18 Trade and other receivables

	30 June 2017	30 June 2016
	£m	£m
Trade receivables	102.5	104.4
Amounts receivable from other group entities	42.7	41.9
Loans receivable from joint ventures	0.6	0.5
Other receivables	5.6	7.6
Prepayments	64.6	66.8
Accrued income	71.7	63.2
Amounts receivable from finance lease arrangements (see note 19)	2.2	2.4
	289.9	**286.8**

18 Trade and other receivables (Continued)

The ageing of the Group's net trade receivables which are past due but not impaired is as follows:

	30 June 2017	30 June 2016
	£m	£m
Up to 30 days overdue	19.1	10.0
Up to 90 days overdue	3.3	5.6
Between 91 and 150 days overdue	—	2.0
More than 150 days overdue	0.9	0.7
	23.3	**18.3**

Trade receivables are stated after deducting allowances for doubtful debts, as follows:

	Year ended 30 June 2017	Year ended 30 June 2016
	£m	£m
Allowance at 1 July	9.5	9.8
Amounts utilised	(0.8)	(2.5)
Provided during the year	2.1	2.2
Allowance at 30 June	**10.8**	**9.5**

The Group's policy is to recommend providing for trade receivables outstanding for more than 30 days beyond the agreed terms, or where the business environment indicates a specific risk. Management will make an assessment of the level of provision based on the Group policy. Adjustments to the calculated level of provision will be made accordingly.

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

19 Finance lease receivables

	30 June 2017	30 June 2016
	£m	£m
Gross amounts receivable under finance leases:		
Within one year	0.4	0.4
In the second to fifth years inclusive	1.9	1.9
After five years	0.8	1.2
	3.1	3.5
Less: unearned finance income	(0.9)	(1.1)
Present value of minimum lease payments receivable	**2.2**	**2.4**
Net amounts receivable under finance leases:		
Within one year	0.2	0.2
In the second to fifth years inclusive	1.3	1.2
After five years	0.7	1.0
Present value of minimum lease payments receivable	**2.2**	**2.4**
Analysed as:		
Non-current finance lease receivables	2.0	2.2
Current finance lease receivables	0.2	0.2
Total finance leases	**2.2**	**2.4**

19 Finance lease receivables (Continued)

The Group entered into finance leasing arrangements for certain sites. The average outstanding term of finance leases entered in to is 6.8 years at 30 June 2017 (2016: 7.8 years).

20 Deferred tax

The balance of deferred tax recognised at 30 June 2017 is £nil (2016: £nil). The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Accelerated tax depreciation	Derivative financial instruments	Total
	£m	£m	£m
At 1 July 2015	—	25.3	25.3
Credited / (charged) to the income statement	13.9	(25.3)	(11.4)
At 30 June 2016	13.9	—	13.9
Charged to the income statement	(13.9)	—	(13.9)
At 30 June 2017	**—**	**—**	**—**

Deferred tax liabilities	Accelerated tax depreciation	Other temporary differences	Total
	£m	£m	£m
At 1 July 2015	(8.6)	(16.7)	(25.3)
Credited to the income statement	8.6	2.8	11.4
At 30 June 2016	—	(13.9)	(13.9)
Credited to the income statement	—	13.9	13.9
At 30 June 2017	**—**	**—**	**—**

Deferred tax assets are not recognised unless it is probable that there are sufficient taxable profits against which they will be realised. Due to the level of tax deductible interest and capital allowances available, the Group has an unrecognised deferred tax asset of £258.2m (2016: £205.4m). This is in respect of tax losses of £53.7m (2016: £39.9m), derivative financial instruments £166.3m (2016: £163.8m), fixed asset temporary differences £38.1m (2016: £1.7m) and other temporary differences £0.2m (2016: £nil). These deferred tax assets may be carried forward indefinitely.

This value has been calculated based on the UK corporation tax rate of 17.0% (2016: 18.0%); the rate substantively enacted at the balance sheet date.

No deferred tax liability is recognised on temporary differences of £nil (2016: £nil) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. Temporary differences arising in connection with interests in associates are insignificant.

In the March 2016 budget the UK Government announced that it planned to introduce new rules to restrict the deductibility of net interest costs from 1 April 2017. The proposed changes had not been substantively enacted at the balance sheet date and therefore their effects are not included in the financial statements. However, it remains the UK Government's stated intention that the rules will have retrospective effect from 1 April 2017.

Subject to other recognition criteria and based on published draft legislation setting out these new rules, it is likely that the overall effect of the changes, if they had been substantively enacted by the balance sheet date, would have been to recognise certain additional deferred tax assets primarily in relation to financial instruments and fixed asset temporary differences.

21 Cash and cash equivalents

	30 June 2017	30 June 2016
	£m	£m
Cash at bank	7.1	5.2
Short term deposits	—	5.6
Restricted cash	28.5	28.5
Total cash and cash equivalents	**35.6**	**39.3**

The restricted cash balance relates to a reserve account required to cover one semi-annual interest payment on the £600.0m of junior bonds maturing in 2020.

22 Trade and other payables

	30 June 2017	30 June 2016
	£m	£m
Current		
Trade payables	49.4	55.5
Amounts payable to other group entities	993.8	892.4
Taxation and social security	22.9	29.8
Other payables	7.8	7.3
Accruals[1]	106.3	78.9
Deferred revenue	210.6	180.5
Total current trade and other payables	**1,390.8**	**1,244.4**
Non-current		
Deferred revenue	159.4	148.2
Total non-current trade and other payables	**159.4**	**148.2**

(1) Historically reported to include accrued interest on third party debt (2016: £14.7m); this has been reclassified at 30 June 2017 as a component of borrowings (see note 23), presented within current liabilities. The balance at 30 June 2016 includes £1.1m interest receivable under swap arrangements associated with the underlying financing.

23 Borrowings

	Denominated currency	30 June 2017	30 June 2016
		£m	£m
Within current liabilities:			
Finance lease obligations (see note 24)	Sterling	0.4	0.4
Bank facility	Sterling	86.0	5.0
Senior bonds and notes (amortising)	Sterling	13.3	—
Accrued interest on junior and senior financing[1]	Sterling	14.0	—
Borrowings due within one year		**113.7**	**5.4**
Within non-current liabilities:			
Bank loans		**519.2**	**839.0**
—Senior debt*	Sterling	525.0	843.5
—Issue costs	Sterling	(5.8)	(4.5)
Other loans		**2,440.9**	**2,223.8**
—Senior bonds, notes and private placements	Sterling	1,582.2	1,377.0
	US Dollar	275.1	266.5
—Junior bonds	Sterling	600.0	600.0
—Issue costs	Sterling	(16.4)	(19.7)
Amounts payable to other group entities	Sterling	**45.2**	**45.2**
Finance lease obligations (see note 24)	Sterling	**12.6**	**13.0**
Borrowings due after more than one year		**3,017.9**	**3,121.0**
Analysis of total borrowings by currency:			
Sterling		2,856.5	2,859.9
US Dollar		275.1	266.5
Total borrowings		**3,131.6**	**3,126.4**

* Senior debt includes £nil (2016: £120.0m) drawn down on the capital expenditure facility.

The fair value of the quoted senior bonds based upon observable market prices (fair value hierarchy level 1) was £1,020.4m (2016: £996.0m) whilst their carrying value was £914.0m (2016: £914.0m).

The fair value of the quoted junior bonds based upon observable market prices (fair value hierarchy level 1) was £640.4m (2016: £642.1m) whilst their carrying value was £600.0m (2016: £600.0m).

The fair value of fixed rate privately placed senior debt determined from observable market prices for quoted instruments as a proxy measure (fair value hierarchy level 2) was £476.0m (2016: £458.0m) whilst their carrying value was £438.1m (2016: £429.5m).

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

The weighted average interest rate of borrowings is 7.94% (2016: 7.86%).

[1] Historically reported as part of accruals (note 22); this has been reclassified at 30 June 2017 as a component of borrowings, presented within current liabilities. The balance at 30 June 2017 includes £1.3m interest receivable under swap arrangements associated with the underlying financing.

23 Borrowings (Continued)

An analysis of total borrowings (excluding issue costs and accrued interest) by maturity is as follows:

	30 June 2017	30 June 2016
	£m	£m
Borrowings falling due within:		
One year	99.7	5.4
One to five years	1,522.7	1,638.6
More than five years	1,517.4	1,506.6
Total	**3,139.8**	**3,150.6**

Bank loans form part of the Group's **senior debt. Other loans** comprise the Group's **senior bonds and notes** and **junior bonds**.

In November 2016, the Group completed the refinancing of all of the bank facilities that were due to mature in 2018, namely the £353.5m term bank loan and working capital and capex facilities. These were replaced with a new bank term loan with an expected maturity of June 2020, a £218.5m sterling denominated floating rate amortising US private placement with a maturity date of December 2029 and new working capital and capital expenditure facilities with an expected maturity of March 2021. In addition, the Group replaced the existing £200m liquidity facility with a new £250m facility that supports the payment of scheduled interest and principal.

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

Borrowings:	At 1 July 2016	Amounts drawn down	Amounts repaid	Revaluations	At 30 June 2017
	£m	£m	£m	£m	£m
Bank loans—working capital facility	5.0	81.0	—	—	86.0
Bank loans—capital expenditure facility	120.0	—	(120.0)	—	—
Senior debt—term loan facility	353.5	—	(353.5)	—	—
Senior debt—institutional term loan	180.0	—	—	—	180.0
Senior debt—European Investment Bank	190.0	—	—	—	190.0
Senior debt—bank term loan	—	255.0	(100.0)	—	155.0
Senior bonds, notes and US private placement	1,643.5	218.5	—	8.6	1,870.6
Junior bonds	600.0	—	—	—	600.0
Total bank loans and private placements	**3,092.0**	**554.5**	**(573.5)**	**8.6**	**3,081.6**
Finance lease obligations	13.4	—	(0.4)	—	13.0
Amounts payable to other group entities	45.2	—	—	—	45.2
Total borrowings	**3,150.6**	**554.5**	**(573.9)**	**8.6**	**3,139.8**

Senior debt includes a bank term loan (£155.0m outstanding) with an expected maturity date of June 2020 (with an additional mechanism to prepay portions of this earlier if surplus funds are available); an institutional term loan (£180.0m outstanding) with an expected maturity date of December 2023; a loan from the European Investment Bank (£190.0m outstanding) with an expected maturity date of June 2024 and capital expenditure and working capital facilities (£86.0m outstanding) with an expected maturity date of June 2021. All of these facilities are floating rate in nature with a margin over LIBOR of between 130 and 205 bps. Arqiva Financing No1 Limited ('AF1') is the borrower under all of these arrangements.

The Group has £554.0m (2016: £575.0m) of undrawn senior debt facilities available. These facilities are at floating interest rates. For further information on the Group's liquidity risk management, see note 25.

Senior bonds and notes include a combination of publicly listed bonds and US private placement notes.

As at 30 June 2017, the Group has £914.0m sterling denominated bonds outstanding with fixed interest rates ranging between 4.04% and 5.34%. These bonds are repayable between June 2018 and December 2032 and are listed on the London Stock Exchange. Arqiva Financing Plc is the issuer of all the Group's senior listed bonds.

23 Borrowings (Continued)

The remaining senior notes relate to a number of US private placement issues in both sterling and US dollars with fixed and floating interest rates. The Group has £518.5m of sterling denominated floating rate US private placements that are amortising in nature with repayments due between December 2018 and December 2029. These instruments have a margin over LIBOR of between 210 and 220 bps. In addition, the Group has issued £398.5m of fixed rate US private placements in sterling and US dollar denominated notes. These notes have fixed interest rates which range between 4.101% and 4.420% and have amortising repayment profiles commencing December 2018 with a final maturity date of June 2025. Arqiva PP Financing Plc ('APPF') is the issuer of all of the Group's private placement notes.

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

Junior bonds of £600.0m represent amounts raised from the issuance of notes by Arqiva Broadcast Finance Plc. These notes have a fixed interest rate of 9.5% and are repayable in March 2020. These notes are listed on the Luxembourg Market and have interest cover and debt leverage covenants attached. The Group continues to comply with all covenant requirements.

In December 2013, the Group established facilities in Arqiva Smart Financing Limited (an Arqiva company that sits outside the main WBS financing group) that support the Group's smart energy metering contracts by financing the purchase of communication hubs. This £30m facility matures in Jun 2028 and £0.1m was drawn at the end of June 2017 (June 2016: £nil). There is also an associated £1.6m fee facility that matures by June 2019 which was £1.1m drawn as at June 2017 (June 2016: £0.9m). These loans have floating rates of interest with margins ranging from LIBOR + 1.20% to 2.50%.

24 Obligations under finance leases

Future minimum payments under finance leases are as follows:

	30 June 2017	30 June 2016
	£m	£m
Within one year	1.4	1.4
In more than one year, but not more than five years	6.0	5.8
After five years	13.3	14.9
Total gross payments	**20.7**	**22.1**
Less finance charges included above	(7.7)	(8.7)
Total obligations under finance leases	**13.0**	**13.4**
Analysed as:		
Net amounts due for settlement within one year	0.4	0.4
Net amounts due for settlement after one year	12.6	13.0
Total obligations under finance leases	**13.0**	**13.4**

The fair value of the Group's lease obligations is approximately equal to their carrying amount.

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets.

25 Financial instruments and risk management

Capital risk management

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

The capital structure of the Group consists of net debt (as set out in note 27; see note 21 for cash and cash equivalents and note 23 for borrowings) and equity of the Group (comprising issued capital and share premium, reserves, retained earnings and non-controlling interests).

25 Financial instruments and risk management (Continued)

Significant accounting policies

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

The Group's derivatives (i.e. interest rate swaps and cross-currency swaps) are measured on a fair value through profit and loss basis. Whilst the Group's derivatives act as an effective hedge in economic terms, hedge accounting principles are not applied. This means that the Group's derivatives are recognised at their risk-adjusted fair value (i.e. risk-adjusted Mark-to-Market value) at the date they are entered into and are revalued at each balance sheet date, with gains and losses being reported separately in the income statement within 'other gains and losses'. Net amounts paid in the year (excluding termination amounts) on interest rate swaps (together with similar amounts under the cross currency and index linked swaps) are reported as a component of net bank and other loan interest within finance costs.

Financial risk management

The Group's treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group using financial instruments wherever it is appropriate to do so. The treasury function reports directly into the Chief Financial Officer and the Group's Board of Directors and the Audit Committee, an independent function with a scope that includes monitoring the risks and policies implemented to mitigate risk exposures. The main risks addressed by financial instruments are interest rate risk and foreign currency exchange risk. The Group's policies in respect of these risks remain unchanged throughout the year.

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

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

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

Foreign currency risk management

The Group principally operates from UK sites and predominantly in the UK market, but has some overseas subsidiaries and transactions denominated in foreign currencies. While some customer and supplier contracts are denominated in other currencies (mainly US dollars ('USD') and Euro), the majority of the Group's revenue and costs are Sterling based and accordingly exposure to foreign exchange risk is limited.

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

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

Translation risk: The Group translates overseas results and net assets in accordance with the accounting policy in note 3. Given the Group predominantly operates in the UK, there is a relatively small exposure with overseas entities accounting for only 0.2% (2016: 0.5%) of operating profit and 0.1% (2016: 0.1%) of total assets for the Group.

25 Financial instruments and risk management (Continued)

The Sterling equivalents of the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities (excluding hedged US dollar-denominated borrowings) at the year-end were as follows:

	30 June 2017	30 June 2016
	£m	£m
Monetary assets:		
—US Dollar	3.3	6.9
—Euro	10.6	11.9
—Other (including SGD*)	0.8	0.5
Total	**14.7**	**19.3**
Monetary liabilities:		
—US Dollar	(1.1)	(2.8)
—Euro	(5.5)	(10.2)
—Other (including SGD*)	—	(0.1)
Total	**(6.6)**	**(13.1)**

* refers to Singapore dollar, being the most frequently transacted currency within 'other monetary assets and liabilities'.

Foreign currency denominated cash balances have a weighted average interest rate of 0.0% (2016: 0.0%).

During the year cross currency swaps (nominal value USD 358.0m) were used to fix the exchange rate to $1.52/£1 in relation to US dollar-denominated senior notes (nominal value USD 358.0m). This provides an effective economic hedge of the foreign currency impact on the Sterling cost of future interest and capital repayment obligations.

After taking into account our hedging activities, management does not consider there to be a material residual exposure to exchange rates. Accordingly no sensitivity analysis has been presented.

Interest rate risk management

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

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

Liquidity risk management

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

The following tables set out the maturity profile of the Group's non-derivative financial liabilities and derivative financial liabilities. The amounts presented in respect of the non-derivative financial liabilities

25 Financial instruments and risk management (Continued)

represent the gross contractual cash flows on an un-discounted basis. Accordingly, these amounts may not reconcile directly with the amounts disclosed in the statement of financial position. The amounts presented in respect of the Group's derivative financial instruments represent their fair value and are accordingly consistent with the amounts included in the statement of financial position.

30 June 2017	Amounts falling due: Within one year	Between one and two years	Between two and five years	After five years	Total	Effect of discounting	Interest to be incurred in future periods	Total financial liability per statement of financial position
	£m	£m	£m	£m	£m	£m	£m	£m
Trade and other payables	49.4	—	—	—	49.4	—	—	**49.4**
Provisions*	19.2	1.2	3.6	168.8	192.8	(117.0)	—	**75.8**
Borrowings**	99.3	51.7	1,559.7	1,370.9	3,081.6	—	—	**3,081.6**
	167.9	**52.9**	**1,563.3**	**1,539.7**	**3,323.8**	**(117.0)**	**—**	**3,206.8**
Interest on borrowings	142.8	142.3	254.2	256.9	796.2	—	(782.2)	**14.0**
Interest rate swaps	66.0	58.5	140.9	126.2	391.6	(25.7)	—	**365.9**
Inflation linked interest rate swaps	89.0	85.7	278.7	532.1	985.5	(142.5)	—	**843.0**
Cross-currency swaps	(1.8)	(4.6)	(19.7)	(23.1)	(49.2)	20.0	—	**(29.2)**
	153.2	**139.6**	**399.9**	**635.2**	**1,327.9**	**(148.2)**	**—**	**1,179.7**
Total financial liability	**463.9**	**334.8**	**2,217.4**	**2,431.8**	**5,447.9**	**(265.2)**	**(782.2)**	**4,400.5**

* Includes an estimated £nil undiscounted cash flows maturing after 20 years.

** Borrowings are presented as per note 23 but excluding accrued interest, which is presented separately in these tables, and finance lease obligations which are analysed separately in note 24.

30 June 2016	Amounts falling due: Within one year	Between one and two years	Between two and five years	After five years	Total	Effect of discounting	Interest to be incurred in future periods	Total financial liability per statement of financial position
	£m	£m	£m	£m	£m	£m	£m	£m
Trade and other payables	55.5	—	—	—	55.5	—	—	**55.5**
Provisions*	7.9	1.0	1.8	158.7	169.4	(108.9)	—	**60.5**
Borrowings**	5.0	486.8	1,158.9	1,441.3	3,092.0	—	—	**3,092.0**
	68.4	**487.8**	**1,160.7**	**1,600.0**	**3,316.9**	**(108.9)**	**—**	**3,208.0**
Interest on borrowings	148.5	142.1	306.7	282.0	879.3	—	(864.6)	**14.7**
Interest rate swaps	57.7	59.1	170.9	213.2	500.9	(59.0)	—	**441.9**
Inflation linked interest rate swaps	63.1	71.8	236.4	563.9	935.2	(188.8)	—	**746.4**
Cross-currency swaps	(1.6)	(1.6)	(14.7)	(26.8)	(44.7)	13.6	—	**(31.1)**
	119.2	**129.3**	**392.6**	**750.3**	**1,391.4**	**(234.2)**	**—**	**1,157.2**
Total financial liability	**336.1**	**759.2**	**1,860.0**	**2,632.3**	**5,587.5**	**(343.1)**	**(864.6)**	**4,379.9**

* Includes an estimated £126.4m undiscounted cash flows maturing after 20 years.

** Borrowings are presented as per note 23 but excluding accrued interest, which is presented separately in these tables, and finance lease obligations which are analysed separately in note 24.

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

	30 June 2017	30 June 2016
	£m	£m
Secured bank facilities:		
—Amount utilised	86.0	125.0
—Amount unutilised	554.0	575.0
Total	**640.0**	**700.0**

25 Financial instruments and risk management (Continued)

When debt has been refinanced the Group has also restructured the associated swaps to reflect the new maturity profile.

Credit risk management

The Group is exposed to credit risk on customer receivables, which is managed through credit-checking procedures prior to taking on new customers and higher risk customers paying in advance of services being provided. Performance is closely monitored to ensure agreed service levels are maintained, reducing the level of queried payments and mitigating the risk of uncollectable debts.

Financial instruments

With the exception of derivative financial instruments (which are recognised and measured at fair value through profit and loss) the Group's financial assets and financial liabilities are recognised and measured following the loans and receivables recognition category.

The weighted average interest rate of fixed rate financial liabilities at 30 June 2017 was 6.10% (2016: 6.10%) and the weighted average period of funding was 5.9 years (2016: 6.8 years).

Within the Group's financial liabilities were borrowings of £2,862.9m (2016: £3,150.2m) (see note 23), which includes £1,118.5m (2016: £1,023.5m) with floating rate interest and the remainder with fixed rate interest (prior to the hedging arrangements described previously).

The Group's financial assets comprise cash and cash equivalents of £35.6m (2016: £39.3m) and loans and receivables of £225.3m (2016: £220.0m) as presented in notes 21 and 18 respectively.

Derivative financial instruments

The Group seeks to manage the exposures of its debt payment obligations through a combination of indexed linked, interest rate and cross currency swaps.

In conjunction with the November 2016 refinancing (see note 23), the Group restructured the derivatives held by Arqiva Senior Finance Limited ('ASFL'). £353.2m notional value of swap options were fully closed out for cash proceeds of £3.2m and £353.2m of notional value of interest rate swaps were terminated for a cash payment of £163.3m. Simultaneously, AF1 entered into new interest rate swap contracts with a notional amount of £353.5m to hedge the interest obligations of the newly established bank term loan and US private placement notes which resulted in a premium of £127.2m being received. These amendments to the derivative portfolio resulted in a £15.4m exceptional loss being recognised in other gains and losses (see note 11). As part of these amendments, the mandatory break clauses were removed.

The above amendments were completed in order to comply with the covenants under its WBS platform and the Group's overall strategy to ensure that a majority of interest exposures are hedged.

At the year end, the Group held interest rate swaps with notional amounts of £1,023.5m which hedge the interest obligations of the Group's floating rate debt. The average fixed rate on these instruments is 7.02%. The swap contracts have termination dates that match the maturities of the underlying floating rate debt instruments (see note 23).

The Group has also entered into index linked swaps (notional amounts of £1,312.5m) where the Group receives floating and pays fixed interest obligations to an average rate of 2.939% indexed with RPI. The notional amounts of these swaps increase with RPI and these accretion amounts are cash settled annually, most recently in June 2017 (£53.4m). All of these instruments have a maturity date of April 2027; however £235.0m of these have a mandatory break clause in 2023. These instruments were established to hedge the Group's fixed rate debt (namely fixed rate sterling bonds and the fixed rate US Private Placement issues) and in order to ensure that the cash flow characteristics align with these instruments, the Group has entered into £1,312.5m of fixed to floating rate interest rate swaps to match the cash flows on both the fixed rate debt instruments and the index linked swaps set out above.

25 Financial instruments and risk management (Continued)

The Group also holds USD 358.0m of cross-currency swaps to fix the Sterling cost of future interest and capital repayment obligations relating to the US dollar denominated private placement issue at an exchange rate of 1.52.

The fair value of the interest rate, inflation and cross currency swaps at 30 June 2017 is a liability of £1,179.7m (2016: £1,157.2m). This fair value is calculated using a risk-adjusted discount rate.

Following their close-out in November 2016, the Group no longer holds any swap options (2016: £353.2m notional).

The following table details the fair value of financial instruments recognised on the statement of financial position within non-current liabilities:

	30 June 2017	30 June 2016
	£m	£m
Interest rate swaps	(365.9)	(441.9)
Inflation-linked interest rate swaps	(843.0)	(746.4)
Swap Options	—	10.9
Cross-currency swaps	29.2	31.1
Total	**(1,179.7)**	**(1,146.3)**
Change in fair value recognised in the income statement:		
—Attributable to changes in market conditions	(13.1)	(27.0)
—Attributable to changes in perceived credit risk	(91.1)	65.0
Close out of swap arrangements (note 7)	(15.4)	—
Total (loss) / gain recognised in the income statement	**(119.6)**	**38.0**
Less cash settlement of principal accretion on inflation-linked swaps	53.4	26.0
Net cash outflow on refinancing of interest rate swaps and swap options	32.8	—
Total change in fair value	**(33.4)**	**64.0**

Where possible, the Group seeks to match the maturity of any derivative contracts with that of debt instruments that it has issued. In some of the Group's derivative instruments, break clauses have been included to both match underlying facility maturities and to optimise the availability and cost of hedging lines with the Group's derivative counterparties.

Fair value hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Interest rate swaps, inflation rate swaps, swap options and cross-currency swaps (as disclosed above) are all classed as level 2 on the fair value hierarchy. In each case the items are valued based upon discounted cash flow. Future cash flows are estimated based on forward (interest/inflation/exchange) rates observable from rates and yield curves at the end of the reporting period, and contract rates, discounted at a risk-adjusted rate.

26 Provisions

	Onerous contracts	Decommissioning	Restructuring	Remediation	Other	Total
	£m	£m	£m	£m	£m	£m
At 1 July 2016	**5.1**	**49.4**	**0.5**	**4.7**	**0.9**	**60.6**
Income statement expense	0.8	0.5	15.6	—	0.3	17.2
Additions created through property, plant and equipment	—	1.2	—	—	—	1.2
Unwind of discount	—	2.8	—	0.2	—	3.0
Released	(0.5)	(0.4)	(0.2)	—	—	(1.1)
Utilised	(4.6)	(0.2)	(0.3)	—	—	(5.1)
At 30 June 2017	**0.8**	**53.3**	**15.6**	**4.9**	**1.2**	**75.8**

	30 June 2017	30 June 2016
	£m	£m
Analysed as:		
Current	18.8	8.0
Non-current	57.0	52.6
	75.8	**60.6**

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

Provisions are made for decommissioning and asset at risk costs where the Group has an obligation to restore sites and the cost of restoration is not recoverable from third parties. The provision is in relation to assets of which the remaining useful economic life ranges up to 18 years.

The restructuring provision relates to the costs of exceptional activities to reorganise the Group through its FutureFit programme which will be utilised during the next financial year.

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

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

27 Notes to the cash flow statement

Reconciliation from operating profit to net cash from operating activities:

	Year ended 30 June 2017	Year ended 30 June 2016
	£m	£m
Operating profit	291.1	276.2
Adjustments for:		
Depreciation of property, plant and equipment	141.6	128.4
Amortisation of intangible assets	12.6	10.3
Loss on disposal of property, plant and equipment	0.2	0.3
Other income	(1.1)	(0.2)
Share of results of associates and joint ventures	(0.3)	(0.1)
Operating cash flows before movements in working capital	444.1	414.9
Increase in receivables	(4.3)	(50.2)
Increase / (decrease) in payables	36.9	(2.1)
Increase in provisions	13.1	3.1
Cash generated from operating activities	**489.8**	**365.7**
Taxes (paid) / refunded	(0.1)	0.2
Net cash from operating activities	**489.7**	**365.9**

Analysis of changes in net debt (comprising bank and other loans and finance lease obligations offset by cash and loans to joint ventures):

	Note	At 1 July 2016	Cash flows	Other non-cash changes	At 30 June 2017
		£m	£m	£m	£m
Cash and cash equivalents	21	10.8	(3.7)	—	**7.1**
Amounts receivable from joint ventures	18	0.5	—	0.1	**0.6**
Amounts receivable from other group entities	18	41.9	—	0.8	**42.7**
Debt due within one year	23	(5.4)	(80.6)	(27.7)	**(113.7)**
Debt due after one year	23	(3,121.0)	112.5	(9.4)	**(3,017.9)**
Total		**(3,073.2)**	**28.2**	**(36.2)**	**(3,081.2)**

	Note	At 1 July 2015	Cash flows	Other non-cash changes	At 30 June 2016
		£m	£m	£m	£m
Cash and cash equivalents	21	44.4	(33.6)	—	10.8
Amounts receivable from joint ventures	18	0.5	—	—	0.5
Amounts receivable from other group entities	18	30.9	—	11.0	41.9
Debt due within one year	23	(0.4)	(4.6)	(0.4)	(5.4)
Debt due after one year	23	(3,075.0)	(1.1)	(44.9)	(3,121.0)
Total		**(2,999.6)**	**(39.3)**	**(34.3)**	**(3,073.2)**

Major non-cash changes include a movement in unamortised debt issue costs and revaluations in US dollar denominated borrowings (see note 23).

28 Financial commitments and contingent liabilities

Financing commitments

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

Capital commitments

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

	30 June 2017	30 June 2016
	£m	£m
Within one year	44.3	21.9
Within two to five years	4.8	0.5
Total capital commitments	**49.1**	**22.4**

Operating leases

Future minimum operating lease payments for the Group in relation to non-cancellable operating leases for land, buildings and other infrastructure locations fall due as follows:

	30 June 2017	30 June 2016
	£m	£m
Within one year	31.6	29.4
Within two to five years	94.9	91.9
After five years	141.7	148.2
Total future minimum operating lease payments	**268.2**	**269.5**

Other annual lease commitments fall due:

	30 June 2017	30 June 2016
	£m	£m
Within one year	1.8	1.6
Within two to five years	1.7	1.4
Total future minimum operating lease payments	**3.5**	**3.0**

29 Disposal of business

On 1 November 2016 the Group sold its 100% interest in the ordinary share capital of Arqiva WiFi Limited, a subsidiary undertaking. The total gross consideration received was £25.2m, satisfied by cash and cash equivalents. The loss on disposal of £5.2m was recognised in other gains and losses as an exceptional

29 Disposal of business (Continued)

item. The net cash inflow arising on the disposal, including disposal costs and cash and cash equivalents transferred was £23.2m.

	Arqiva WiFi Limited
	£m
Other intangibles	6.2
Property, plant and equipment	10.0
Trade and other receivables	7.3
Trade and other payables	(0.9)
Provisions	(0.8)
Attributable goodwill* (see note 14)	6.8
Net assets disposed (before cash and cash equivalents)	28.6
Cash and cash equivalents	0.4
Net assets disposed	**29.0**
Consideration satisfied by cash and cash equivalents	25.2
Costs of disposal	(1.6)
Cash and cash equivalents transferred on disposal	(0.4)
Net cash inflow from sale of subsidiary undertakings	**23.2**
Net assets disposed (before cash and cash equivalents)	(28.6)
Consideration receivable	0.2
Loss on disposal	**(5.2)**

* Attributable goodwill has been calculated with reference to the goodwill recognised at the time of acquisition. This was allocated to Arqiva WiFi Limited based on management forecasts of performance of the companies acquired.

The loss on disposal is included within the income statement in other gains and losses as an exceptional item (see notes 11 and 7 respectively).

The trading results of the disposed components of the WiFi business which have been included in the consolidated income statement up to the date of disposal were as follows:

	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2015
	£m	£m	£m
Revenue	7.2	22.0	22.9
Cost of sales	(5.3)	(17.2)	(17.2)
Operating expenses	(1.9)	(4.6)	(4.9)
Operating profit/(loss)	**—**	**0.2**	**0.8**

On 1 December 2015, the Group sold Secure Solutions assets and contracts which had been identified as non-core business. The trading results of the disposed components which have been included in the consolidated income statement up to the date of disposal were as follows:

	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2015
	£m	£m	£m
Revenue	—	6.8	16.0
Cost of sales	(0.1)	(4.5)	(13.0)
Operating expenses	—	(1.3)	(5.4)
Operating profit	**(0.1)**	**1.0**	**(2.4)**

Other than the WiFi and Secure Solutions disposals, there were no material revenues or profits/losses generated from disposed businesses.

29 Disposal of business (Continued)

On 11 December 2015 the Group sold 100% interest in the ordinary share capital of NWP Street Limited, a subsidiary undertaking. The profit on disposal recognised in other gains and losses as an exceptional item was £14.4m at 30 June 2016. The total consideration was £16.4m, satisfied by cash and cash equivalents.

30 Retirement benefits

Defined contribution scheme

Arqiva Limited has operated a Defined Contribution Scheme during the year, for those employees who are not members of the Group's Defined Benefit Plan. Contributions payable in respect of this Scheme for the year were £10.7m (2016: £7.0m). The assets of the Scheme are held outside of the Group.

An amount of £0.7m (2016: £0.6m) is included in accruals being the outstanding contributions to the Defined Contribution Scheme.

Defined benefit plan

In the year to 30 June 2017, the Group operated one Defined Benefit Plan, sponsored by Arqiva Limited. The Defined Benefit Plan is administered by a separate entity that is legally separated from the Group, and therefore the Plan assets are held separately from those of Arqiva Limited. The trustees of the Plan are required by law to act in the interests of the Plan and of all relevant stakeholders in the Plan. The trustees are responsible for the investment policy with regard to the Plan assets.

The Plan typically exposes the Group to risks such as: investment risk, interest rate risk, and longevity risk.

Investment risk . . . . The present value of the defined benefit Plan liability for IAS19 purposes is calculated using a discount rate determined by reference to high quality corporate bond yields, which is different to how the Plan assets are invested. Currently the Plan has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the Plan liabilities, the trustees of the Plan consider it appropriate that a reasonable portion of the Plan assets should be invested in equity securities to leverage the expected return generated by the Plan assets.

Interest risk . . . . A decrease in the bond interest rate will increase the valuation of the Plan's IAS19 liability but this will be partially offset by an increase in the value of the Plan's corporate bond investments.

Longevity risk . . . . . The present value of the defined benefit Plan liability is calculated by reference to a best estimate of the mortality of Plan participants both during and after their retirement. An increase in the life expectancy of the Plan participants will increase the Plan's assessed liability.

Salary risk . . . . The present value of the defined benefit Plan liability is calculated by reference to the future salaries of Plan participants. As such, an increase in the salary of the Plan participants will increase the Plan's liability.

The Plan closed to the future accrual of benefits on 31 January 2016. The weighted average duration of the expected benefit payments from the Plan is around 21 years.

The most recent triennial actuarial funding valuation of the Plan assets and the present value of the defined benefit liability was carried out at 30 June 2014 by an independent firm of consulting actuaries. The present value of the IAS19 defined benefit liability, and the related current service cost and past service cost, have been measured using the projected unit credit method based on roll-forward updates to the triennial valuation figures.

30 Retirement benefits (Continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	30 June 2017	30 June 2016
Key assumptions		
Discount rate	2.80%	3.10%
Price inflation (RPI)	3.10%	2.80%
Life expectancy of a male / female age 60 (current pensioner)	26.7yrs / 28.6yrs	27.1yrs / 29.3yrs
Life expectancy of a male / female age 60 (future pensioner)	28.3yrs / 30.3yrs	29.0yrs / 31.3yrs
Other linked assumptions		
Price inflation (CPI)	2.00%	1.80%
Pension increases (RPI with a minimum of 3% and maximum of 5%)	3.60%	3.50%
Pension increases (RPI with a maximum of 10%)	3.10%	2.80%
Salary growth	n/a	n/a

Amounts recognised in the consolidated income statement in respect of the defined benefit plan were as follows:

	Year ended 30 June 2017	Year ended 30 June 2016
	£m	£m
Service cost:		
—Current service cost	—	2.9
—Past service cost and loss from settlements	—	0.4
Gains from curtailments	—	(0.5)
Components of defined benefit costs recognised in profit or loss	(0.2)	(0.5)
	(0.2)	**2.3**

The net interest item has been included within finance income (see note 9). All other items in the table above have been included in administrative expenses. The re-measurement of the net defined benefit liability is included in the statement of comprehensive income.

Amounts recognised in the statement of comprehensive income in respect of the defined benefit plan were as follows:

	Year ended 30 June 2017	Year ended 30 June 2016
	£m	£m
Return on Plan assets excluding Interest Income	18.7	13.4
Experience gains arising on the Plan's liabilities	1.0	2.9
Actuarial losses arising from changes in financial assumptions	(26.9)	(23.1)
Actuarial gains arising from changes in demographic assumptions	6.7	—
	(0.5)	**(6.8)**

The amount included in the statement of financial position arising from the Group's obligations in respect of its defined benefit plan was as follows:

	30 June 2017	30 June 2016
	£m	£m
Fair value of Plan assets	241.1	223.4
Present value of defined benefit Plan liabilities	(234.0)	(216.0)
Surplus at 30 June	**7.1**	**7.4**

The Group have considered the impact of IFRIC14 and in line with the Plan's Rules, the Group is able to recognise the Plan's surplus in its entirety.

30 Retirement benefits (Continued)

The reconciliation of the statement of financial position over the year is as follows:

	Year ended 30 June 2017	Year ended 30 June 2016
	£m	£m
Surplus at 1 July	7.4	6.6
Amount recognised in profit or loss	0.2	(2.3)
Amount recognised in Other Comprehensive Income	(0.5)	(6.8)
Company contributions	—	9.9
Surplus at 30 June	**7.1**	**7.4**

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

	Year ended 30 June 2017	Year ended 30 June 2016
	£m	£m
1 July	(216.0)	(189.9)
Current service costs	—	(2.9)
Past service cost	—	(0.4)
Gains from curtailments	—	0.5
Contributions by employees	(0.2)	(1.0)
Interest cost	(6.6)	(7.5)
Benefits paid	8.0	5.4
Experience gains arising on the Plan's liabilities	1.0	2.9
Actuarial losses arising from changes in financial assumptions	(26.9)	(23.1)
Actuarial gains arising from changes in demographic assumptions	6.7	—
30 June	**(234.0)**	**(216.0)**

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

	Year ended 30 June 2017	Year ended 30 June 2016
	£m	£m
1 July	223.4	196.5
Interest income	6.8	8.0
Return on Plan assets excluding interest income	18.7	13.4
Contributions by employer	—	9.9
Contributions by employees	0.2	1.0
Benefits paid	(8.0)	(5.4)
30 June	**241.1**	**223.4**

The major categories and fair values of Plan assets at the end of the reporting year for each category are as follows:

	30 June 2017	30 June 2016
	£m	£m
Equity instruments	85.1	71.2
Diversified growth funds	19.3	18.7
Corporate bonds	65.4	59.5
Government bonds	70.9	71.7
Cash and equivalents	0.4	2.3
Total	**241.1**	**223.4**

The majority of the Plan's equity and debt instruments have quoted prices in active markets.

30 Retirement benefits (Continued)

The Plan includes holdings of gilts and corporate bonds, which are intended to partially hedge the financial risk from liability valuation movements associated with changes in gilt and corporate bond yields. IAS19 liability movements from changes in the discount rate will also be partially hedged by the Plan's corporate bond holding.

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

Following completion of the latest funding valuation as at 30 June 2014, Arqiva Limited has agreed to pay deficit contributions of £2.5m per annum to 31 July 2018, and then payments of £3.3m per annum to July 2020. The Group anticipates that cash contributions to the defined benefit plan for the year ending 30 June 2018 will be £5.0m.

Sensitivity Analysis

The assumptions considered to be the most significant are the discount rate adopted, inflation represented by RPI, and the longevity assumptions.

The sensitivity of the 2017 year end results to changes in the three key assumptions is shown below:

Funding Position	Discount rate movement of 0.1%	RPI movement of 0.1%	Longevity assumption movement of +1 year
Increase in Plan liabilities	£5.1m	£5.2m	£7.1m

The sensitivity of the 2016 year end results to changes in the three key assumptions is shown below:

Funding Position	Discount rate movement of 0.1%	RPI movement of 0.1%	Longevity assumption movement of +1 year
Increase in Plan liabilities	£4.7m	£4.8m	£5.6m

This sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

31 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions with the Group's pension scheme are disclosed in note 30. Transactions between the Group and its associates, joint ventures and entities under common influence are disclosed below.

The disclosure of transactions with related parties reflects the periods in which the related party relationships exist. The disclosure of amounts outstanding to/from related parties at the reporting date reflects related party relationships at that date.

Trading transactions

During the year ended 30 June 2017 the Group entered into the following transactions with related parties who are not members of the Group:

	Sale of goods and services		Purchase of goods and services	
	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2017	Year ended 30 June 2016
	£m	£m	£m	£m
Associates	—	—	6.6	7.1
Joint ventures	3.3	0.8	2.2	1.1
Entities under common influence	27.4	30.2	8.1	11.3
Other group entities	32.7	21.2	—	—
	63.4	**52.2**	**16.9**	**19.5**

31 Related party transactions (Continued)

All transactions are on third-party terms and all outstanding balances, with the exception of the amount outstanding referenced below, are interest free, un-secured and are not subject to any financial guarantee by either party.

As at 30 June 2017, the amount receivable from associates was £0.1m (2016: £nil) and joint ventures was £0.9m (2016: £0.5m). Interest received during the year from joint ventures was £0.1m (2016: £0.1m) charged at 12% of the outstanding balance.

As at 30 June 2017, the amount receivable from entities under common influence was £0.2m (2016: £nil).

As at 30 June 2017, the amounts receivable from and payable to other group entities are disclosed in notes 18 and 22 respectively.

Remuneration of Directors and key management personnel

The remuneration of the Directors and key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Year ended 30 June 2017	Year ended 30 June 2016
	£m	£m
Short-term employee benefits	3.7	5.8
Termination benefits	—	2.2
Post-employment benefits	0.2	0.2
	3.9	**8.2**

One member of the Directors and key management personnel (2016: one) is a member of the Group's defined benefit pension scheme (see note 30).

The members of the Directors and key management personnel had no material transactions with the Group during the year, other than in connection with their service agreements.

Further information in respect of the remuneration of the Company's statutory Directors, including the highest paid Director, has been provided on page 130.

32 Controlling parties

The Company's immediate parent is Arqiva Financing No. 3 Plc ('AF3'). Copies of the AF3 financial statements can be obtained from the Company Secretary at Crawley Court, Winchester, Hampshire, SO21 2QA.

The ultimate UK parent undertaking is Arqiva Group Limited ('AGL') which is the parent undertaking of the largest group to consolidate these financial statements.

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

AGL is owned by a consortium of shareholders including Canada Pension Plan Investment Board, Macquarie European Infrastructure Fund II, other Macquarie managed funds and minorities. There is no ultimate controlling party of the Company.

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

Report on the audit of the financial statements

Opinion

In our opinion:

- Arqiva Broadcast Parent Limited's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2018 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the Group and Company financial statements (together the 'financial statements'), included within the Annual Report, which comprise: the Consolidated statement of financial position and the Company statement of financial position as at 30 June 2018; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated cash flow statement, the Consolidated statement of changes in equity and the Company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

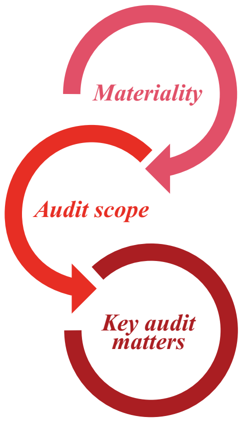
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standards, applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall Group materiality: £16.5m (2017: £15.5m)—Group financial statements.
- Based on 5% of profit before interest, tax, exceptional items and other gains and losses.
- Overall Company materiality: £44.4m (2017: £43.4m)—Company financial statements
- Based on 1% of total assets.
- For the Group financial statements we performed an audit of the complete financial information of 8 reporting units.
- The audit work performed gave us coverage of 91% of revenue and 97% of profit before interest, tax, other gains and losses and exceptional items.
- All entities have been audited by the Group team and hence no component auditor has been involved in the audit of the consolidated financial statements.
- Revenue and profit recognition on complex contracts (Group).
- Accruals and provisions, including amounts relating to infrastructure and bonuses and decommissioning of sites (Group).
- Valuation of financial instruments (Group).
- Classification of exceptional items (Group).
- Impairment of intangible assets and goodwill (Group) and investments in subsidiaries (Company only).
- Recognition of deferred tax asset (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Revenue and profit recognition on complex contracts (Group) Refer to page 74, page 81 and page 84 (note 3—significant accounting policies—revenue recognition, note 4- critical accounting judgements and key sources of estimation uncertainty—revenue recognition and note 5—revenue and segmental information). The Group has a number of complex customer contracts which are delivered in phases over a number of accounting periods. These contracts include smart metering contracts, contracts with telecommunications network operators for access to communications infrastructure and contracts for the clearance of spectrum. As a result the accounting for revenue and profit recognition is complex. There are multiple elements involved and a degree of management judgement in determining the separate deliverables, the related revenue and costs to complete and therefore the margin to be recognised.	We obtained schedules for each contract and for each deliverable showing the amount of revenue and gross margin for the year to 30 June 2018 and for all prior years for which the contract was in operation and all future years for which there are performance obligations under the contract. We compared the total amounts of revenue to the contract and determined that the separate contract elements were separately identified and performed testing over the amounts of revenue allocated to each element to ensure this was appropriate. We assessed the revenue profit margins for consistency with contract costs by considering the costs incurred to date and forecast for the relevant deliverable. We also compared this to the consistency of past and future gross margins, obtaining explanations for variations where necessary. For each element we assessed the extent of performance of deliverables that had been achieved in the year, and the amount of revenue recognised, by, for example, reviewing the evidence of milestone achievement and amounts invoiced, discussion with project managers, and assessing management estimates used to determine the revenue recognised, verifying estimated costs to come with third party evidence where available or corroborating with other available information within the business if appropriate. Where contract variations arose we assessed the appropriateness and timing of the recognition of the related revenues by obtaining an understanding of the reason for the variations and the timing of their delivery and validated this to the signed contract variation addendums. We assessed whether the revenue recognised on the contracts was in line with the Group accounting policies and IAS 18. Our testing did not identify any material differences in relation to revenue and profit recognition on these complex contracts.

Key audit matter	How our audit addressed the key audit matter
Accruals and provisions (Group) Refer to page 82 and page 113 (note 4—critical accounting judgements and key sources of estimation uncertainty—provisions and contingent liabilities and note 26—provisions). Arqiva's business results in recognising complex accruals and provisions including those related to infrastructure across the extensive asset portfolio, various bonus accruals and decommissioning provisions. As there is an element of estimation involved, there is considered to be a risk that these balances may not be appropriately determined.	On a sample basis, we tested the accounting for accruals and provisions to supporting documentation and have challenged management where judgement has been applied, to corroborate the reasonableness of assumptions made with either historic performance or alternative evidence. This included: For rent, rates and power understanding the processes for identifying and aggregating accruals and testing on a sample basis for accuracy and completeness by testing to supporting documentation; For the decommissioning provision we obtained management's calculations and assumptions and confirmed that the methodology is appropriate. We then assessed the reasonableness of the assumptions in conjunction with the asset plan, decommissioning cost estimates and actual experience, and the appropriateness of the discount rate; For bonuses we tied the assumptions included to the current year outcome and, where also relevant, to the long term plan which has been approved by the board. From our work performed, we have not identified any material differences or where the rationale for recognition of an accrual/provision was not considered appropriate.
Valuation of financial instruments (Group) Refer to page 77, page 83 and page 111 (note 3—significant accounting policies—financial instruments, note 4- critical accounting judgements and key sources of estimation uncertainty—fair value measurements and valuation processes and note 25—derivative financial instruments). The Group holds a number of derivative financial instruments comprising interest rate, cross currency and inflation linked swaps, in relation to the financing of the Group. These derivative financial instruments are significantly out of the money. The Group accounts for the valuations of those instruments using valuations provided by the counter party institutions with adjustments made by management for counter party credit risk. This is considered a key audit matter due to the complexity of the valuations and the quantum of balances involved.	We engaged PwC valuations experts to assist with the audit of the counter parties' valuations of each interest rate swap, cross currency swap and inflation linked swap, and management's adjustments for counter party credit risk of those instruments. This recalculated the fair value using the internal PwC valuation model for every instrument which was then compared to the amount recognised in the financial statements. There were no material differences arising between the Group fair values of derivative financial instruments recognised and our valuations.

Key audit matter	How our audit addressed the key audit matter
Classification of exceptional items (Group) Refer to page 89 (note 7—exceptional items). Costs of £9.4m have been classified as exceptional items in the current year financial statements. One of the Group's financial reporting KPIs is EBITDA prior to exceptional items. There is a risk that some non-exceptional costs could have been incorrectly classified as exceptional costs.	We assessed the disclosed accounting policy for compliance with accounting standards and for consistency of application. We scanned the listing of exceptional items for costs that appeared unusual to us in the context of the accounting policy and tested a sample of items to assess whether such items were appropriately classified. We considered our knowledge of the business, one-off transactions that have occurred during the year and results of other audit procedures to gain comfort over completeness of the exceptional items. Our testing did not identify any material misstatements in the amounts or presentation of exceptional items.
Impairment of intangible assets, goodwill (Group) and investments in subsidiaries (Company only) Refer to page 82 and page 94 (note 4—critical accounting judgements and key sources of estimation uncertainty—Impairment of goodwill and note 14—goodwill) and page 128 (note 3—Investments). IAS 36 'Impairment of assets' requires management to prepare annual impairment reviews in respect of all indefinite lived intangible assets, such as goodwill. The Group's intangible assets and goodwill are material, amounting to £2,039m and the impairment reviews performed over these include a number of assumptions which are subject to management judgement. The Company has significant investments in subsidiaries of £3,301m.	We obtained an understanding of the allocation of goodwill to business units in management's impairment model and assessed its appropriateness. We tested the impairment model, assessing its mathematical accuracy, the reliability of inputs to the model and the reasonableness of the assumptions applied by management in assessing the valuation of intangibles and goodwill for each business unit. These included the assumptions on revenue and cost growth, capital expenditure and the discount rate used. We involved our PwC valuations experts to evaluate the discount rate used to calculate the present value of the cash flows and confirmed this was calculated using an acceptable methodology and in line with what we would expect. We reviewed management's sensitivity analysis and performed our own sensitivity analysis considering various scenarios impacting key assumptions, including forecast cash flows, terminal growth rate and discount rates. Based on this testing, we considered whether the carrying value of these intangibles was adequately supported by the value-in-use impairment model prepared by management, and found there to be a significant level of headroom. For the Company's investment in subsidiaries we have compared the net assets of the subsidiary at 30 June 2018 with the carrying value of the investment. For any subsidiaries where net assets do not exceed the carrying value, for example the entities which hold the Group's debt, we have looked further down the Group hierarchy at the subsidiaries held by that entity and confirmed that, by taking into account the net assets of these, the carrying value of the investment held in the Company is supported. We also considered for both the Group and Company whether there are any further indicators which would cause there to be an impairment and found that to be unlikely.

Key audit matter	How our audit addressed the key audit matter
Recognition of deferred tax asset (Group) Refer to page 82 (note 4—Critical accounting judgements and sources of estimation uncertainty—deferred tax) and page 101 (note 20—Deferred tax). In the current year a deferred tax asset of £206.1m has been recognised following the introduction of legislation which restricts interest deductions. A further £31.8m of potential deferred tax assets have not been recognised as they are not considered to be recoverable. There are management judgements involved in the determination of the elements of the deferred tax asset to recognise and the value of that recognition, including the extent to which there are foreseeable taxable profits.	We obtained management's detailed workings which set out the various elements of the deferred tax asset and rationale as to why these should or shouldn't be recognised and assessed the appropriateness of this in conjunction with our taxation specialists. We challenged management's assumptions in relation to tax losses and the evidence available to support the recognition of losses arising in various entities including consideration of whether specific steps are required in order to enable the value of the losses to be realised and the stage of Arqiva's steps towards recovery. We obtained management's forecast of taxable profits and agreed those to the approved long term plan. The calculations of the forecast taxable profits were reviewed, and an analysis of the sensitivity of the utilisation horizon to variations in EBITDA was considered. As a result of our work performed no material differences were noted in respect of the amount of deferred tax asset recognised in the financial statements at 30 June 2018.

How we tailored the audit scope

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

Arqiva Group Limited's business is carried out through two principal trading subsidiaries, aligned into three customer-facing business units; Terrestrial Broadcast, Telecoms & M2M and Satellite and Media, supported by the Group's corporate functions. In addition there are a number of entities which provide financing to the operations.

Materiality

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

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

	Group financial statements	Company financial statements
Overall materiality	£16.5m (2017: £15.5m).	£44.4m (2017: £43.4m).
How we determined it	5% of profit before interest, tax, exceptional items and other gains and losses.	1% of total assets.
Rationale for benchmark applied	Based on our professional judgement, profit before interest, tax, exceptional items and other gains and losses is an appropriate measure to assess the performance of the Group, and is a generally accepted auditing benchmark.	Based on our professional judgement, total assets is an appropriate measure to assess the performance of the Company and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components between £1m and £15.7m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.75m (Group audit) (2017: £0.5m) and £0.75m (Company audit) (2017: £0.5m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

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

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

With respect to the Strategic Report and the Directors' Report we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 55, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Graham Lambert (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
September 2018

Consolidated income statement

	Notes	Year ended 30 June 2018 Pre-exceptional items	Year ended 30 June 2018 Exceptional items	Year ended 30 June 2018 Total	Year ended 30 June 2017 Pre-exceptional items	Year ended 30 June 2017 Exceptional items	Year ended 30 June 2017 Total
		£m	£m	£m	£m	£m	£m
Revenue	5	962.4	—	962.4	941.3	—	941.3
Cost of sales		(323.0)	—	(323.0)	(353.5)	—	(353.5)
Gross profit		**639.4**	—	**639.4**	**587.8**	—	**587.8**
Depreciation	16	*(163.7)*	—	*(163.7)*	*(141.6)*	—	*(141.6)*
Amortisation	15	*(16.7)*	—	*(16.7)*	*(12.6)*	—	*(12.6)*
Impairment	15,16	*(4.4)*	—	*(4.4)*	—	—	—
Other operating expenses[1]	7	*(121.8)*	*(9.5)*	*(131.3)*	*(114.4)*	*(29.5)*	*(143.9)*
Total operating expenses		(306.6)	(9.5)	(316.1)	(268.6)	(29.5)	(298.1)
Other income		4.6	—	4.6	1.1	—	1.1
Share of results of associates and joint ventures	17	0.2	—	0.2	0.3	—	0.3
Operating profit	6,7	**337.6**	(9.5)	**328.1**	**320.6**	(29.5)	**291.1**
Finance income	9	2.0	—	2.0	3.7	—	3.7
Finance costs	10	(367.0)	—	(367.0)	(358.5)	—	(358.5)
Other gains and losses[1]	7,11	92.3	0.1	92.4	(112.5)	(20.6)	(133.1)
Profit/(loss) before tax		**64.9**	(9.4)	**55.5**	**(146.7)**	(50.1)	**(196.8)**
Tax	12			227.8			(0.1)
Profit/(loss) for the year				**283.3**			**(196.9)**
Attributable to:							
Owners of the Company				282.9			(197.1)
Non-controlling interests				0.4			0.2
				283.3			**(196.9)**

All results are from continuing operations. Further comments on consolidated income statement line items are presented in the notes to the financial statements.

[1] Exceptional items are presented to assist with the understanding of the Group's performance. See note 7 for further information.

Consolidated statement of comprehensive income

	Note	Year ended 30 June 2018	Year ended 30 June 2017
		£m	£m
Profit/(loss) for the year		**283.3**	**(196.9)**
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) on defined benefit pension schemes	30	10.8	(0.5)
Movement on deferred tax relating to pension schemes		(1.8)	—
		9.0	**(0.5)**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		0.2	(0.5)
2.1 Total other comprehensive income/(expense)		**9.2**	**(1.0)**
Total comprehensive income/(expense)		**292.5**	**(197.9)**
Attributable to:			
Owners of the Company		292.1	(198.1)
Non-controlling interests		0.4	0.2
		292.5	**(197.9)**

Consolidated statement of financial position

	Note	30 June 2018	30 June 2017
		£m	£m
Non-current assets			
Goodwill	14	1,980.6	1,980.6
Other intangible assets	15	59.0	48.9
Property, plant and equipment	16	1,750.2	1,770.2
Deferred tax	20	206.1	—
Retirement benefits	30	20.6	7.1
Interest in associates and joint ventures	17	0.1	5.1
		4,016.6	**3,811.9**
Current assets			
Trade and other receivables	18	288.3	289.9
Cash and cash equivalents	21	38.8	35.6
		327.1	**325.5**
Total assets		**4,343.7**	**4,137.4**
Current liabilities			
Trade and other payables	22	(1,457.6)	(1,390.8)
Borrowings	23	(151.9)	(113.7)
Provisions	26	(2.8)	(18.8)
		(1,612.3)	**(1,523.3)**
Net current liabilities		**(1,285.2)**	**(1,197.8)**
Non-current liabilities			
Other payables (including deferred revenue)	22	(276.5)	(159.4)
Borrowings	23	(2,866.8)	(3,017.9)
Derivative financial instruments	25	(1,030.8)	(1,179.7)
Provisions	26	(64.8)	(57.0)
		(4,238.9)	**(4,414.0)**
Total liabilities		**(5,851.2)**	**(5,937.3)**
Net liabilities		**(1,507.5)**	**(1,799.9)**
Equity			
Share capital		0.1	0.1
Accumulated losses		(1,437.2)	(1,729.1)
Merger reserve		(188.5)	(188.5)
Capital contribution reserve		120.3	120.3
Translation reserve		(3.1)	(3.3)
Total equity attributable to owners of the Parent		(1,508.4)	(1,800.5)
Non-controlling interest		0.9	0.6
Total equity		**(1,507.5)**	**(1,799.9)**

These financial statements on pages 66 to 123 were approved by the Board of Directors and authorised for issue on September 2018. They were signed on its behalf by:

Paul Dollman—*Director*

Consolidated statement of changes in equity

	Note	Share capital*	Accumulated losses	Merger reserve	Capital contribution reserve	Translation reserve	Total Equity attributable to owners of the Parent	Non-controlling interest	Total equity
		£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 July 2016		**0.1**	**(1,531.5)**	**(188.5)**	**120.3**	**(2.8)**	**(1,602.4)**	**0.4**	**(1,602.0)**
(Loss)/profit for the year		—	(197.1)	—	—	—	(197.1)	0.2	(196.9)
Other comprehensive losses		—	(0.5)	—	—	(0.5)	(1.0)	—	(1.0)
Total comprehensive (loss)/profit		—	(197.6)	—	—	(0.5)	(198.1)	0.2	(197.9)
Balance at 30 June 2017		**0.1**	**(1,729.1)**	**(188.5)**	**120.3**	**(3.3)**	**(1,800.5)**	**0.6**	**(1,799.9)**
Profit for the year		—	282.9	—	—	—	282.9	0.4	283.3
Other comprehensive income		—	9.0	—	—	0.2	9.2	—	9.2
Total comprehensive income		—	291.9	—	—	0.2	292.1	0.4	292.5
Dividends paid	13	—	—	—	—	—	—	(0.1)	(0.1)
Balance at 30 June 2018		**0.1**	**(1,437.2)**	**(188.5)**	**120.3**	**(3.1)**	**(1,508.4)**	**0.9**	**(1,507.5)**

* Comprises 100,002 (2017: 100,002) authorised, issued and fully paid ordinary shares of £1 each.

Consolidated cash flow statement

	Note	Year ended 30 June 2018	Year ended 30 June 2017
		£m	£m
Net cash inflow from operating activities	27	**572.1**	**489.7**
Investing activities			
Interest received		1.8	0.7
Purchase of tangible assets	5	(161.4)	(151.0)
Purchase of intangible assets	5	(3.7)	(10.3)
Interest element of finance lease rentals		(1.0)	(1.0)
Sale of tangible assets		0.3	—
Proceeds on disposal of investments		5.2	—
Loans to joint ventures		0.6	—
Sale of subsidiary undertakings		—	23.2
		(158.2)	**(138.4)**
Financing activities			
Raising of external borrowings	23	—	554.5
Repayment of external borrowings	23	(124.3)	(573.5)
Repayment of finance lease capital	23	(0.6)	(0.4)
Movement in borrowings		(124.9)	(19.4)
Interest paid		(227.2)	(236.9)
Cash settlement of principal accretion on inflation-linked swaps	25	(58.6)	(53.4)
Debt issue costs and facility arrangement fees		—	(12.5)
Cash outflow on close out of swap arrangements		—	(36.0)
Proceeds on disposal of swap options		—	3.2
		(410.7)	**(355.0)**
Increase/(decrease) in cash and cash equivalents		**3.2**	**(3.7)**
Cash and cash equivalents at the beginning of the financial year		35.6	39.3
Cash and cash equivalents at end of year	21	**38.8**	**35.6**

Notes to the Group financial statements

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

Arqiva Broadcast Parent Limited ('ABPL') ('the Company') is a private company limited by shares and incorporated in England, in the United Kingdom ('UK') under the Companies Act 2006 under registration number 08085823. The address of the registered office is Crawley Court, Winchester, Hampshire, England SO21 2QA.

These consolidated financial statements of the Company and its subsidiaries for the year ended 30 June 2018 comprise the Company and its subsidiaries (together the "Group").

The nature of the Group's operations and its principal activities are set out in the strategic report on pages 8 to 40.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") (including International Accounting Standards ("IAS") and interpretations issued by the International Accounting Standards Board ("IASB") and its committees) as adopted for use in the European Union ("EU") and the Companies Act 2006.

The Company has elected to prepare its financial statements in accordance with FRS 101 Reduced Disclosure Framework. These are presented on pages 124 to 131.

2 Adoption of new and revised Standards

New and revised Standards

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

Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses
Annual improvements 2014-2016 cycle	Includes amendments to IFRS 12
Amendments to IAS 7	Disclosure initiatives relating to cash flow statements

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue:

		Effective for annual periods beginning on or after:	Effective for Arqiva year ending:
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018	30 June 2019
IFRS 9	Financial instruments (2014)	1 January 2018	30 June 2019
IFRS 15	Revenue from contracts with customers	1 January 2018	30 June 2019
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018	30 June 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019	30 June 2020
IFRS 16	Leases	1 January 2019	30 June 2020
Annual improvements 2014 – 2016 cycle	Amendments to IFRS 1 and IAS 28	1 January 2018	30 June 2019

2 Adoption of new and revised Standards (Continued)

Impact Assessment of new Standards

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments will be effective for the Group for the year ended 30 June 2019. The new standard addresses the classification, measurement and recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and debt modifications and a new impairment model for financial assets.

The majority of the Groups assets and liabilities are currently classified at fair value through profit or loss or amortised cost and hence there is no expected change to the accounting treatment of these instruments. The changes to debt modifications will result in any changes to debt that do not result in the full extinguishment of the instrument needing to be fair valued based on the effective interest rate of the new instrument and a gain or loss to the carrying value recognised in other gains and losses. Management have performed an impact assessment of previous debt refinancing for retrospective application of the standard and do not expect these changes to have a material impact on the financial statements.

The new impairment model under IFRS 9, requires the recognition of impairment provisions against financial assets based on an expected credit loss model rather than incurred credit losses as required under the current standard. Based on the impact assessments undertaken by the Group to date, there is not currently expected to be a material impact on the loss allowance recognised by the Group. The new standard will also introduce additional disclosure requirements for the Group.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is effective for periods beginning from 1 January 2018 and is mandatory for the Group to adopt the standard for its year ended 30 June 2019. Comparative information in the 30 June 2019 financial statements will be restated to appropriately present the new standards and impact on initial recognition will be recognised through retained earnings. The new standard provides a more prescriptive framework toward revenue recognition and centres around five key revenue recognition steps:

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocation of the contract price to the performance obligations; and
5. Recognise revenue as the performance obligations are satisfied.

Whilst these concepts are not new, the standard includes several clarifications to the interpretations of existing standards, focussing on the transfer of control of goods and services rather than the transfer of risks and rewards. Management have performed an impact assessment on the adoption of IFRS 15. The expected impact to the financials is based on performance criteria of specific contracts and the timing of revenue recognition. The impact assessment on the financial statements includes a £10.8m reduction in retained earnings on transition, with an immaterial change in annual revenues. IFRS 15 also includes additional disclosure requirements for the annual financial statements, both qualitative and quantitative in nature.

IFRS 16 Leases

IFRS 16 Leases, is effective for financial periods beginning on or after 1 January 2019 and therefore is expected to have a material impact on the financial statements of the Group for the year ending 30 June 2020. This is primarily through the recognition of the Group's operating leases on the balance sheet and reclassification of costs in the income statement leading to an increase in EBITDA.

Further details of the Group's operating lease commitments are shown in note 28. It is not practicable to provide a reasonable estimate of the effect of this standard until a more detailed review has been completed. A more detailed impact assessment is expected to be provided in the Group financial statements for the year ended 30 June 2019.

3 Significant accounting policies

Basis of preparation

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

The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies applying IFRS and in accordance with IFRS Interpretations Committee interpretations.

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

The Company's financial statements have been prepared under FRS 101 and are included in this report—see page 124.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries, together the Group) made up to 30 June 2018.

Control is achieved when the Company:

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

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

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

Intra-group profits have been eliminated. Undertakings, other than subsidiary undertakings, in which the Group has an investment representing not less than 20% of the voting rights and over which it exerts significant influence are treated as associated undertakings. Where the Group has an investment that has joint control, this is treated as a joint venture. Associates and joint ventures are accounted for using the equity method of accounting in accordance with IAS 28 'Investments in Associates and Joint Ventures'.

Going concern

Historically the Group has reported losses and had a significant net liability position on the Statement of Financial Position, caused primarily by ongoing financing costs. However, the Group has continued to generate cashflows over and above the financing costs.

The Group meets its day-to-day working capital and financing requirements through the net cash generated from its operations. The Group has access to sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments as set out in note 28. In addition, forecast covenant compliance remains strong. For this reason the Directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

3 Significant accounting policies (Continued)

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for the allocation of resources and assessment of performance of the operating segments, has been identified as collectively the Board of Directors, which includes the Chief Executive Officer and the Chief Financial Officer.

Revenue recognition

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

Where a contractual arrangement consists of two or more elements that are separable and have value to a customer on a standalone basis, revenue is recognised for each element as if it were an individual contract. The total contract consideration is allocated between the separate elements on the basis of relative fair value and the appropriate revenue recognition criteria are applied to each element. Likewise where elements of a contract, or multiple contracts, are so intrinsically linked that it is necessary to consider the elements on a bundled basis revenue is recognised in respect of the bundled contractual obligations taken as a whole.

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

Rendering of services

Revenue from the rendering of services is recognised in line with the service provision over the contractual period. Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue and the associated costs can be measured reliably. Such revenues include television and radio transmission services, tower site rental to mobile network operators, installation services, in-building and small cells, network provision, media services, and machine-to-machine connectivity.

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

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

Delivery of engineering projects

Arqiva provides support to its customers by undertaking various engineering projects.

Revenue from such projects, which are long-term (greater than 12 months) contractual arrangements, are 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. Profit is recognised, if the final outcome can be assessed with reasonable certainty, by including revenue and related costs in the income statement as contract activity progresses.

3 Significant accounting policies (Continued)

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

Sale of communications equipment

Revenue from the sale of communications equipment is recognised when the significant risks and rewards of ownership are transferred to the buyer, which is typically upon delivery and acceptance by the customer.

Business combinations, including goodwill

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill is measured as the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) less the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually or where there is indication of impairment.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

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

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

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

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

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

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

3 Significant accounting policies (Continued)

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

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

Property, plant and equipment

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

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

Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

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

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

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

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

Impairment of non-financial assets

At each reporting period date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3 Significant accounting policies (Continued)

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

The Group's ***financial assets*** are classified into the following specified categories: financial assets 'at fair value through profit or loss' ('FVTPL'), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Contract receivables

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

3 Significant accounting policies (Continued)

Cash and cash equivalents

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

The Group's ***financial liabilities*** are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities' according to the substance of the contractual arrangements entered into.

Borrowings

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

Trade other payables

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

Provisions

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

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

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

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

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

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

Derivative financial instruments are recognised at fair value at the date the derivative contract is entered into and are revalued at fair value at each balance sheet date. The fair value of these instruments is determined from the expected future cash flows discounted at a risk-adjusted rate. The future cash flows are estimated based on forward (interest/inflation/exchange) rates observable from rates and yield curves at the end of the reporting period, and contract rates. The difference between the fair value at the risk-adjusted rate and the fair value at the risk-free rate is used to determine the debit valuation

3 Significant accounting policies (Continued)

adjustment and/or credit valuation adjustment to these instruments. The Group does not apply hedge accounting principles.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Otherwise derivatives are presented as current assets or current liabilities. Where derivatives have an amortising profile, the fair value of the element (i.e. the notional principal) that matures within 12 months is presented as a current asset or current liability.

Fair value measurement

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis. Exceptions to this principle have been made for leasing transactions that are within the scope of IAS 17, and measurements that are approximations to fair value but are not fair value, such as value in use in IAS 36.

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

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

Taxation

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

Current tax

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

Deferred tax

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted

3 Significant accounting policies (Continued)

at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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

Retirement benefits

Defined contribution schemes

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

Defined benefit schemes

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

The Plan closed to future accrual of benefits on 31 January 2016.

Prior to closing the scheme to future accrual, the Group presented current and past service costs within cost of sales and administrative expenses (see note 30) in its consolidated income statement. Curtailments gains and losses are accounted for as a past-service cost.

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

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

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

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3 Significant accounting policies (Continued)

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Government grants

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

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

Operating profit and exceptional items

Operating profit is stated after exceptional items, including restructuring costs, impairment, and after the share of results of associates but before finance income and finance costs.

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

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction, except in the case of certain financing transactions where hedging arrangements are in place and transactions are recorded at the contracted rate.

Monetary assets and liabilities denoted in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date or the contracted rate if applicable. Any exchange differences arising are taken to the income statement. Transactions in the income statement of overseas operations are translated using an average exchange rate.

3 Significant accounting policies (Continued)

Exchange differences on translation of overseas branches are recognised through the statement of comprehensive income.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

The following are the critical judgements and those involving estimations that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Revenue recognition

Critical accounting judgements:

In applying the Group's revenue recognition policy, as set out in note 3, judgements are made in respect of certain areas including:

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

Key estimations:

In applying the Group's revenue recognition policy, as set out in note 3, estimations are made in respect of certain areas including:

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

The aforementioned judgements are consistently applied across similar contracts and key estimates are regularly monitored throughout the relevant contractual periods with reference to the stage of completion and any applicable customer milestone acceptance. This is particularly relevant to the approach for significant engineering projects, such as the 700MHz clearance programme, which typically contain a programme build phase and a long-term operational phase.

Deferred tax

Critical accounting judgements:

The largest element of deferred tax that requires judgement relates to tax losses carried forward (see note 20).

Applicable accounting standards permit the recognition of deferred tax assets only to the extent that future taxable profits will be generated to utilise the tax losses carried forward.

4 Critical accounting judgements and key sources of estimation uncertainty (Continued)

Useful lives for property, plant and equipment and intangibles

Critical accounting judgements:

The assessment of the useful economic lives of these assets requires judgement.

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

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

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

Provisions and contingent liabilities

Critical accounting judgements:

As disclosed in note 26, the Group's provisions principally relate to obligations arising from contractual obligations, restructuring and property remediation plans and decommissioning obligations.

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

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

Key estimations:

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

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

Impairment of goodwill

Critical accounting judgements:

The carrying amount of the Group's goodwill is reviewed at each statement of financial position date to determine whether there is any indication of impairment, in compliance with the Group's accounting policies.

Judgement is used to identify indicators of impairment and their impact upon the goodwill balances.

Key estimations:

Deciding the recoverable amount of a line of business to which goodwill is attributed involves management estimates. The recoverable amount is the higher of the fair value less costs to sell, and the value in use.

The Group determines these values using methods based on discounted cash flows. These discounted cash flows are founded on five-year projections built on financial plans approved by the Board. The cash flow projections take account of past experience, and are based on management's best estimates of future developments based on contracted growth and necessary expenditure to maintain the assets required to generate that expected revenue. Cash flows beyond the planning period are extrapolated using an expected terminal growth rate.

The key assumptions underlying the changes in value in use involve estimates of the discount rate (with reference to weighted average costs of capital), projected cash flows and terminal growth rate.

The carrying amount of goodwill at the statement of financial position date is disclosed in note 14.

4 Critical accounting judgements and key sources of estimation uncertainty (Continued)

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

Critical accounting judgements:

The Group's defined benefit plan liabilities are discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived.

The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. The Group selects these assumptions in consultation with an external qualified actuary.

Key estimations:

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

Fair value measurements and valuation processes

Key estimations

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group uses estimation techniques in accordance with the requirements of IFRS 13. This includes the assessment of the fair value adjustments with respect to credit risk (specifically debt/credit valuation adjustments to the fair value of the derivative liabilities) for which the Group incorporates market-observable data into its valuation techniques.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes 14 and 25.

5 Revenue and segmental information

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

The following revenue was generated by the Group:

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
Rendering of services	858.1	846.6
Engineering projects	95.1	83.0
Sale of goods	9.2	11.7
Revenue	**962.4**	**941.3**

Segmental reporting

Information reported to the Group's Chief Operating Decision Maker ('CODM') (which is collectively the Group's Board of Directors, including the CEO and CFO) for the purposes of resource allocation and the assessment of segmental performance is focused on the three customer-facing business units, supported by central corporate functions which are non-revenue generating. The Group's reportable segments under IFRS 8 are therefore:

- Terrestrial Broadcast;
- Telecoms & M2M; and
- Satellite and Media.

5 Revenue and segmental information (Continued)

'Other' segment refers to our corporate business unit, which is non-revenue generating.

Information regarding the nature of these business units is contained on pages 13 to 15 within the Strategic report.

Year ended 30 June 2018	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other	Consolidated
	£m	£m	£m	£m	£m
Revenue	**487.6**	**341.3**	**133.5**	**—**	**962.4**
Segment result* (EBITDA)	**360.8**	**178.1**	**33.8**	**(55.2)**	**517.5**
Depreciation and amortisation					(180.4)
Other operating income excluded from measuring EBITDA					0.1
Impairment					(4.4)
Exceptional items					(9.5)
Share of results of joint ventures and associates					0.2
Other income					4.6
Operating profit					**328.1**
Finance income					2.0
Finance costs					(367.0)
Other gains and losses					92.4
Profit before tax					**55.5**

Year ended 30 June 2017	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other	Consolidated
	£m	£m	£m	£m	£m
Revenue	**449.0**	**345.4**	**146.9**	**—**	**941.3**
Segment result* (EBITDA)	**329.4**	**155.1**	**35.0**	**(46.0)**	**473.5**
Depreciation and amortisation					(154.2)
Other operating expenditure excluded from measuring EBITDA					(0.1)
Exceptional items					(29.5)
Share of results of joint ventures and associates					0.3
Other income					1.1
Operating profit					**291.1**
Finance income					3.7
Finance costs					(358.5)
Other gains and losses					(133.1)
Loss before tax					**(196.8)**

* Segment result is defined as total operating profit before the items set out above.

5 Revenue and segmental information (Continued)

EBITDA[1] is a key measure of the Group's financial performance. A reconciliation of the reported EBITDA to operating profit is provided below:

		Year ended 30 June 2018	Year ended 30 June 2017
		£m	£m
Operating profit		328.1	291.1
Depreciation	16	163.7	141.6
Amortisation	15	16.7	12.6
Impairment	15, 16	4.4	—
Exceptional items charged to operating profit	7	9.5	29.5
Other income		(4.6)	(1.1)
Share of results of joint ventures and associates	17	(0.2)	(0.3)
Other[2]		(0.1)	0.1
EBITDA		**517.5**	**473.5**

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Segmental result represents the profit earned by each segment without allocation of the reconciling items above or central administration costs including investment revenue and finance costs, and income tax expense. This is the measure reported to the Group's CODM for the purpose of resource allocation and assessment of segment performance.

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

	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other*	Consolidated
	£m	£m	£m	£m	£m
Capital expenditure:					
For the year ended 30 June 2018	73.2	48.9	10.2	32.8	**165.1**
For the year ended 30 June 2017	44.6	79.4	11.7	25.6	**161.3**

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

Note: the above is presented on a cash basis and therefore cannot be agreed directly to the capital additions presented in notes 15 and 16. The total balance comprises property, plant and equipment of £161.4m (2017: £151.0m) and intangible assets of £3.7m (2017: £10.3m) as referred to in the cash flow statement.

Geographical information

The UK is the Group's country of domicile and the Group generates the majority of its revenue from external customers in the UK. The geographic analysis of revenue is on the basis of the country of origin in which the customer is invoiced.

1 EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation' and includes add-backs for certain items charged to operating profit that do not reflect the underlying business performance. The table above reconciles this adjusted profit measure back to operating profit as presented in the income statement.

2 Includes add-backs for certain profit or loss on disposal of other intangibles and property, plant and equipment and includes deductions for non-interest related finance costs, principally bank charges that are not considered relevant in understanding the underlying performance of the business.

5 Revenue and segmental information (Continued)

The following revenue was generated from external customers:

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
UK	951.1	928.5
Rest of European Economic Area (EEA)	8.6	8.4
Rest of World	2.7	4.4
Revenue	**962.4**	**941.3**

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

	30 June 2018	30 June 2017
	£m	£m
UK	3,786.5	3,801.3
Rest of European Economic Area (EEA)	2.6	2.7
Rest of World	0.8	0.8
	3,789.9	**3,804.8**

Information about major customers

Included in the revenues arising from Terrestrial Broadcast are revenues of £139.2m (2017: £133.9m) which arose from sales to a major customer. Additionally, Telecoms & M2M revenues include £163.0m (2017: £150.6m) from a major customer.

No other single customers contributed 10% or more to the Group's revenue in the aforementioned financial years.

6 Operating profit

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

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
Net foreign exchange (gains) / losses	(0.4)	0.3
Research and development costs	4.3	2.9
Depreciation of property, plant and equipment:		
Owned assets	163.2	141.2
Assets held under finance lease	0.5	0.4
(Profit) / loss on disposal of property, plant and equipment	(0.1)	0.2
Amortisation of intangible assets	16.7	12.6
Grant income	(13.6)	(2.7)
Operating lease rentals	61.2	59.9
Employee costs (see note 8)	100.5	93.2

6 Operating profit (Continued)

Services provided by the Group's Auditors and network firms

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

	Group Year ended 30 June 2018	Group Year ended 30 June 2017
	£m	£m
Fees payable to Company Auditors for the audit of parent company and consolidated financial statements	0.1	0.1
Fees payable for the audit of the Company's subsidiaries	0.3	0.3
Non-audit services		
Other assurance services	1.1	0.6
Total cost of services provided by the Group's Auditors	**1.5**	**1.0**

7 Exceptional items

The Group recognises exceptional items in accordance with IAS 1 'Presentation of Financial Statements' where material items, derived from events or transactions within the ordinary activities of the Group, require disclosure by virtue of their size or incidence for the financial statements to give a true and fair view. Further information is disclosed in note 3.

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

	Note	Year ended 30 June 2018	Year ended 30 June 2017
		£m	£m
Operating expenses:			
Reorganisation and severance		(1.8)	(24.0)
Corporate finance activities		(7.7)	(5.5)
		(9.5)	(29.5)
Other gains and losses:			
(Loss) on disposal of subsidiary	29	—	(5.2)
Profit on disposal of investments	11	0.1	—
Close out of swap arrangements	11	—	(15.4)
Total exceptional items		**(9.4)**	**(50.1)**

Reorganisation and severance expenses include costs relating to delivery of the Group's FutureFit programme. This is a one-off transformation programme that will help Arqiva streamline processes, modernise IT systems and achieve significant cost efficiencies and savings. In the prior year this included one-off compensation payments to align employee Terms and Conditions.

Corporate finance activity costs relate to costs associated with the shareholder strategic review.

Loss on disposal of subsidiary relates to the disposal of Arqiva WiFi Limited, a subsidiary undertaking of the Group that operated in non-core business areas, specifically certain WiFi contracts.

Profit on disposal of investment relates to the disposal of the Group's 22.5% shareholding in Arts Alliance Media Investment Limited, a joint venture.

Close out of swap arrangements represents the loss crystallised on interest rate swaps at the close out date (see note 25).

The expense amounts included within exceptional items above are deductible for the purpose of taxation. The loss on disposal of subsidiary (see note 29 for further information) is not subject to corporation tax as a result of the substantial shareholding exemption.

8 Employees

The average monthly number of persons (representing 'full-time equivalents') employed by the Group during the year was as follows:

	Year ended 30 June 2018 Number	Year ended 30 June 2017 Number
UK	2,049	2,060
Non-UK	39	40
Total employees	**2,088**	**2,100**

	Year ended 30 June 2018 Number	Year ended 30 June 2017 Number
Terrestrial Broadcast	727	674
Telecoms & M2M	480	535
Satellite and Media	376	364
Corporate functions	505	527
Total employees	**2,088**	**2,100**

Their aggregate remuneration comprised:

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
Wages and salaries	128.1	125.9
Social security costs	13.1	13.3
Other pension costs	10.8	10.7
Total staff costs	152.0	149.9
Own work capitalised	(51.5)	(56.7)
Income statement expense	**100.5**	**93.2**

9 Finance income

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
Bank deposits	0.5	0.4
Finance lease interest receivable	0.2	0.2
Other loans and receivables	1.3	3.1
Total finance income	**2.0**	**3.7**

Other loans and receivables includes £0.2m (2017: £0.2m) in relation to net finance income on the defined benefit pension scheme.

10 Finance costs

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
Interest on bank overdrafts and loans	97.1	101.1
Other loan interest	131.7	130.3
Bank and other loan interest	228.8	231.4
Amortisation of debt issue costs	10.2	13.0
Interest on obligations under finance leases	1.0	1.0
Interest payable to other group entities	102.6	93.2
Other interest	23.6	16.9
Total interest payable	**366.2**	**355.5**
Less amounts included in the cost of qualifying assets	(3.5)	—
Unwinding of discount on provisions (see note 26)	4.3	3.0
Total finance costs	**367.0**	**358.5**

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate on expenditure on such assets equal to the Group's effective interest rate for capital expenditure.

11 Other gains and losses

	Notes	Year ended 30 June 2018	Year ended 30 June 2017
		£m	£m
Foreign exchange gain / (loss) on financing		2.0	(8.3)
Fair value gain / (loss) on derivative financial instruments	25	90.3	(104.2)
Other gains and (losses)		**92.3**	**(112.5)**
Exceptional loss on disposal of subsidiary	7, 29	—	(5.2)
Exceptional profit on disposal of investments	7, 29	0.1	—
Exceptional close out of swap arrangements	7	—	(15.4)
Exceptional other gains and (losses)		**0.1**	**(20.6)**
Total other gains and (losses)		**92.4**	**(133.1)**

Foreign exchange on financing arises on the revaluation of the Group's US dollar denominated debt (see note 23).

Fair value gains and losses on derivative financial instruments reflect the re-measurement of the Group's derivative financial instruments (see note 25).

12 Tax

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
UK Corporation tax:		
—Current year	(20.1)	—
Current year overseas tax	—	0.1
Total current tax	(20.1)	0.1
Deferred tax (see note 20):		
—Origination and reversal of temporary differences	29.3	(30.6)
—Change in unrecognised deferred tax assets	(12.0)	52.8
—Recognition of deferred tax asset	(225.0)	(34.0)
—Impact of rate change	—	11.8
Total deferred tax	(207.7)	—
Total tax (credit) / charge for the year	**(227.8)**	**0.1**

UK Corporation tax is calculated at the weighted average rate of 19.0% (2017: 19.75%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Profit / (loss) before tax on continuing operations	55.5	(196.8)
Tax at the UK Corporation tax rate of 19.0% (2017: 19.75%)	10.5	(38.9)
Tax effect of expenses that are not deductible in determining taxable profit	2.0	3.4
Change in unrecognised deferred tax assets	(12.0)	(34.0)
Recognition of deferred tax asset (a)	(225.0)	52.8
Impact of change in tax rate	(3.3)	16.8
Total tax (credit) / charge for the year	**(227.8)**	**0.1**

The main rate of UK corporation tax was 19.0% during the year. In the Finance Act 2016 it was enacted that the main rate of UK corporation tax would be further reduced to 17.0% from 1 April 2020. UK deferred tax has been valued at 17.0% (30 June 2017: 17.0%) as this is the rate at which the deferred tax balances are forecast to unwind.

The current tax credit in the period ended 30 June 2018 represents group relief surrendered by companies within the Arqiva Broadcast Parent Limited group of consolidated companies to other companies within the Arqiva Group Limited corporation tax group. This group relief is paid for at the UK corporation tax rate of 19%.

There is a tax charge of £1.8m (2017: £nil) in respect of the actuarial movement of £10.8m (2017: £(0.5m)) in the Consolidated Statement of Comprehensive Income.

(a) Finance (No. 2) Act 2017 was substantively enacted on 31 October 2017 and introduced new rules to restrict the deductibility of interest costs from 1 April 2017.

The overall effect of these changes, is that certain previously unrecognised deferred tax assets have been recognised at 30 June 2018, as a result of the forecast utilisation of these assets being accelerated and their realisation therefore being assessed as probable. These relate primarily to financial instruments, fixed asset temporary differences and tax losses.

13 Dividends

	Year ended 30 June 2018		Year ended 30 June 2017	
	£ per share	£m	£ per share	£m
Now Digital (East Midlands) Limited	30.0	0.1	—	—
South West Digital Radio Limited	4.2	—	—	—
Total dividends payable to minority interests		**0.1**		**—**

The above amounts represent dividends declared but not paid to non-controlling interest shareholders by Group companies. No dividends were paid to ABPL shareholders.

14 Goodwill

	£m
Cost:	
At 1 July 2016	1,987.8
Disposals	(6.8)
At 30 June 2017 and 30 June 2018	**1,981.0**
Accumulated impairment losses:	
At 1 July 2016	0.4
At 30 June 2017 and 30 June 2018	**0.4**
Carrying amount:	
At 30 June 2018	**1,980.6**
At 30 June 2017	1,980.6

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (‘CGUs’) that are expected to benefit from that business combination. The CGUs that have associated goodwill are Terrestrial Broadcast, Telecoms & M2M and Satellite & Media. These are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other groups of assets, and to which goodwill is allocated.

The Group disposed of £6.8m of goodwill in relation to its investment in Arqiva WiFi Limited which was disposed of by the Group on 1 November 2016. See note 29 for further information.

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

	30 June 2018	30 June 2017
	£m	£m
Terrestrial Broadcast	1,236.1	1,236.1
Telecoms & M2M	640.4	640.4
Satellite and Media	104.1	104.1
Total	**1,980.6**	**1,980.6**

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value-in-use calculations (‘VIU’). The key assumptions for the VIU calculations are those regarding the discount rates, growth rates and expected changes to cash flows during the year for which management has detailed plans. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Growth rates are based on internal and external growth forecasts. Changes to cash flows are based on past practices and expectations of future changes in the market.

14 Goodwill (Continued)

Projected cash flows and the 'recoverable amount'

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

Discount rate

The pre-tax discount rate applied to the cash flow forecasts are derived using the capital asset pricing model for comparable businesses. The assumptions used are benchmarked to externally available data. The pre-tax discount rate used is 8.0% (2017: 8.0%).

Terminal growth rates

The terminal growth rate is determined based on the long-term growth rates of the markets in which the CGU operates (2018: 1.4%; 2017: 1.8%). The growth rate has been benchmarked against externally available data. This rate does not exceed the average long-term growth rate for the relevant markets.

Sensitivities

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

15 Other intangible assets

	Licences	Development costs	Access rights	Software	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2016	7.5	8.7	22.9	69.9	109.0
Additions	8.0	2.2	—	0.1	10.3
Transfers from AUC (note 16)	—	3.7	—	9.7	13.4
Disposals	(0.4)	(1.0)	(7.5)	(2.1)	(11.0)
At 30 June 2017	15.1	13.6	15.4	77.6	121.7
Additions	0.4	3.1	—	0.2	3.7
Transfers from AUC (note 16)	—	2.5	—	21.4	23.9
Disposals	—	(0.5)	—	(0.9)	(1.4)
At 30 June 2018	**15.5**	**18.7**	**15.4**	**98.3**	**147.9**
Accumulated amortisation					
At 1 July 2016	4.3	1.3	18.9	40.4	64.9
Amortisation	0.5	2.6	0.3	9.2	12.6
Disposals	(0.3)	(0.4)	(3.8)	(0.2)	(4.7)
At 30 June 2017	4.5	3.5	15.4	49.4	72.8
Amortisation	1.3	2.6	—	12.8	16.7
Impairment	—	0.2	—	0.6	0.8
Disposals	—	(0.5)	—	(0.9)	(1.4)
At 30 June 2018	**5.8**	**5.8**	**15.4**	**61.9**	**88.9**
Carrying amount					
At 30 June 2018	**9.7**	**12.9**	**—**	**36.4**	**59.0**
At 30 June 2017	10.6	10.1	—	28.2	48.9

15 Other intangible assets (Continued)

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

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

16 Property, plant and equipment

	Freehold land and buildings	Leasehold buildings	Plant and equipment	Assets under the course of construction (AUC)	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2016	328.2	146.5	1,920.3	100.0	2,495.0
Additions	—	0.2	11.8	154.7	166.7
Completion of AUC	5.7	2.2	144.0	(151.9)	—
Transfers to other intangibles (note 15)	—	—	—	(13.4)	(13.4)
Reclassifications	3.8	7.3	(11.1)	—	—
Disposals	(0.3)	(2.7)	(41.7)	—	(44.7)
At 30 June 2017	337.4	153.5	2,023.3	89.4	2,603.6
Additions	—	—	20.9	150.8	171.7
Completion of AUC	1.4	0.9	104.9	(107.2)	—
Transfers to other intangibles (note 15)	—	—	—	(23.9)	(23.9)
Reclassifications	(0.2)	—	—	0.2	—
Disposals	(0.7)	(1.8)	(49.1)	—	(51.6)
At 30 June 2018	337.9	152.6	2,100.0	109.3	2,699.8
Accumulated depreciation					
At 1 July 2016	27.4	49.0	649.8	—	726.2
Depreciation	7.3	4.8	129.5	—	141.6
Reclassifications	1.7	4.8	(6.5)	—	—
Disposals	(0.2)	(2.0)	(32.2)	—	(34.4)
At 30 June 2017	36.2	56.6	740.6	—	833.4
Depreciation	6.5	4.8	152.4	—	163.7
Impairment	—	—	3.6	—	3.6
Disposals	(0.3)	(1.8)	(49.0)	—	(51.1)
At 30 June 2018	42.4	59.6	847.6	—	949.6
Carrying amount					
At 30 June 2018	**295.6**	**93.0**	**1,252.4**	**109.2**	**1,750.2**
At 30 June 2017	301.2	96.9	1,282.7	89.4	1,770.2

Freehold land included above but not depreciated amounts to £179.4m (2017: £180.0m).

The Group's current and non-current assets have been pledged as security under the terms of the Group's external debt facilities (see note 23). In addition, the Group's obligations under finance leases (see note 24) are secured by the lessors' title of the leased assets, which have a carrying amount of £5.9m (2017: £5.8m) included within leasehold buildings.

During the year, £3.5m (2017: £nil) of interest was capitalised, as set out in note 10. The carrying value of capitalised interest included within property, plant and equipment was £17.0m (2017: £14.8m).

At 30 June 2018, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £47.8m (2017: £49.1m)—see note 28 for further details.

16 Property, plant and equipment (Continued)

Included within plant and equipment are telecommunications assets initially recognised on a fair value basis at a value of £48.6m (2017: £30.9m) and accumulated depreciation of £10.0m (2017: £6.1m). Fair value was determined using observable inputs (fair value hierarchy level 2).

17 Interest in associates and joint ventures

In addition to the subsidiary undertakings (see the notes to the Company financial statements on page 129) the Group holds the following interests in associates and joint ventures:

Company	Country of incorporation	Principal activities	Registered office	Year end	Percentage of ordinary shares held
Joint ventures					
Sound Digital Limited	United Kingdom	Ownership and operation of UK DAB radio multiplex licence	Media House Peterborough Business Park, Lynch Wood, Peterborough, United Kingdom, PE2 6EA	31-Dec	40.0%
YouView TV Limited	United Kingdom	Open source IPTV development	10 Lower Thames Street, Third Floor, London, EC3R 6YT	31-Mar	14.30%
Associate undertakings:					
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	96a, Curtain Road, London, EC2A 3AA	31-Dec	25.0%
DTT Multiplex Operators Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Mar	25.0%
Digital UK Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Dec	25.0%
DTV Services Limited	United Kingdom	Freeview market services	2nd Floor 27 Mortimer Street, London, England, W1T 3JF	31-May	20.0%
MXR Holdings Limited	United Kingdom	Transmission services	30 Leicester Square, London, WC2H 7LA	31-Mar	12.0%

Share of results of associates and joint ventures was £0.2m (2017: £0.3m) for the year with the interest in associates and joint ventures being £0.1m (2017: £5.1m).

On 26 October 2017, the Group sold its 22.5% shareholding in Arts Alliance Media Investment Limited. Consideration received was £5.2m resulting in a £0.1m profit on disposal recognised in other gains and losses as an exceptional item.

Company	Country of incorporation	Principal activities	Registered office	Year end	Percentage of ordinary shares held
Joint ventures					
Arts Alliance Media Investment Limited	British Virgin Islands	Digital cinema distribution	Landmark House, Hammersmith Bridge Road, London, W6 9EJ	30-Jun	22.5% (disposed of 26 October 2017)

There are no other associates or joint ventures that are considered material, either individually or in aggregate, to the Group's position or performance.

The Directors consider the carrying value of the Group's investments on an annual basis, or more frequently should indicators arise, and believe that the carrying values of the investments are supported by the underlying trade and net assets.

Transactions with associates and joint ventures in the year are disclosed in note 31.

18 Trade and other receivables

	30 June 2018	30 June 2017
	£m	£m
Trade receivables	100.4	102.5
Amounts receivable from other group entities	44.7	42.7
Loans receivable from joint ventures	—	0.6
Other receivables	7.9	5.6
Prepayments	69.5	64.6
Accrued income	63.8	71.7
Amounts receivable from finance lease arrangements (see note 19)	2.0	2.2
	288.3	**289.9**

The ageing of the Group's net trade receivables which are past due but not impaired is as follows:

	30 June 2018	30 June 2017
	£m	£m
Up to 30 days overdue	14.7	19.1
Up to 90 days overdue	4.9	3.3
Between 91 and 150 days overdue	0.5	—
More than 150 days overdue	0.1	0.9
	20.2	**23.3**

Other than trade receivables set out above, no other receivables are past due or impaired.

Trade receivables are stated after deducting allowances for doubtful debts, as follows:

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
Allowance at 1 July	10.8	9.5
Amounts utilised	(4.0)	(0.8)
Provided during the year	0.6	2.1
Allowance at 30 June	**7.4**	**10.8**

The Group's policy is to recommend providing for trade receivables outstanding for more than 30 days beyond the agreed terms, or where the business environment indicates a specific risk. Management will make an assessment of the level of provision based on the Group policy. Adjustments to the calculated level of provision will be made accordingly.

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

19 Finance lease receivables

	30 June 2018	30 June 2017
	£m	£m
Gross amounts receivable under finance leases:		
Within one year	0.5	0.4
In the second to fifth years inclusive	1.7	1.9
After five years	0.5	0.8
	2.7	3.1
Less: unearned finance income	(0.7)	(0.9)
Present value of minimum lease payments receivable	**2.0**	**2.2**
Net amounts receivable under finance leases:		
Within one year	0.3	0.2
In the second to fifth years inclusive	1.3	1.3
After five years	0.4	0.7
Present value of minimum lease payments receivable	**2.0**	**2.2**
Analysed as:		
Non-current finance lease receivables	1.7	2.0
Current finance lease receivables	0.3	0.2
Total finance leases	**2.0**	**2.2**

The Group entered into finance leasing arrangements for certain sites. The average outstanding term of finance leases entered in to is 5.8 years at 30 June 2018 (2017: 6.8 years).

20 Deferred tax

The balance of deferred tax recognised at 30 June 2018 is £206.1m (2017: £nil). The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Tax losses	Accelerated tax depreciation	Derivative financial instruments	Other temporary differences	Total
	£m	£m	£m	£m	£m
At 1 July 2016	—	13.9	—	—	13.9
Charged to the income statement	—	(13.9)	—	—	(13.9)
At 30 June 2017	—	—	—	—	—
Credited to the income statement	15.8	32.4	152.5	8.9	209.6
At 30 June 2018	**15.8**	**32.4**	**152.5**	**8.9**	**209.6**

20 Deferred tax (Continued)

Deferred tax liabilities	Accelerated tax depreciation	Other temporary differences	Total
	£m	£m	£m
At 1 July 2016	—	(13.9)	(13.9)
Credited to the income statement	—	13.9	13.9
At 30 June 2017	—	—	—
Charged to the income statement	1.7	—	1.7
Charged to the statement of comprehensive income	1.8	—	1.8
At 30 June 2018	**3.5**	**—**	**3.5**

Deferred tax assets are not recognised unless it is probable that there are sufficient taxable profits against which they will be realised. The Group has an unrecognised deferred tax asset of £31.8m (2017: £255.3m). This is in respect of tax losses of £31.8m (2017: £50.8m), derivative financial instruments of £nil (2017: £166.3m) fixed asset temporary differences of £nil (2017: £38.1m) and other temporary differences of £nil (2017: £0.2m). These deferred tax assets may be carried forward indefinitely.

This value has been calculated based on the UK corporation tax rate of 17.0% (2017: 17.0%); the rate substantively enacted at the balance sheet date effective from 1 April 2020, which is the rate at which the deferred tax balances are forecast to unwind.

No deferred tax liability is recognised on temporary differences of £nil (2017: £nil) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. Temporary differences arising in connection with interests in associates are insignificant.

Finance (No. 2) Act 2017 was substantively enacted on 31 October 2017 and introduced new rules to restrict the deductibility of interest costs from 1 April 2017.

Due to the impact of these changes, significant previously unrecognised deferred tax assets were assessed as being recoverable during the period ended 30 June 2018. This is a result of the forecast utilisation of these assets being accelerated and their realisation therefore being assessed as probable.

A net deferred tax asset of £206.1m has therefore been recognised within these financial statements as at 30 June 2018. This asset relates primarily to financial instruments, fixed asset temporary differences and tax losses.

There remains an unrecognised deferred tax asset of £31.8m. This asset has not been recognised since it is not probable that these assets will be able to be utilised against future taxable profits of the Group.

The forecasts used for deferred tax asset recognition are the same as those used in the Group's impairment testing. It is not considered probable that the remaining unrecognised deferred tax asset can be utilised by the Group in the foreseeable future. The recognised deferred tax asset is not considered to be materially exposed to the performance of the Group based on reasonably possible trading forecasts.

21 Cash and cash equivalents

	30 June 2018	30 June 2017
	£m	£m
Cash at bank	6.2	7.1
Short term deposits	4.1	—
Restricted cash	28.5	28.5
Total cash and cash equivalents	**38.8**	**35.6**

The restricted cash balance relates to a reserve account required to cover one semi-annual interest payment on the £600.0m of junior bonds maturing in 2020.

22 Trade and other payables

	30 June 2018	30 June 2017
	£m	£m
Current		
Trade payables	61.4	49.4
Amounts payable to other group entities	1,079.2	993.8
Taxation and social security	23.5	22.9
Other payables	18.1	7.8
Accruals	102.4	106.3
Deferred revenue	173.0	210.6
Total current trade and other payables	**1,457.6**	**1,390.8**
Non-current		
Deferred revenue	276.5	159.4
Total non-current trade and other payables	**276.5**	**159.4**

23 Borrowings

	Denominated currency	30 June 2018	30 June 2017
		£m	£m
Within current liabilities:			
Finance lease obligations (see note 24)	Sterling	0.7	0.4
Bank facility	Sterling	55.0	86.0
Senior bonds and notes (amortising)	Sterling	58.1	13.3
	US Dollar	19.1	—
Accrued interest on junior and senior financing[1]	Sterling	19.0	14.0
Borrowings due within one year		**151.9**	**113.7**
Within non-current liabilities:			
Bank loans		441.7	519.2
—Senior debt	Sterling	445.0	525.0
—Issue costs	Sterling	(3.3)	(5.8)
Other loans		2,367.5	2,440.9
—Senior bonds, notes and private placements	Sterling	1,524.1	1,582.2
	US Dollar	253.8	275.1
—Junior bonds	Sterling	600.0	600.0
—Issue costs	Sterling	(10.4)	(16.4)
Amounts payable to other group entities	Sterling	45.2	45.2
Finance lease obligations (see note 24)	Sterling	12.4	12.6
Borrowings due after more than one year		**2,866.8**	**3,017.9**
Analysis of total borrowings by currency:			
Sterling		2,745.8	2,856.5
US Dollar		272.9	275.1
Total borrowings		**3,018.7**	**3,131.6**

The fair value of the quoted senior bonds based upon observable market prices (fair value hierarchy level 1) was £989.1m (2017: £1,020.4m) whilst their carrying value was £900.7m (2017: £914.0m).

The fair value of fixed rate privately placed senior debt determined from observable market prices for quoted instruments as a proxy measure (fair value hierarchy level 2) was £464.4m (2017: £476.0m) whilst their carrying value was £435.9m (2017: £438.1m).

1 The balance at 30 June 2018 includes £7.3m (2017: £1.3m) interest receivable under swap arrangements associated with the underlying financing.

23 Borrowings (Continued)

The remaining £518.5m (2017: £518.5m) of senior debt relates to other unquoted borrowings.

The fair value of the quoted junior bonds based upon observable market prices (fair value hierarchy level 1) was £627.7m (2017: £640.4m) whilst their carrying value was £600.0m (2017: £600.0m).

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

The weighted average interest rate of borrowings is 7.89% (2017: 7.94%).

An analysis of total borrowings (excluding issue costs and accrued interest) by maturity is as follows:

	30 June 2018	30 June 2017
	£m	£m
Borrowings falling due within:		
One year	132.9	99.7
One to five years	1,498.7	1,522.7
More than five years	1,381.8	1,517.4
Total	**3,013.4**	**3,139.8**

Bank loans form part of the Group's **senior debt**. **Other loans** comprise the Group's **senior bonds and notes** and **junior bonds**. A summary of the movement in borrowings during the financial year is given below:

Borrowings:	At 1 July 2017	New finance leases	Amounts repaid	Revaluations	At 30 June 2018
	£m	£m	£m	£m	£m
Bank loans—working capital facility	86.0	—	(31.0)	—	55.0
Bank loans—capital expenditure facility	—	—	—	—	—
Senior debt—term loan facility	—	—	—	—	—
Senior debt—institutional term loan	180.0	—	—	—	180.0
Senior debt—European Investment Bank	190.0	—	—	—	190.0
Senior debt—bank term loan	155.0	—	(80.0)	—	75.0
Senior bonds, notes and US private placement	1,870.6	—	(13.3)	(2.2)	1,855.1
Junior bonds	600.0	—	—	—	600.0
Total bank loans and private placements	**3,081.6**	**—**	**(124.3)**	**(2.2)**	**2,955.1**
Finance lease obligations	13.0	0.7	(0.6)	—	13.1
Amounts payable to other group entities	45.2	—	—	—	45.2
Total borrowings	**3,139.8**	**0.7**	**(124.9)**	**(2.2)**	**3,013.4**

Senior debt includes a bank term loan (£75.0m outstanding) with an expected maturity date of June 2020 (with an additional mechanism to prepay portions of this earlier if surplus funds are available); an institutional term loan (£180.0m outstanding) with an expected maturity date of December 2023; a loan from the European Investment Bank (£190.0m outstanding) with an expected maturity date of June 2024 and capital expenditure and working capital facilities (£55.0m outstanding) with an expected maturity date of March 2021. All of these facilities are floating rate in nature with a margin over LIBOR of between 130 and 205 bps. Arqiva Financing No1 Limited ('AF1') is the borrower under all of these arrangements.

The Group has £585.0m (2017: £554.0m) of undrawn senior debt facilities available. These facilities are at floating interest rates. For further information on the Group's liquidity risk management, see note 25.

Senior bonds and notes include a combination of publicly listed bonds and US private placement notes.

As at 30 June 2018, the Group has £900.7m sterling denominated bonds outstanding with fixed interest rates ranging between 4.04% and 5.34%. These bonds are repayable between June 2018 and December 2032 and are listed on the London Stock Exchange. Arqiva Financing Plc is the issuer of all the Group's senior listed bonds.

23 Borrowings (Continued)

The remaining senior notes relate to a number of US private placement issues in both sterling and US dollars with fixed and floating interest rates. The Group has £518.5m of sterling denominated floating rate US private placements that are amortising in nature with repayments due between December 2018 and December 2029. These instruments have a margin over LIBOR of between 210 and 220 bps. In addition, the Group has issued £398.5m of fixed rate US private placements in sterling and US dollar denominated notes. These notes have fixed interest rates which range between 4.101% and 4.420% and have amortising repayment profiles commencing December 2018 with a final maturity date of June 2025. Arqiva PP Financing Plc ('APPF') is the issuer of all of the Group's private placement notes.

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

Junior bonds of £600.0m represent amounts raised from the issuance of notes by Arqiva Broadcast Finance Plc. These notes have a fixed interest rate of 9.5% and are repayable in March 2020. These notes are listed on the Luxembourg Market and have interest cover and debt leverage covenants attached. The Group continues to comply with all covenant requirements.

24 Obligations under finance leases

Future minimum payments under finance leases are as follows:

	30 June 2018	30 June 2017
	£m	£m
Within one year	1.7	1.4
In more than one year, but not more than five years	6.5	6.0
After five years	11.7	13.3
Total gross payments	**19.9**	**20.7**
Less finance charges included above	(6.8)	(7.7)
Total obligations under finance leases	**13.1**	**13.0**
Analysed as:		
Net amounts due for settlement within one year	0.7	0.4
Net amounts due for settlement after one year	12.4	12.6
Total obligations under finance leases	**13.1**	**13.0**

The fair value of the Group's lease obligations is approximately equal to their carrying amount.

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets.

25 Financial instruments and risk management

Capital risk management

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

The capital structure of the Group consists of net debt (as set out in note 27; see note 21 for cash and cash equivalents and note 23 for borrowings) and equity of the Group (comprising issued capital and share premium, reserves, retained earnings and non-controlling interests).

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

25 Financial instruments and risk management (Continued)

Significant accounting policies

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

The Group's derivatives (i.e. interest rate swaps and cross-currency swaps) are measured on a fair value through profit and loss basis. Whilst the Group's derivatives act as an effective hedge in economic terms, hedge accounting principles are not applied. This means that the Group's derivatives are recognised at their risk-adjusted fair value (i.e. risk-adjusted Mark-to-Market value) at the date they are entered into and are revalued at each balance sheet date, with gains and losses being reported separately in the income statement within 'other gains and losses'. Net amounts paid in the year (excluding termination amounts) on interest rate swaps (together with similar amounts under the cross currency and index linked swaps) are reported as a component of net bank and other loan interest within finance costs.

Financial risk management

The Group's treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group using financial instruments wherever it is appropriate to do so. The treasury function reports directly into the Chief Financial Officer and the Group's Board of Directors and the Audit Committee, an independent function with a scope that includes monitoring the risks and policies implemented to mitigate risk exposures. The main risks addressed by financial instruments are interest rate risk and foreign currency exchange risk. The Group's policies in respect of these risks remain unchanged throughout the year.

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

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

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

Foreign currency risk management

The Group principally operates from UK sites and predominantly in the UK market, but has some overseas subsidiaries and transactions denominated in foreign currencies. While some customer and supplier contracts are denominated in other currencies (mainly US dollars ('USD') and Euro), the majority of the Group's revenue and costs are Sterling based and accordingly exposure to foreign exchange risk is limited.

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

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

Translation risk: The Group translates overseas results and net assets in accordance with the accounting policy in note 3. Given the Group predominantly operates in the UK, there is a relatively small exposure with overseas entities accounting for only 0.3% (2017: 0.2%) of operating profit and 0.3% (2017: 0.1%) of total assets for the Group.

25 Financial instruments and risk management (Continued)

The Sterling equivalents of the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities (excluding hedged US dollar-denominated borrowings) at the year-end were as follows:

	30 June 2018	30 June 2017
	£m	£m
Monetary assets:		
—US Dollar	3.7	3.3
—Euro	9.2	10.6
—Other (including SGD*)	1.0	0.8
Total	**13.9**	**14.7**
Monetary liabilities:		
—US Dollar	(0.6)	(1.1)
—Euro	(5.2)	(5.5)
—Other (including SGD*)	(0.1)	—
Total	**(5.9)**	**(6.6)**

* refers to Singapore dollar, being the most frequently transacted currency within 'other monetary assets and liabilities'.

Foreign currency denominated cash balances have a weighted average interest rate of 0.0% (2017: 0.0%).

During the year cross currency swaps (nominal value USD 358.0m) were used to fix the exchange rate to $1.52/£1 in relation to US dollar-denominated senior notes (nominal value USD 358.0m). This provides an effective economic hedge of the foreign currency impact on the Sterling cost of future interest and capital repayment obligations.

After taking into account our hedging activities, management does not consider there to be a material residual exposure to exchange rates. Accordingly no sensitivity analysis has been presented.

Interest rate risk management

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

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

Liquidity risk management

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

25 Financial instruments and risk management (Continued)

The Group is due to repay £1.6bn of debt in the next 5 years to 30 June 2023. Regular reviews are performed to assess headroom between interest and capital repayments against forecast cash flows, thus monitoring the liquidity risk and the Group's ability to repay the debt.

The following tables set out the maturity profile of the Group's non-derivative financial liabilities and derivative financial liabilities. The amounts presented in respect of the non-derivative financial liabilities represent the gross contractual cash flows on an un-discounted basis. Accordingly, these amounts may not reconcile directly with the amounts disclosed in the statement of financial position. The amounts presented in respect of the Group's derivative financial instruments represent their fair value and are accordingly consistent with the amounts included in the statement of financial position.

	Amounts falling due							
30 June 2018	**Within one year**	**Between one and two years**	**Between two and five years**	**After five years**	**Total**	**Effect of discounting**	**Interest to be incurred in future periods**	**Total financial liability per statement of financial position**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Trade and other payables	61.6	—	—	—	61.6	—	—	**61.6**
Provisions*	3.2	1.2	3.6	169.1	177.1	(109.5)	—	**67.6**
Borrowings**	133.2	1,102.2	393.3	1,327.5	2,956.2	—	—	**2,956.2**
	198.0	**1,103.4**	**396.9**	**1,496.6**	**3,194.9**	**(109.5)**	—	**3,085.4**
Interest on borrowings	141.5	125.5	185.8	225.6	678.4	—	(664.4)	**14.0**
Interest rate swaps	58.1	49.1	127.0	91.1	325.3	(27.6)	—	**297.7**
Inflation linked interest rate swaps	84.4	85.9	284.1	427.4	881.8	(126.7)	—	**755.1**
Cross-currency swaps	(4.1)	(4.0)	(20.4)	(14.4)	(42.9)	20.9	—	**(22.0)**
	138.4	**131.0**	**390.7**	**504.1**	**1,164.2**	**(133.4)**	**—**	**1,030.8**
Total financial liability	**477.9**	**1,359.9**	**973.4**	**2,226.3**	**5,037.5**	**(242.9)**	**(664.4)**	**4,130.2**

* Includes an estimated £nil undiscounted cash flows maturing after 20 years.

** Borrowings are presented as per note 23 but excluding accrued interest, which is presented separately in these tables, and finance lease obligations which are analysed separately in note 24.

	Amounts falling due							
30 June 2017	**Within one year**	**Between one and two years**	**Between two and five years**	**After five years**	**Total**	**Effect of discounting**	**Interest to be incurred in future periods**	**Total financial liability per statement of financial position**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Trade and other payables	49.4	—	—	—	49.4	—	—	**49.4**
Provisions*	19.2	1.2	3.6	168.8	192.8	(117.0)	—	**75.8**
Borrowings**	99.3	51.7	1,559.7	1,370.9	3,081.6	—	—	**3,081.6**
	167.9	**52.9**	**1,563.3**	**1,539.7**	**3,323.8**	**(117.0)**	—	**3,206.8**
Interest on borrowings	142.8	142.3	254.2	256.9	796.2	—	(782.2)	**14.0**
Interest rate swaps	66.0	58.5	140.9	126.2	391.6	(25.7)	—	**365.9**
Inflation linked interest rate swaps	89.0	85.7	278.7	532.1	985.5	(142.5)	—	**843.0**
Cross-currency swaps	(1.8)	(4.6)	(19.7)	(23.1)	(49.2)	20.0	—	**(29.2)**
	153.2	**139.6**	**399.9**	**635.2**	**1,327.9**	**(148.2)**	**—**	**1,179.7**
Total financial liability	**463.9**	**334.8**	**2,217.4**	**2,431.8**	**5,447.9**	**(265.2)**	**(782.2)**	**4,400.5**

* Includes an estimated £nil undiscounted cash flows maturing after 20 years.

** Borrowings are presented as per note 23 but excluding accrued interest, which is presented separately in these tables, and finance lease obligations which are analysed separately in note 24.

25 Financial instruments and risk management (Continued)

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

	30 June 2018	30 June 2017
	£m	£m
Secured bank facilities:		
—Amount utilised	55.0	86.0
—Amount unutilised	585.0	554.0
Total	**640.0**	**640.0**

When debt has been refinanced the Group has also restructured the associated swaps to reflect the new maturity profile.

Credit risk management

The Group is exposed to credit risk on customer receivables, which is managed through credit-checking procedures prior to taking on new customers and higher risk customers paying in advance of services being provided. Performance is closely monitored to ensure agreed service levels are maintained, reducing the level of queried payments and mitigating the risk of uncollectable debts.

Financial instruments

With the exception of derivative financial instruments (which are recognised and measured at fair value through profit and loss) the Group's financial assets and financial liabilities are recognised and measured following the loans and receivables recognition category.

The weighted average interest rate of fixed rate financial liabilities at 30 June 2018 was 6.10% (2017: 6.10%) and the weighted average period of funding was 5.0 years (2017: 5.9 years).

Within the Group's financial liabilities were borrowings of £2,999.6m (2017: £2,862.9m) (see note 23), which includes £1,038.5m (2017: £1,118.5m) with floating rate interest and the remainder with fixed rate interest (prior to the hedging arrangements described previously).

The Group's financial assets comprise cash and cash equivalents of £38.8m (2017: £35.6m) and loans and receivables of £218.8m (2017: £225.3m) as presented in notes 21 and 18 respectively.

Derivative financial instruments

The Group seeks to manage the exposures of its debt payment obligations through a combination of indexed linked, interest rate and cross currency swaps.

In conjunction with the November 2016 refinancing (see note 23), the Group restructured the derivatives held by Arqiva Senior Finance Limited ('ASFL'). £353.2m notional value of swap options were fully closed out for cash proceeds of £3.2m and £353.2m of notional value of interest rate swaps were terminated for a cash payment of £163.3m. Simultaneously, AF1 entered into new interest rate swap contracts with a notional amount of £353.5m to hedge the interest obligations of the newly established bank term loan and US private placement notes which resulted in a premium of £127.2m being received. These amendments to the derivative portfolio resulted in a £15.4m exceptional loss being recognised in other gains and losses (see note 11). As part of these amendments, the mandatory break clauses were removed.

The above amendments were completed in order to comply with the covenants under its WBS platform and the Group's overall strategy to ensure that a majority of interest exposures are hedged.

At the year end, the Group held interest rate swaps with notional amounts of £976.5m which hedge the interest obligations of the Group's floating rate debt. The average fixed rate on these instruments is 6.96%. The swap contracts have termination dates that match the maturities of the underlying floating rate debt instruments (see note 23).

The Group has also entered into index linked swaps (notional amounts of £1,312.5m) where the Group receives floating and pays fixed interest obligations to an average rate of 2.906% indexed with RPI. The

25 Financial instruments and risk management (Continued)

notional amounts of these swaps increase with RPI and these accretion amounts are cash settled annually, most recently in June 2018 (£58.6m; 2017: £53.4m). All of these instruments have a maturity date of April 2027 except for a notional amount of £235.0m which have a mandatory break clause in 2023. These instruments were established to hedge the Group's fixed rate debt (namely fixed rate sterling bonds and the fixed rate US Private Placement issues) and in order to ensure that the cash flow characteristics align with these instruments, the Group has entered into £1,312.5m of fixed to floating rate interest rate swaps to match the cash flows on both the fixed rate debt instruments and the index linked swaps set out above.

The Group also holds USD 358.0m of cross-currency swaps to fix the Sterling cost of future interest and capital repayment obligations relating to the US dollar denominated private placement issue at an exchange rate of 1.52.

The fair value of the interest rate, inflation and cross currency swaps at 30 June 2018 is a liability of £1,030.8m (2017: £1,179.7m). This fair value is calculated using a risk-adjusted discount rate.

Following their close-out in November 2016, the Group no longer holds any swap options (2017: £nil).

The following table details the fair value of financial instruments recognised on the statement of financial position within non-current liabilities:

	30 June 2018	30 June 2017
	£m	£m
Interest rate swaps	(297.7)	(365.9)
Inflation-linked interest rate swaps	(755.1)	(843.0)
Cross-currency swaps	22.0	29.2
Total	**(1,030.8)**	**(1,179.7)**
Change in fair value recognised in the income statement:		
—Attributable to changes in market conditions	106.3	(13.1)
—Attributable to changes in perceived credit risk	(16.0)	(91.1)
Close out of swap arrangements (note 7)	—	(15.4)
Total gain / (loss) recognised in the income statement	**90.3**	**(119.6)**
Cash settlement of principal accretion on inflation-linked swaps	58.6	53.4
Net cash outflow on refinancing of interest rate swaps and swap options	—	32.8
Total change in fair value	**148.9**	**(33.4)**

Where possible, the Group seeks to match the maturity of any derivative contracts with that of debt instruments that it has issued. In some of the Group's derivative instruments, break clauses have been included to both match underlying facility maturities and to optimise the availability and cost of hedging lines with the Group's derivative counterparties.

Fair value hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Interest rate swaps, inflation rate swaps, swap options and cross-currency swaps (as disclosed above) are all classed as level 2 on the fair value hierarchy. In each case the items are valued based upon discounted cash flow. Future cash flows are estimated based on forward (interest / inflation / exchange) rates observable from rates and yield curves at the end of the reporting period, and contract rates, discounted at a risk-adjusted rate.

26 Provisions

	Onerous contracts	Decommissioning	Restructuring	Remediation	Other	Total
	£m	£m	£m	£m	£m	£m
At 1 July 2017	**0.8**	**53.3**	**15.6**	**4.9**	**1.2**	**75.8**
Income statement expense	—	0.4	—	—	0.3	0.7
Additions created through property, plant and equipment	—	3.5	—	—	—	3.5
Unwind of discount	—	3.7	—	0.3	—	4.0
Released	(0.8)	(0.2)	(0.8)	—	—	(1.8)
Utilised	—	—	(14.6)	—	—	(14.6)
At 30 June 2018	**—**	**60.7**	**0.2**	**5.2**	**1.5**	**67.6**

	30 June 2018	30 June 2017
	£m	£m
Analysed as:		
Current	2.8	18.8
Non-current	64.8	57.0
	67.6	**75.8**

Provisions are made for decommissioning and asset at risk costs where the Group has an obligation to restore sites and the cost of restoration is not recoverable from third parties. The provision is in relation to assets of which the remaining useful economic life ranges up to 18 years.

The restructuring provision relates to the costs of exceptional activities to reorganise the Group through its FutureFit programme, the majority of which has been utilised during the current financial year.

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

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

27 Notes to the cash flow statement

Reconciliation from operating profit to net cash from operating activities:

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
Operating profit	328.1	291.1
Adjustments for:		
Depreciation of property, plant and equipment	163.7	141.6
Amortisation of intangible assets	16.7	12.6
Impairment charges	4.4	—
Loss on disposal of property, plant and equipment	0.1	0.2
Other income	(4.6)	(1.1)
Share of results of associates and joint ventures	(0.2)	(0.3)
Operating cash flows before movements in working capital	508.2	444.1
Decrease / (increase) in receivables	5.9	(4.3)
Increase in payables	70.7	36.9
(Decrease) / increase in provisions	(12.6)	13.1
Cash generated from operating activities	**572.2**	**489.8**
Taxes (paid) / refunded	(0.1)	(0.1)
Net cash from operating activities	**572.1**	**489.7**

27 Notes to the cash flow statement (Continued)

Analysis of changes in financial liabilities:

	At 1 July 2017	Changes in financing cash flows (Cash)	Changes in foreign exchange (Non-cash)	Changes in fair value (Non-cash)	Other changes including accrued interest (Non-cash)	At 30 June 2018
	£m	£m	£m	£m	£m	£m
Current borrowings (Note 23)	99.7	(44.7)	—	—	78.1	132.9
Non-current borrowings (Note 23)	3,031.2	(80.0)	(2.0)	—	(77.6)	2,880.5
Accrued interest on borrowings (Note 23)	14.0	(227.4)	—	—	222.4	19.0
Derivative financial instrument Liabilities (Note 25)	1,179.7	(58.6)	—	(90.3)	—	1,030.8
Total	4,324.6	(410.7)	(2.0)	(90.3)	222.9	4,063.2

The movements above do not include issue costs associated with entering the borrowing arrangements (see note 23).

28 Financial commitments and contingent liabilities

Financing commitments

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

Capital commitments

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

	30 June 2018	30 June 2017
	£m	£m
Within one year	45.4	44.3
Within two to five years	2.4	4.8
Total capital commitments	**47.8**	**49.1**

Operating leases

Future minimum operating lease payments for the Group in relation to non-cancellable operating leases for land, buildings and other infrastructure locations fall due as follows:

	30 June 2018	30 June 2017
	£m	£m
Within one year	33.9	31.6
Within two to five years	96.0	94.9
After five years	131.6	141.7
Total future minimum operating lease payments	**261.5**	**268.2**

Other annual lease commitments fall due:

	30 June 2018	30 June 2017
	£m	£m
Within one year	1.1	1.8
Within two to five years	1.9	1.7
Total future minimum operating lease payments	**3.0**	**3.5**

In addition, the Group has various service supply agreements for circuits connectivity which amount to £24.0m per annum.

29 Disposal of business

On 26 October 2017, the Group sold its 22.5% shareholding in Arts Alliance Media Investment Limited, a joint venture. The total gross consideration was £5.8m, satisfied by cash and cash equivalents. This total consideration is in respect of sales proceeds of £5.2m and repayment of a loan of £0.6m. The profit on disposal of £0.1m was recognised in other gains and losses as an exceptional item.

On 1 November 2016, the Group sold its 100% interest in the ordinary share capital of Arqiva WiFi Limited, a subsidiary undertaking. The total gross consideration received was £25.2m, satisfied by cash and cash equivalents. The loss on disposal of £5.2m was recognised in other gains and losses as an exceptional item. The net cash inflow arising on the disposal, including disposal costs and cash and cash equivalents transferred was £23.2m.

	Arqiva WiFi Limited
	£m
Other intangibles	6.2
Property, plant and equipment	10.0
Trade and other receivables	7.3
Trade and other payables	(0.9)
Provisions	(0.8)
Attributable goodwill* (see note 14)	6.8
Net assets disposed (before cash and cash equivalents)	28.6
Cash and cash equivalents	0.4
Net assets disposed	**29.0**
Consideration satisfied by cash and cash equivalents	25.2
Costs of disposal	(1.6)
Cash and cash equivalents transferred on disposal	(0.4)
Net cash inflow from sale of subsidiary undertakings	**23.2**
Net assets disposed (before cash and cash equivalents)	(28.6)
Consideration receivable	0.2
Loss on disposal	**(5.2)**

* Attributable goodwill has been calculated with reference to the goodwill recognised at the time of acquisition. This was allocated to Arqiva WiFi Limited based on management forecasts of performance of the companies acquired.

The loss on disposal was included within the income statement in other gains and losses as an exceptional item (see notes 11 and 7 respectively).

The trading results of the disposed components of the WiFi business which were included in the consolidated income statement up to the date of disposal were as follows:

	Year ended 30 June 2018 Nine months to 31 March 2018 Unaudited	Year ended 30 June 2017 Audited
Revenue	—	7.2
Cost of sales	—	(5.3)
Operating expenses	—	(1.9)
Operating profit	—	—

30 Retirement benefits

Defined contribution scheme

Arqiva Limited has operated a Defined Contribution Scheme during the year, for those employees who are not members of the Group's Defined Benefit Plan. Contributions payable in respect of this Scheme for the year were £10.8m (2017: £10.7m). The assets of the Scheme are held outside of the Group.

An amount of £1.3m (2017: £0.7m) is included in accruals being the outstanding contributions to the Defined Contribution Scheme.

Defined benefit plan

In the year to 30 June 2018, the Group operated one Defined Benefit Plan, sponsored by Arqiva Limited. The Defined Benefit Plan is administered by a separate entity that is legally separated from the Group, and therefore the Plan assets are held separately from those of Arqiva Limited. The trustees of the Plan are required by law to act in the interests of the Plan and of all relevant stakeholders in the Plan. The trustees are responsible for the investment policy with regard to the Plan assets.

The Plan typically exposes the Group to risks such as: investment risk, interest rate risk, longevity risk, and salary risk.

Investment risk . . . . . . The present value of the defined benefit Plan liability for IAS19 purposes is calculated using a discount rate determined by reference to high quality corporate bond yields, which is different to how the Plan assets are invested. Currently the Plan has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the Plan liabilities, the trustees of the Plan consider it appropriate that a reasonable portion of the Plan assets should be invested in equity securities to leverage the expected return generated by the Plan assets.

Interest risk . . . . A decrease in the bond interest rate will increase the valuation of the Plan's IAS19 liability but this will be partially offset by an increase in the value of the Plan's corporate bond investments.

Longevity risk . . . . The present value of the defined benefit Plan liability is calculated by reference to a best estimate of the mortality of Plan participants both during and after their retirement. An increase in the life expectancy of the Plan participants will increase the Plan's assessed liability.

Salary risk . . . . The present value of the defined benefit Plan liability is calculated by reference to the future salaries of Plan participants. As such, an increase in the salary of the Plan participants will increase the Plan's liability.

The Plan closed to the future accrual of benefits on 31 January 2016. The weighted average duration of the expected benefit payments from the Plan is around 20 years.

The most recent triennial actuarial funding valuation of the Plan assets and the present value of the defined benefit liability was carried out as at 30 June 2017 by an independent firm of consulting actuaries, and is in the final stages of approval. The present value of the IAS19 defined benefit liability, and the related current service cost and past service cost, have been measured using the projected unit credit method based on roll-forward updates to the triennial valuation figures.

30 Retirement benefits (Continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	30 June 2018	30 June 2017
Key assumptions		
Discount rate	2.80%	2.80%
Price inflation (RPI)	3.00%	3.10%
Life expectancy of a male / female age 60 (current pensioner)	26.6yrs / 28.6yrs	26.7yrs / 28.6yrs
Life expectancy of a male / female age 60 (future pensioner)	28.1yrs / 30.2yrs	28.3yrs / 30.3yrs
Other linked assumptions		
Price inflation (CPI)	1.90%	2.00%
Pension increases (RPI with a minimum of 3% and maximum of 5%)	3.60%	3.60%
Pension increases (RPI with a maximum of 10%)	3.00%	3.10%
Salary growth	n/a	n/a

Amounts recognised in the consolidated income statement in respect of the defined benefit plan were as follows:

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
Components of defined benefit costs recognised in profit or loss	(0.2)	(0.2)
	(0.2)	**(0.2)**

The net interest item has been included within finance income (see note 9). All other items in the table above have been included in administrative expenses. The re-measurement of the net defined benefit liability is included in the statement of comprehensive income.

Amounts recognised in the statement of comprehensive income in respect of the defined benefit plan were as follows:

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
Return on Plan assets excluding Interest Income	1.8	18.7
Experience gains arising on the Plan's liabilities	4.4	1.0
Actuarial gains / (losses) arising from changes in financial assumptions	3.3	(26.9)
Actuarial gains arising from changes in demographic assumptions	1.3	6.7
	10.8	**(0.5)**

The amount included in the statement of financial position arising from the Group's obligations in respect of its defined benefit plan was as follows:

	30 June 2018	30 June 2017
	£m	£m
Fair value of Plan assets	239.0	241.1
Present value of defined benefit Plan liabilities	(218.4)	(234.0)
Surplus at 30 June	**20.6**	**7.1**

The Group have considered the impact of IFRIC14 and in line with the Plan's Rules, the Group is able to recognise the Plan's surplus in its entirety.

30 Retirement benefits (Continued)

The reconciliation of the statement of financial position over the year is as follows:

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
Surplus at 1 July	7.1	7.4
Amount recognised in profit or loss	0.2	0.2
Amount recognised in Other Comprehensive Income	10.8	(0.5)
Company contributions	2.5	—
Surplus at 30 June	**20.6**	**7.1**

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

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
1 July	(234.0)	(216.0)
Contributions by employees	(0.7)	(0.2)
Interest cost	(6.4)	(6.6)
Benefits paid	13.7	8.0
Experience gains arising on the Plan's liabilities	4.4	1.0
Actuarial gains/(losses) arising from changes in financial assumptions	3.3	(26.9)
Actuarial gains arising from changes in demographic assumptions	1.3	6.7
30 June	**(218.4)**	**(234.0)**

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

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
1 July	241.1	223.4
Interest income	6.6	6.8
Return on Plan assets excluding interest income	1.8	18.7
Contributions by employer	2.5	—
Contributions by employees	0.7	0.2
Benefits paid	(13.7)	(8.0)
30 June	**239.0**	**241.1**

The major categories and fair values of Plan assets at the end of the reporting year for each category are as follows:

	30 June 2018	30 June 2017
	£m	£m
Equity instruments	85.5	85.1
Diversified growth funds	18.8	19.3
Corporate bonds	20.0	65.4
Government bonds	112.2	70.9
Cash and equivalents	2.5	0.4
Total	**239.0**	**241.1**

The majority of the Plan's equity and debt instruments have quoted prices in active markets.

The Plan includes holdings of gilts and corporate bonds, which are intended to partially hedge the financial risk from liability valuation movements associated with changes in gilt and corporate bond yields. IAS19 liability movements from changes in the discount rate will also be partially hedged by the Plan's corporate bond holding.

30 Retirement benefits (Continued)

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

Following completion of the funding valuation as at 30 June 2014, Arqiva Limited agreed to pay deficit contributions of £2.5m per annum to 31 July 2018, and then payments of £3.3m per annum to July 2020. The Group anticipates that cash contributions due to the defined benefit plan for the year ending 30 June 2019 will be £5.8m. These future contributions will be determined upon approval of the funding valuation as at 30 June 2017.

Sensitivity Analysis

The assumptions considered to be the most significant are the discount rate adopted, inflation represented by RPI, and the longevity assumptions.

The sensitivity of the 2018 year end results to changes in the three key assumptions is shown below:

Funding Position	Discount rate decrease of 0.1%	RPI increase of 0.1%	Longevity assumption increase of +1 year
Increase in Plan liabilities	£4.2m	£3.1m	£6.4m

The sensitivity of the 2017 year end results to changes in the three key assumptions is shown below:

Funding Position	Discount rate decrease of 0.1%	RPI increase of 0.1%	Longevity assumption increase of +1 year
Increase in Plan liabilities	£5.1m	£5.2m	£7.1m

This sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

31 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with the Group's pension scheme are disclosed in note 30. Transactions between the Group and its associates, joint

ventures and entities under common influence are disclosed below.

The disclosure of transactions with related parties reflects the periods in which the related party relationships exist. The disclosure of amounts outstanding to/from related parties at the reporting

date reflects related party relationships at that date.

31 Related party transactions (Continued)

Trading transactions

During the year ended 30 June 2018 the Group entered into the following transactions with related parties who are not members of the Group:

	Sale of goods and services		Purchase of goods and services	
	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m	£m	£m
Associates	—	—	6.6	6.6
Joint ventures	3.5	3.3	2.3	2.2
Entities under common influence	0.9	27.4	0.7	8.1
Other group entities	40.0	32.7	—	—
	44.4	**63.4**	**9.6**	**16.9**

All transactions are on third-party terms and all outstanding balances, with the exception of the amount outstanding referenced below, are interest free, un-secured and are not subject to any financial guarantee by either party.

As at 30 June 2018, the amount receivable from associates was £nil (2017: £0.1m) and joint ventures was £nil (2017: £0.9m). Interest received during the year from joint ventures was £nil (2017: £0.1m charged at 12% of the outstanding balance).

As at 30 June 2018, the amount receivable from entities under common influence was £nil (2017: £0.2m).

As at 30 June 2018, the amounts receivable from and payable to other group entities are disclosed in notes 18 and 22 respectively.

Remuneration of Directors and key management personnel

The remuneration of the Directors and key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
Short-term employee benefits	4.1	3.7
Termination benefits	1.1	—
Post-employment benefits	0.3	0.2
	5.5	**3.9**

One member of the Directors and key management personnel (2017: one) is a member of the Group's defined benefit pension scheme (see note 30).

The members of the Directors and key management personnel had no material transactions with the Group during the year, other than in connection with their service agreements.

Further information in respect of the remuneration of the Company's statutory Directors, including the highest paid Director, has been provided on page 127.

32 Controlling parties

The Company's immediate parent is Arqiva Financing No. 3 Plc ('AF3'). Copies of the AF3 financial statements can be obtained from the Company Secretary at Crawley Court, Winchester, Hampshire, SO21 2QA.

The ultimate UK parent undertaking is Arqiva Group Limited ('AGL') which is the parent undertaking of the largest group to consolidate these financial statements.

32 Controlling parties (Continued)

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

AGL is owned by a consortium of shareholders including Canada Pension Plan Investment Board, Macquarie European Infrastructure Fund II, other Macquarie managed funds and minorities. There is no ultimate controlling party of the Company.

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Offering Memorandum dated 2018