

The Arqiva logo is written in a white, lowercase, sans-serif font on a red, triangular background that is part of a larger graphic design in the top left corner of the cover.

arqiva

Arqiva Group Limited

(formerly Arqiva Broadcast Holdings Limited)
Registered number 05254001

**Annual Report and Consolidated
Financial Statements**

For the year ended 30 June 2016



Corporate information

As at the date of this report (20 September 2016):

CHAIRMAN

Mike Parton

GROUP BOARD OF DIRECTORS

Peter Adams (alternate to Paul Mullins)

Clive Ansell
(Independent Non-Executive)

Mark Braithwaite
Deepu Chintamaneni
(alternate to Christian Seymour)

Sally Davis

Nathan Luckey

Paul Mullins

Mike Parton

Christian Seymour

Damian Walsh

Simon Beresford-Wylie
(Chief Executive Officer)

Liliana Solomon
(Chief Financial Officer)

COMPANY SECRETARY

Michael Giles

REGISTERED OFFICE

Crawley Court
Winchester
Hampshire
SO21 2QA

COMPANY REGISTRATION NUMBER

05254001

WEBSITE

www.arqiva.com

INDEPENDENT AUDITOR

PricewaterhouseCoopers LLP
Oceana House
39-49 Commercial Road
Southampton
SO15 1GA

Note: The Directors of the Company who held office during the year and up to the date of this report are detailed on page 116.

Forward-Looking Statements

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

The risks and uncertainties referred to above include:

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

In this document, references to 'Arqiva' and 'the Group' refer to Arqiva Group Limited and its subsidiaries and business units as the context may require.

A reference to a year expressed as 2015/16 or 2016 is to the financial year ended 30 June 2016. This convention applies similarly to any reference to a previous or subsequent year. References to 'current year', 'this year' and 'the year' are to the financial year ended 30 June 2016. References to the 'prior year' and 'last year' are to the financial year ended 30 June 2015. Where references are made to the financial year ended 30 June 2014, this is explicitly stated.

Certain acronyms or expressions are used in this report where appropriate; this document contains a glossary on page 130 for reference.

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Cover Image: Crystal Palace transmitter tower, London

Height: 219m

First broadcast: 1956

Connecting: c.13m people to Digital Terrestrial Television, FM, AM and Digital Radio services.

Highlights

Arqiva, a leading UK communications infrastructure company enabling a vibrant digital economy.



c.8,000

Active cellular sites



c.1,150

TV transmission sites



c.1,520

Radio transmission sites in the UK

1+ billion

hours of radio listening per week



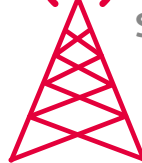
98.5%

of the UK population enjoy our TV services



c.16,000

Sites in total



2,000 hours of content per day broadcast via playout



Market leader in commercial DTT spectrum



We are the license holder for **2 of the 3** national commercial multiplexes that make up Freeview, the UK's leading TV platform

Small cell opportunities



exclusive licences to use municipal street furniture in 11 London boroughs; and other major UK cities including Manchester and Birmingham

Leading position in smart metering



networks to cover up to 12 million UK premises

A leader in satellite services



80 earth stations accessing...
...40+ satellites and 5 teleports

Key steps in execution of Arqiva's strategy include:

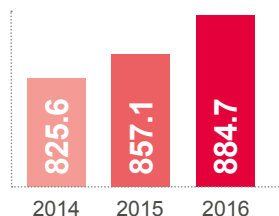
- ▶ Strengthening Arqiva's position as the UK's leading independent tower provider by increasing the Group's site portfolio;
- ▶ Establishing Arqiva as the predominant UK provider of indoor Distributed Antenna Systems ('DAS') and small cells by leveraging Arqiva street infrastructure and exclusive concessions in prime locations;
- ▶ Continued development of the UK's DTT platform capacity and capabilities, supporting long-term use of the sub 694MHz spectrum following 700MHz clearance;
- ▶ Further extension of DAB coverage in the UK, strengthening DAB as the platform for the future as plans progress for an eventual Analogue Radio switchover;
- ▶ Drive new radio revenues across multiplexes and increase capacity utilisation, including that of the new second National DAB multiplex;
- ▶ Building value in the IoT business by leveraging Arqiva's two key networks: Flexnet for smart meters (gas, electricity and water) and SIGFOX for Low Power Wide Area solutions;
- ▶ Improving the operational efficiency and increasing capacity utilisation within the Satellite and Media business, and continued expansion of media management capability including video-on-demand, streaming, metadata management and other over-the-top services;
- ▶ Continuing group-wide focus on efficiencies and cost base optimisation; and
- ▶ Maintaining the robustness of Arqiva's capital structure through the active management of its debt maturity profile, utilisation of facilities and maintenance of an investment grade credit rating.

Highlights

Arqiva enjoyed a year of record revenues and earnings

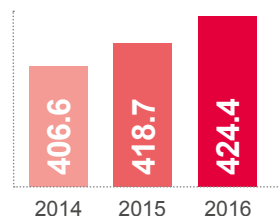
Revenue £m

**Growth
2014-16**
7.2%



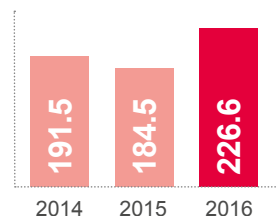
EBITDA £m

**Growth
2014-16**
4.4%



Free cash flow £m

**Growth
2014-16**
18.8%



Operating profit

2016: £271.1m; 2015: £248.6m; 2014: £274.6m

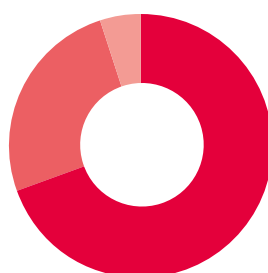
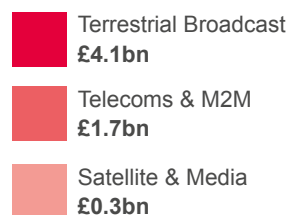
see page 23 for a reconciliation
to **EBITDA**

Operating cash flow:

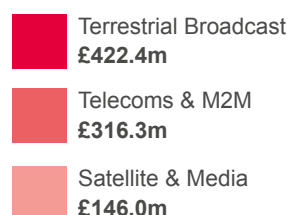
2016: £374.5m; 2015: £379.4m; 2014: £341.2m.

see page 24 for a reconciliation
to **free cash flow**

Order book £6.1bn



Operating segment revenue £m



Operating highlights

- ▶ Strong revenue growth in Telecoms & M2M of 6.1%, and in Terrestrial Broadcast of 4.6%;
- ▶ Full capacity utilisation of the Digital Terrestrial Television ('DTT') platform;
- ▶ Rolling out national Digital Audio Broadcasting ('DAB') coverage beyond 97% of the UK population;
- ▶ Supporting launch of Freeview Play for BBC, ITV and Channel 4;
- ▶ Completion of circa 3,250 4G site upgrades for mobile network operators since roll-out began in 2014;
- ▶ Rollout of the smart energy metering contract now exceeds the 80% network coverage milestone with the Group beginning to earn recurring revenues;
- ▶ Completing the build phase of the Thames Water smart metering network, with the supply of 60,000 meters;

- ▶ Delivering more than £25m gross cost savings on an annualised basis through efficiency gains and headcount reductions; and
- ▶ Closure of the Group's defined benefit pension scheme to future accrual.

Major contract wins include:

- ▶ Entering into contract with Ofcom, major broadcasters and multiplex operators to deliver the clearance of 700MHz spectrum;
- ▶ Numerous renewals and additions to our DVB-T multiplexes (Freeview DTT Platforms), including Sony, UK TV and QVC; and
- ▶ Selected by Al Jazeera Media Network to provide its global teleport and satellite distribution services over a long-term agreement.

Since the financial year end, Arqiva has also won a multi-year contract with Anglian Water to deliver a trial smart water metering network of 7,500 meters.

Chairman's statement



Following my first full year at Arqiva, I am delighted to report that the Group has recorded its highest ever revenue and earnings. Much of this growth has come from recurring, contracted revenues which has translated into growth in our earnings and free cash flow.

“With a year of record revenues and earnings we are seeing the positive impact of the Group's operational delivery of its substantial orderbook”

Arqiva owns a leading portfolio of broadcast and telecoms towers infrastructure. Maximising the utilisation of capacity for existing and alternative uses will bring us further growth. In line with our strategic priority of growing a financially successful business, we continue to invest in our core broadcast and telecoms infrastructure markets to support and sustain growth, whilst intensifying our efforts to operate these businesses more efficiently.

Our capital structure is long term, with an average debt maturity profile of circa 7 years, and is investment grade, being rated at BBB by both Fitch and Standard and Poor's.

We delivered significant operational efficiencies and achieved key milestones on major projects. We continue to invest in our people and our infrastructure in order to deliver growth in shareholder returns.

The Group's trading performance has continued to strengthen, recording our highest ever revenues of £884.7m, EBITDA of £424.4m and free cash flow of £226.6m. Much of this growth was derived from recurring contracted revenues, showing an improvement in the quality of our earnings.

Strategic planning

“Our strategic planning process gives us a clear view of our core markets where we will focus investment.”

The successes that we have achieved this year have been driven by a combination of hard work, identifying market opportunities to utilise our core tower network, and ensuring that the operational side of the business is the right size and shape for the activities that we are undertaking. The fact that our savings have exceeded our initial targets at this stage puts the business in a strong position going into the next financial year.

Last year the Group announced that it had undertaken a review of its operating model, working with external consultants to benchmark its cost base and review the profitability of its service offering. We set ourselves the target of achieving operating cost savings over the course of this financial year by re-focusing investment into larger scale growth opportunities and exiting non-core businesses; improving the end-to-end alignment of the business; increasing efficiency and right-sizing central functions; and closing the defined benefit pension scheme to future accrual.

I am pleased to report that we have achieved operating efficiencies however we will continue to look for improvements and efficiencies to drive further savings.

Change in our Chief Financial Officer

In April we announced that Phil Moses was leaving Arqiva in June, with Liliana Solomon appointed as his successor.

On behalf of the Board I would like to express our sincere thanks to Phil for his valued contribution to Arqiva, in particular through its £3bn refinancing in 2013. This coupled with the operating review activities over the last 18 months leaves the Group in a strong position for the coming years.

We welcome Liliana to Arqiva. She brings significant experience to the business having worked in the Telecoms industry for more than 20 years.

Chairman's statement

Market outlook

“The services we provide will continue to be in demand, and we will continue to invest to deliver meaningful earnings growth.”

Britain's decision to leave the European Union has created an uncertain environment, particularly for those businesses which trade extensively with the Continent. Arqiva's assets, operations and markets, by contrast, are predominantly in the UK, and the business is driven from this country. We have minimal exposure to international markets and foreign exchange. We expect that the services we provide will continue to be in demand; people will continue to watch television, listen to radio and use mobile devices. Looking ahead, the Group's contracted orderbook value at 30 June 2016 was £6.1bn primarily with blue chip, UK based, customers.

Looking ahead, Arqiva will continue to generate further operating savings whilst pursuing our strategic objective to grow a financially successful business that delivers increasing returns in the form of earnings and operating cash.

We will continue to invest capital over the coming years and the Board remains focused on investing in areas which deliver meaningful earnings growth and operating cash returns.

We continue to work with the key stakeholders in our industries, including government and regulatory bodies, to maintain our excellent relationships and ensure that Arqiva remains an active participant in shaping key decisions, and influencing trends in our markets.

Finally, on behalf of the Board, I would like to thank our employees across the business for their dedication and hard work, which has been central to our continued growth and success.



Mike Parton
Chairman
September 2016



“With a year of record revenues and earnings we are seeing the positive impact of the Group’s operational delivery of its substantial orderbook”

Chief Executive's statement



“We have made strong progress over the past year and have a robust platform to build on in the coming years”

Having joined the Group last August, I am pleased to be writing to you for the first time in our annual report as Chief Executive.

I joined Arqiva because of my passion for the communications sector, an appreciation of the role the Group plays in the provision of critical infrastructure across the UK, and a conviction that it is well placed to make the most of opportunities as they arise. Our industry is going through a period of change which will require us to be focused, agile and efficient and I have no doubt that we will rise to the challenge.

“Given the depth of our expertise and the breadth of our products and services, we are well placed to help our customers respond to market changes while at the same time benefitting ourselves.”

Market environment

Over the course of my career, working across a number of technology related sectors, including telecoms, smart-metering, broadcast and more recently the ‘Internet of Things’, I have witnessed many false dawns in the area of ‘convergence’. During the last couple of years however, convergence has clearly arrived with full force.

Boundaries between broadcast, media and telecoms are blurring fast; and the Cloud, IP, ubiquitous fibre, super-fast broadband and the arrival of software defined networks will accelerate the pace of change. For our customers and for Arqiva this change will bring risk and opportunity, especially in the face of Government policy and regulatory environments that are constantly evolving.

We have therefore refined the emphasis of our business so that we:

- ▶ Focus our investment in the right opportunities and projects, such as small cells to support 4G and future 5G growth; delivering us long-term, profitable growth; and delivering these as quickly as possible;
- ▶ Improve our efficiency and effectiveness to lower our cost base; and
- ▶ Align the way we work to better reflect market developments, enhancing customer focus and to strengthen our ability to deliver complex projects.

All of this is aimed at building a sustainable business and enhancing shareholder value creation.

Financial results

We've certainly made strong progress over the last year, with growth in revenue and earnings performance and growth in free cash flows resulting from lower capital expenditure and reduced operating costs. Our results provide a robust platform to build on in the coming years ahead as we:

- ▶ move into the operational phases on our smart metering contracts and continue to see the benefits from the Group's operating review on our earnings and cash flows;
- ▶ benefit from the reduction in demands for capital investment on our major programmes, generating meaningful cash returns for our shareholders; and
- ▶ Continue to deliver cost savings from operational efficiency and procurement savings.

Part of our growth came from our Telecoms & machine-to-machine ('M2M') business where we increased revenues by 6.1% through a combination of 4G network upgrades, smart metering network revenue and the associated sales of smart water meters.

Chief Executive's statement

We also experienced revenue growth in our Terrestrial Broadcast business of 4.6% driven from uplifts in recurring contract revenues from our DTT customer base, together with the commencement of project revenues from the 700MHz clearance programme.

Satellite and Media revenues and earnings have begun to stabilise following service terminations of customers within our Distribution Platforms business where there was little long-term value creation, together with planned Wholesale Space segment terminations within a number of Managed Networks contracts.

Operational delivery

The Group has continued to deliver across a number of large-scale projects which utilise our tower infrastructure, including smart energy metering. Our network infrastructure has now reached the 80% coverage milestone (for our contract region) and the first communications hub orders have been received with delivery planned for this financial year. Additionally we have made significant progress with our smart water metering network, for which over 60,000 water meters have been supplied.

DAB roll-out for the BBC has been progressing with UK coverage now above 95% and we have also achieved the rollout of a second national commercial DAB service which went live in March 2016.

Following the Government's decision not to extend Mobile Infrastructure Project beyond March 2016, the Culture Secretary announced that the project would deliver over 50 masts. We are pleased to have been able to surpass this target, delivering 75 masts in that timeframe, providing coverage to over 7,000 premises.

Key contract wins and market developments

Following a number of contract wins (including Sony, UKTV and QVC) all 30 streams on our DTT platform are fully utilised giving an indication of the on-going attractiveness of the platform to broadcasters.

The increased demand for mobile data continues to drive growth opportunities for our Telecoms & M2M business. We've experienced a substantial increase in activities relating to the upgrade of our sites for the roll-out of 4G services, including supporting EE to deploy its Emergency Services Network; and the deployment of small cells and in-building systems which provide 4G coverage in dense urban areas.

Machine-to-machine connectivity continues to be an expanding market, capturing a host of innovative ideas for products and services. Arqiva has positioned itself at the heart of this evolving market, rolling out networks to 10 major UK cities as well as the development of smart energy and water metering networks. We continue to engage with prospective customers and showcase the potential the technology has demonstrated in trials.

Outlook

I am excited about Arqiva's future and how we can benefit from opportunities as markets develop. I am confident that with the plans set out and with the support of our people, we will continue to deliver our objectives and grow as a business.



Simon Beresford-Wylie
Chief Executive Officer
September 2016

Strategic report

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



Business overview



The UK's leading independent telecom tower operator and sole UK terrestrial broadcast tower network.

Arqiva is a leading UK communications infrastructure company operating at the heart of a vibrant digital economy.

The Group is an independent provider of telecom towers, with circa 8,000 active cellular sites, and the only national provider of terrestrial television and radio broadcasting. Arqiva has invested circa £800 million in the past 5 years allowing it to develop its communications infrastructure and technology. Arqiva is trusted, independent and reliable.

Arqiva earns network access and transmission service revenues from its customers, as well as fees for engineering services and new projects. Arqiva's services tend to be mission-critical for its customers, most of whom rely on the Group to implement new technologies and projects central to their growth strategies as well as to provide the network coverage necessary for the fulfilment of the universal service obligations ('USOs') set out in their operating licences from the UK government.

Pioneers in an always-on, always-connected world.

Attractive UK communications infrastructure market

- ▶ Explosive data traffic growth, proliferation of mobile devices and 4G roll-out driving coverage requirements and demand for telecoms towers and small cells; and
- ▶ DTT is the most popular TV platform in the UK reaching 24 million homes and covering 98.5% of the UK population.

A market leader

As a market leader Arqiva has the following key competitive positions:

- ▶ The largest independent provider of telecom towers with c.8,000 active cellular sites;
- ▶ Sole provider of terrestrial television network access (Freeview); and
- ▶ Pre-eminent role in radio broadcasting both locally and nationally.

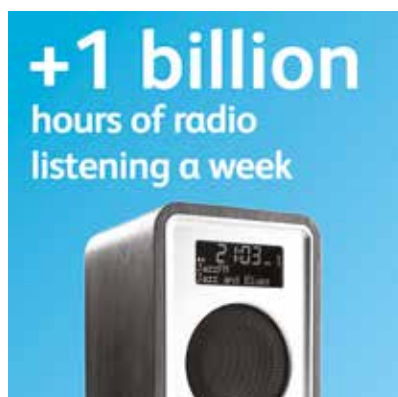
High barriers to entry

Arqiva owns the critical national UK infrastructure that enables Mobile Network Operators and Public Service Broadcasters to meet their Government mandated universal coverage obligations.

The Group's unique site locations and national footprint play a crucial role in supporting these coverage obligations.

Significant investment would be required to replicate the infrastructure, including UK planning permissions to erect new masts. Arqiva also has long established relationships with its customers spanning more than 80 years.

Business overview



Given the exponential growth of connected devices from smartphones and tablets to connected TVs and smart meters, as well as the development of the IoT market, there is an ever increasing demand for data communication. It is essential that businesses and consumers have access to seamless, uninterrupted communications and broadcast quality content anywhere and at any time.

The Group's technology and infrastructure enable it to work with everyone from mobile network operators, such as BT-EE, Vodafone, O2 and Three to independent radio groups and major broadcasters, such as the BBC, ITV, Sky, Turner or CANAL+ to utility companies such as Thames Water. Arqiva's history can be traced back to 1922 when it broadcast the world's first national radio service. In 1936, it carried the BBC's first television broadcast. In 1978, it enabled Europe's first satellite TV test. By the 1990s, Arqiva was working with the UK's mobile operators to bring mobile telecommunications to UK businesses and consumers. And in the 2000s, it launched the UK's national DAB radio and digital terrestrial television networks.

Behind the scenes, central to millions of vital connections.

Every day Arqiva's infrastructure and technology enable millions of people and machines to connect wherever they are through TV, radio, mobile, WiFi and machine-to-machine (including the Internet of Things). Arqiva's TV and radio services reach some of the most isolated individuals and communities in the UK, helping to bridge the digital divide. The Group strives to continuously find ingenious and smarter ways to support our customers.

Arqiva provides digital and satellite services and distribution for international clients in Europe, the U.S., the Far East and Australia, including Turner, Canal+ and the Al Jazeera Network.

Investing to ensure that the UK has the communications infrastructure it needs to thrive in an increasingly connected world.

“Every day Arqiva's infrastructure and technology enable millions of people and machines to connect”

Business model

Arqiva owns and operates a portfolio of cellular sites, TV and radio transmission sites supporting broadcast and communications across the UK. More recently, the Group has invested in machine-to-machine network connectivity utilising its networks, which will support energy and water metering for more than 12 million premises in the UK when fully operational. Arqiva is also a leader in satellite services with teleports that access more than 40 satellites. This adds up to a sizeable portfolio, with in excess of £1.7bn¹ of infrastructure assets.

Arqiva invests in its infrastructure to maintain its reliability, but also to maximise its potential, with the Group offering a wide range of service capabilities including:

- ▶ Broadcast transmission from our towers;
- ▶ Telecommunications sites;
- ▶ Fibre cable connections;
- ▶ DTT and satellite multiplexes;
- ▶ Satellite transmission/play-out;
- ▶ Machine-to-machine network connectivity; and
- ▶ Small cells, in-building services and WiFi connectivity.

For the year ended 30 June 2016, Arqiva's business was aligned into the following customer-facing business units, supported by the Group's corporate functions:



Terrestrial Broadcast - owns a large portfolio of transmission sites for the transmission of TV and radio, operates the Group's licensed multiplexes, and delivers related engineering projects. Revenues are derived from the utilisation of the Group's transmission sites, provision of transmission services, and charges for spectrum utilisation. The Group has also begun to earn revenues on the programme to clear the 700MHz frequency range for use of mobile data.

Within the Terrestrial Broadcast division, the Group utilises its network of circa 1,150 TV towers to carry Freeview into around 24 million households every day, making it the UK's most popular TV platform. Arqiva's network is of significant national strategic importance providing coverage to 98.5% of the UK's population.

Arqiva is a market leader in commercial DTT spectrum, owning the licences for two of the three main national commercial DTT multiplexes, enabling leading broadcasters such as UKTV, Sky, CBS and Turner to deliver broadcasting content using our channel capacity. Arqiva also owns both HD-enabled DTT multiplex licenses that provide services to Freeview and other DTT-related platforms including Youview. In addition, the business unit operates more than 1,520 transmission sites for radio, providing coverage to 90% of the UK population. Arqiva is a shareholder and operator for both commercial national DAB radio multiplexes and it is the service provider for the BBC national DAB radio multiplex. Broadcasting contributes significant and stable cash flows to the Group with a long-term contracted, substantially RPI-linked, order book of £4.1bn which runs as far as 2034.



Telecoms & M2M - owns a large portfolio of active cellular sites and generates revenues from site share arrangements as well as installation services for the roll out of 4G data capabilities and other site and equipment upgrades. This business unit also generates revenues with respect to the build and operation of the smart 'machine-to-machine' networks and other data transmission services including in-building, small cells, WiFi and M2M.

The Telecoms & M2M division is the UK's largest independent provider of wireless towers, with circa 8,000 active cellular sites. It works with major blue-chip customers including BT-EE, Vodafone, Telefonica O2 and Three UK through the MBNL and CTIL network sharing agreements, from which

¹ The carrying value of these assets, measured on an amortised cost basis.

Business model

Arqiva earns site share revenues and delivers equipment upgrades for the roll-out of 4G and future mobile services such as 5G. These towers are central to Mobile Network Operators' contractual obligations to provide up to 98% 4G coverage by 2017.

Arqiva is a neutral host provider of indoor and outdoor DAS with 45 in-building systems installed in UK locations such as Canary Wharf and Excel London. It is also a leading provider of outdoor small cells infrastructure, with exclusive access to street infrastructure in major UK cities including London, Birmingham and Manchester. Telecoms has continued to be an area of revenue growth for the Group, with an order book in excess of £1.7bn running as far as 2024.

With a focus on innovation, Arqiva is embracing one of the world's fastest developing sectors - M2M - for which Arqiva utilises its Flexnet network (for smart metering – gas, electricity and water) and SIGFOX (for Low Power Wide Area solutions). The Group has invested in building M2M networks, which include a major energy metering contract spanning 15 years and covering more than 9 million premises and a water metering contract which will cover 3 million homes in an initial phase of 6 years, with scope for an additional 10 years. Arqiva has invested substantially in infrastructure as a result of these contracts, which will result in recurring cash flows during the long-term operational phases of the networks.



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

The Satellite and Media division is the UK's leading independent owner and operator of teleports and media management facilities serving many of the world's largest multi-channel broadcasters and sports-rights organisations, as well as providing data connectivity to the utilities, defence and natural resources sectors.

Arqiva manages the distribution of more than 1,100 international TV channels including coverage of high profile sporting events, and provides playout services for more than 100 channels for high profile customers including Al Jazeera, Discovery, BT Sport, Sky, NBCU, Rignet, Sony and Turner. Arqiva's operation of reliable and secure VSAT (Very Small Aperture Terminal) communications networks across the globe utilises a world class satellite and fibre network, providing real-time critical communications to remote locations, including oil and gas exploration. Arqiva uses its expertise and experience to enable it to keep pace with rapidly changing dynamics and technology advancements, thereby underpinning the longevity and success of the Satellite and Media business. Examples of this include the use of IP technology to provide video-on-demand services on a pan-European basis, and also developing the metadata layer behind Freeview Play.



Corporate functions comprise Finance, Legal & Regulatory, Information Technology and Connectivity, Procurement and Human Resources.

Business model

Following a review of the Group's operating model in 2015, management identified operational efficiencies from the integration of the former Digital Platforms business unit with the Freeview multiplex business, which was subsequently incorporated into Terrestrial Broadcast. The Connected Solutions and Hybrid TV businesses were combined with the Satellite and Media business unit. In addition, the Group's former Technology division was de-centralised into the customer-facing business units to provide better end-to-end alignment. This change was effective as of 1 July 2015.

In addition, management merged the former Smart Metering M2M business unit and the Telecoms business unit into a single division. The purpose of this was to deliver synergies, with both businesses offering solutions to an increasingly shared customer base; and the acknowledgement that cloud, IP and software defined networks are accelerating the convergence of communications and connected device technologies. Management also oversaw the integration of Strategy and Business Development into the customer facing business units. This move helps to ensure that the Group's strategy is firmly grounded in its capability to deliver and that its marketing is aligned with sales activity and customer requirements. These changes took effect on 1 October 2015.

Arqiva's key strength is the asset base that it has built with strategic investments and the subsequent innovation applied to convert these investments into recurring, and importantly, growing free cash flows. The Group has an unrivalled site portfolio and the capability to deliver a broad range of services, and therefore holds a strong competitive position across markets, which generally have high barriers to entry. High barriers to entry include planning permission requirements and significant capital expenditure to replicate our networks; ownership of key spectrum licenses; and long-term contracts delivering stable future operating cash flows.

“Arqiva's key strength is the asset base that it has built with strategic investments and the subsequent innovation applied to convert these investments into recurring, and importantly, growing free cash flows”

Strategic overview

Arqiva's strategy is to reinforce its position as the leading UK communications infrastructure company, whilst supporting the development of a vibrant digital economy.

The Group's strategy is summarised by the following strategic priorities:

1. **Grow a financially successful business**, leveraging our existing infrastructure assets and customer relationships with selective investment to maximise value by securing long-term scalable growth opportunities.
2. **Simplify and standardise our technology, platforms and processes** to optimise costs, improve efficiency and drive superior returns.
3. **Help Arqiva's customers prosper and succeed** by delivering superior services in the most cost efficient way.
4. **Be a great place to work by continuing to invest in our people**: build the Group's knowledge and grow its expertise, led by a dynamic new senior management team with a clear vision and proven execution track record.

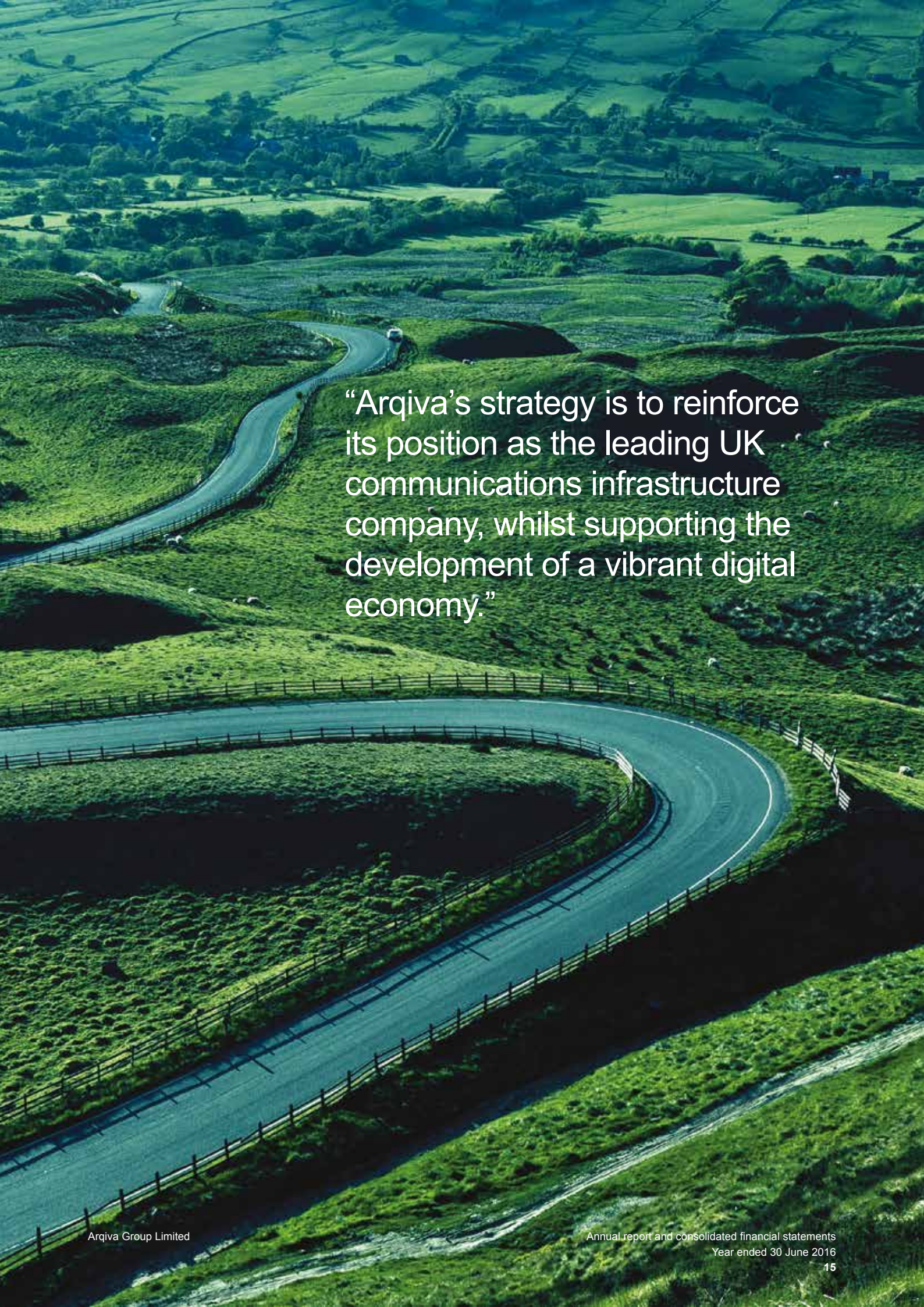
Our **vision** is the statement of our ambition for the future to be central to every vital connection that people make, every day.

Our **core values** guide how we work together and work with our customers:

- ▶ We look for **ingenious** ways to support our customers; embracing change and fresh thinking to find solutions that add real value;
- ▶ We work with each other and our customers in a **straightforward** way to ensure that we are always effective and understood; we keep things simple and clear and act with integrity; and
- ▶ We bring expertise and passion to **collaborative** working to provide a cohesive service to our customers.

Key steps in the execution of the Group's strategy include:

- ▶ Strengthening Arqiva's position as the UK's leading independent tower provider by increasing the site portfolio;
- ▶ Become the predominant UK provider of indoor DAS and small cells by leveraging Arqiva street infrastructure and exclusive concessions in prime locations;
- ▶ Continued support of the DTT platform capacity and capabilities, supporting long-term use of the sub 694MHz spectrum following 700MHz clearance;
- ▶ Continuing to increase DAB coverage and strengthen DAB as the platform for the future, and plan for an eventual Analogue Radio switchover;
- ▶ Drive new radio revenues across multiplexes and increase capacity utilisation, including the new second National DAB multiplex;
- ▶ Building value in the IoT business by leveraging Arqiva's two key networks: Flexnet for smart meters (gas, electricity and water) and SIGFOX for Low Power Wide Area solutions;
- ▶ Improvement of operational efficiency and increasing capacity utilisation with the Satellite and Media business, and continued expansion of media management capability including video-on-demand, streaming, metadata management and other over-the-top services;
- ▶ Continuing group-wide focus on efficiencies and cost base optimisation; and
- ▶ Maintaining the robustness of Arqiva's capital structure through managing the Group's debt maturity profile, utilisation of facilities and maintenance of an investment grade credit rating.

An aerial photograph of a lush green landscape with rolling hills. A paved road winds through the terrain, curving sharply in the foreground. The road is bordered by a wooden fence. In the distance, a small white car is visible on the road. The overall scene is vibrant and scenic, with various shades of green and some trees scattered throughout the hills.

“Arqiva’s strategy is to reinforce its position as the leading UK communications infrastructure company, whilst supporting the development of a vibrant digital economy.”

Business update

Business developments

Contracted orderbook update

The Group's contracted orderbook value at 30 June 2016 was £6.1bn. In the year the Group added £0.5bn of contracts to its orderbook. A significant proportion of the value of this orderbook relates to medium to long-term contracts which includes DTT and radio transmission, site sharing and smart metering (energy and water), as well as satellite and other infrastructure services. The Group remains focused on growth opportunities in targeted, core infrastructure areas.

Continuous improvement

During the year the Group has been in the process of embedding continuous improvement and on-going efficiency initiatives into its organisational culture. The Group made strong progress in achieving operational savings by reducing headcount, overheads and supplier costs through a range of initiatives, including:

- ▶ Streamlining the organisation structure by reducing from five distinct business units to only three, achieving immediate efficiencies;
- ▶ Reorganising internal teams in a more efficient manner;
- ▶ Driving process improvements, system developments, systems upgrades and a change in revenue mix;
- ▶ Downsizing corporate functions; and
- ▶ Generating cost savings with third party services through the renegotiation with suppliers, reduced usage and consolidation of services.

The Group's focus in the new fiscal year will be on efficient delivery of high quality services to all customers, successfully completing key projects, targeted investment in selected areas of growth, and improved discipline in the deployment of capital resources to grow earnings and cash flows.

Terrestrial Broadcast

DTT Multiplex utilisation

As at 30 June 2016, all 30 streams on Arqiva's two main DVB-T Multiplexes were fully utilised following new contract wins including Sony, UKTV and QVC. High Multiplex utilisation and a strong period of sales with high quality customers give an indication of the on-going attractiveness to broadcasters of the Freeview DTT platform. Additionally the Group has benefitted from the full year impact to revenue following the uplifts in the contract renewal prices of all 'founder' streams, agreed in the prior year.

700 MHz clearance and DTT spectrum

The DTT platform currently uses spectrum in the 470-790 MHz bands. Plans are being implemented by Ofcom and industry stakeholders to clear 700MHz (694 MHz to 790 MHz) so that the spectrum can be auctioned for use by the mobile network providers. This is a change that will be adopted across Europe, Africa, Middle East and central Asia. A wide range of activities are underway to plan for the move in frequencies, including determining changes to the frequencies used, planning for infrastructure changes and work requirements and agreeing a rollout plan. Arqiva continues to gear up for the programme delivery phase and has commenced revenue recognition and billing.

The Group has entered into a contract with the major broadcasters and Ofcom and has agreed the commercial terms relating to the programme. Arqiva will be responsible for the infrastructure changes, spectrum planning, programme management, network design, service continuity, asset replacement, support to consumers where appropriate, and retuning broadcast transmitters to enable broadcasters to move into a lower frequency. Arqiva will generate cash flows from the programme over the period, 2016 to 2022.

Business update

Digital radio (DAB) rollout

The Group has been progressing with the delivery of the DAB rollout programme for the BBC, and upgrades to the analogue radio network as part of the contract. The build out of the BBC National DAB network continues and as at 30 June 2016, Arqiva had 152 new transmitters on air increasing the UK DAB network coverage beyond 97% of the population. The rollout programme is expected to complete later this calendar year.

The Group has also been progressing with 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. The 90% threshold is part of three overall criteria to judge when a process to set a date for a full national digital radio switchover can be established. This contract requires Arqiva to deliver new transmitters or upgrades at 220 sites and as at 30 June 2016, work had been completed at 141 sites, achieving 85% coverage with the project due to be completed on schedule later this calendar year.

Following the award of the second national DAB licence in March 2015 to Sound Digital (a consortium which includes Arqiva (40%)), construction by the Group of the transmission network was completed ahead of schedule. The network was officially launched by the UK's Secretary of State for Culture, Media and Sport at an event in London on 1 March 2016. The new service carries 18 commercial radio stations utilising 98% of the available capacity. A further service is expected to launch before the end of the calendar year utilising the remaining spare capacity.

Launch of Freeview Play

In October 2015, the Freeview brand launched its connected TV service, Freeview Play. Freeview Play combines DTT channels with catch-up TV from the BBC, ITV, Channel 4 and Channel 5, on-demand services and live television, making a wide range of content available to a mass market. This service will give viewers even more choice in how they access TV programmes on a free-to-air platform. The service is free from subscription and works with all existing broadband services. Freeview Play is available on new set-top boxes currently manufactured by Humax and on Panasonic's new TVs.

Freeview's DTT service is the biggest TV platform in the UK and is present in around 24 million homes. Arqiva has been fully committed to developing and modernising the platform and was responsible for building part of the technical solution for Freeview Play.

Telecoms & M2M

Disposal of WiFi business to Virgin Media

In September 2016, the Group reached an agreement for the sale of its WiFi business to Virgin Media. The sale includes venue WiFi, wholesale WiFi, roaming and media advertising. The Group remains focused on growing its small cells, in-building and outdoor solutions business areas. Within the agreement with Virgin Media, Arqiva has signed an exclusive partnership to provide indoor solutions to Virgin Media's WiFi customers and to Virgin Media Business customers. The two businesses also signed a long-term agreement to continue to deploy public WiFi services in Arqiva's numerous street concessions. The Group believes that Virgin Media is a strong match for our customers, given its extensive experience of the WiFi market and that these new agreements will enable both Virgin Media and Arqiva to leverage their respective strengths to deliver innovative and compelling solutions to customers. As part of the sale the Group expects to transfer circa 120 employees, subject to the consultation process.

4G roll-out

The four main Mobile Network Operators ('MNOs') continue to increase their 4G network capability. In turn, Arqiva is being contracted to carry out a large volume of antenna and feeder upgrade projects for its customers, resulting in a significant increase in Installation Services revenues. The Group had completed circa 3,250 4G upgrades across Arqiva-managed sites up to 30 June 2016 and a further circa 5,000 upgrades have been requested by the MNOs over the next 2-3 years.

Business update

Smart energy metering rollout progress

Arqiva is building a smart metering communication network as part of a 15-year contract signed in September 2013 with the Data and Communications Company (the 'DCC', a body licensed by statute and backed by the utility companies).

The Group is in the Systems Integration Testing phase as part of preparations to go live during 2016, with end to end testing and user training underway. Service transition activities are in progress and resources are in place to support the commencement of operational services. The Arqiva network is now communicating end to end with the DCC solution, successfully transmitting and receiving service user requests through to meters.

The rollout of the network now exceeds the 80% required by the time the DCC service is operationally live later in 2016 and Arqiva has achieved all contractual milestones required to date. The Group is therefore now earning recurring revenues under the contract, relating to both network availability charges and set-up charges. In addition to this, heads of terms for new change requests were also agreed in the quarter which will further increase the scope of the overall contract and orderbook value.

Smart water metering roll out – Thames Water

In March 2015, Arqiva 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. 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 3 million homes once fully deployed.

The Group has completed two major programme implementation phases, comprising 17 contractual milestones and the service is live. Arqiva has achieved all milestones to date as per the agreed timeline and supplied more than 60,000 meters.

Smart water metering trial contract win – Anglian Water

In July 2016, Arqiva won a 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. This is a four year contract and is part of Anglian Water's plans for a long-term smart metering programme. The first phase of network build is underway and the trial is due to go live in December 2016.

Nationwide Building Society WiFi rollout completed

In March 2015, the Group won a 5 year contract to provide WiFi services to Nationwide Building Society that would cover both public and enterprise WiFi (i.e. customer and business use). In March 2016 the Group announced the successful completion of the WiFi service installation for the building society's high street branch network of around 700 branches, 16 administration centres and two data centres in the UK.

Mobile Infrastructure Project update

The Mobile Infrastructure Project was a strategic programme funded by the Government with the ultimate goal of providing a service to areas without any mobile coverage services ('not-spots').

Following the Government's decision to end the project by March 2016, the Culture Secretary publicly stated that the project would deliver more than 50 masts. This build phase of the project completed in March 2016 and, exceeding the stated target, 75 masts were built. Many sites are already providing coverage and the latest 4G services to local communities. The MNOs are now working to bring the remaining sites on-air. When all sites are on-air the 75 masts will provide coverage to more than 7,000 premises. With build responsibilities now substantially complete, Arqiva is supervising the concluding MNO activities and performance tests to complete the Mobile Infrastructure Project.

Business update

Satellite and Media

Satellite and Media contract wins

In March 2016, Arqiva 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 will distribute AJMN's flagship news channels Al Jazeera Arabic and Al Jazeera English to popular global networks. The new agreement will allow Al Jazeera to offer its international audience a better viewing experience as the bit rate and video quality will increase. Viewers will also be able to enjoy the improved network resilience thanks to the use of dual and triplicate redundancy on key components of the core fibre, satellite and teleport design. The contract gives the Group the opportunity to showcase its capabilities in the Middle East region and expand its customer base.

In June 2016, the Group was selected by Panasonic Avionics Corporation to provide its hosting, connectivity and teleport uplink services via Telesat's new high throughput satellite ('HTS'). The multi-year contract will see us deliver a range of mobility services for Panasonic, including inflight WiFi, which will operate round the clock from our Chalfont Grove teleport site near London. Signals are extended to the Panasonic Network over our managed core network.

Subsequent to the year end, but as at the date of this report, Arqiva have announced a partnership with multi-platform media company Red Bull Media House to distribute live video sports content to international broadcasters. As part of the multi-year partnership the Group will be responsible for distributing the content, and delivering it globally through its UK teleports to the rights takers.

Longer-term developments

Internet of Things – Telecoms & M2M

In January 2016, Arqiva and Vision360 were jointly selected as providers to one of two NHS England IoT Innovation Test Beds. The Test Bed will help people living with dementia or frailty remain in their own homes for longer with the aid of network-enabled sensors, wearable technology, monitors and other devices to monitor their health at home. Arqiva and Vision360 are working to deliver a national standards-based assistive care IoT platform, which combines Vision360's health and assistive care technology and Arqiva's IoT network.

In March 2016, the Group announced a new partnership with machine-to-machine solutions provider Wireless Logic. The partnership will see Wireless Logic become Arqiva's first UK reseller of low power, wide area connectivity, representing another step in the Group's journey of growing the IoT business.

These deals give Arqiva the opportunity to showcase how its IoT network can complement other technologies and give access to technology to those currently excluded. The Group continues to run proof of concept trials with a number of other potential customers.

Small cells opportunities and in-building solutions – Telecoms & M2M

Arqiva has been developing its outdoor Small Cells proposition using low power base stations to provide street level network capacity to MNOs, particularly in dense urban areas. The Group is currently completing trials with two MNOs in Hammersmith & Fulham. In addition, Arqiva has now secured its first commercial orders from an MNO. Assessment and planning activity for these have commenced and the Group expects the deployment to occur later in 2016.

In January 2016, the Group deployed in-building solutions for Canary Wharf Group's retail centres at Canada Place, Crossrail Place, and Jubilee Place in Canary Wharf, London. The in-building systems provide 4G coverage that complement the existing 2G and 3G coverage at those locations. Arqiva deployed a future-proof solution which is designed to ensure a mobile signal is available when underground, in large buildings, or where there is heavy footfall. Commuters and shoppers will be able to receive 4G in the retail centres via their service providers. The technology will allow all MNOs to provide their mobile services through one set of transmission equipment.

Other business developments

Change in Chief Financial Officer

In April 2016, Arqiva announced that its CFO, Phil Moses, was to leave the company at the end of June 2016. Liliana Solomon was appointed as his successor and joined the Arqiva Senior Executive Management in June

Business update

2016 to ensure a smooth handover.

Liliana brings extensive experience in the telecoms industry, having held CEO and CFO roles for Vodafone in Europe; CFO for Cable & Wireless in UK, Europe, Asia and US; and CFO for T Mobile in the UK. In addition to having accountability for Arqiva's financial management and operations, Liliana will also lead the procurement function.

Closure of defined benefit pension scheme

Following an extensive consultation period and further discussions with BECTU, an agreement was reached in January 2016 which closed the defined benefit pension scheme to future accruals on 31 January 2016 and transferred members to the existing defined contribution scheme from that date.

Acquisitions and disposals

As part of the Group's review of its operating model, management identified three non-core areas of the business with fewer operational synergies and lower margins.

- ▶ In July 2015, the Group disposed of its Satellite News Gathering ('SNG') assets.
- ▶ In October 2015, the Group signed a contract for the sale to telent, a telecommunications contractor, of its Secure Solutions assets and contracts which had been identified as non-core business. The sale was completed in December 2015.
- ▶ Also in December 2015 the Group sold the payphone business acquired in 2012 as part of the Spectrum Interactive business, disposing of its 100% interest in the ordinary share capital of NWP Street Limited (a subsidiary undertaking) to Clear Channel.

Total consideration for these disposals was circa. £20m.

Financial reporting developments

Change in Company name

On 22nd June 2016 the Company filed a Notice of Change of Name by Resolution with Companies House to change its name from Arqiva Broadcast Holdings Limited to Arqiva Group Limited. This is the first annual report and financial statements to be prepared under the name Arqiva Group Limited.

Financial Reporting Framework

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. 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, we have adopted IFRS for the Group's consolidated financial statements and FRS 101 for single entity financial statements and we have elected for a transition date of 1 July 2013, and present financial information for the three years to 30 June 2016.

“For the year ended 30 June 2016, revenue for the Group was £884.7m, an increase of 3.2% from £857.1m in the prior year.”



Financial review

Headline financials

Revenue

↑ 3.2% to
£884.7m

Operating profit

↑ 9.1% to
£271.1m

EBITDA

↑ 1.4% to
£424.4m

Loss before tax

↓ 11.7% to
£(249.6)m

Operating cash flow

↓ 1.3% to
£374.5m

Free cash flow

↑ 22.8% to
£226.6m

For the year ended 30 June 2016, revenue for the Group was £884.7m, an increase of 3.2% from £857.1m in the prior year.

There was growth in Terrestrial Broadcast (2016: £422.4m; 2015: £404.0m) primarily as a result of an increase in recurring revenues from the Group's DTT multiplexes (2016: £168.3m; 2015: £152.2m). This was as a result of greater utilisation of the DTT multiplex capacity following a number of new contract wins and renewals, as well as the Group benefitting from the full-year impact of the uplifts in the contract renewal prices of 'founder' streams, agreed in the prior year. Additional growth has been derived from radio revenues, resulting from the DAB radio roll out, and an increase in activities relating to the 700MHz Clearance Programme following the completion of the initial capability study phase.

Within Telecoms & M2M there was also significant revenue growth (2016: £316.3m; 2015: £298.1m), particularly within the Site Share business (2016: £249.7m; 2015: £232.7m) driven by increased, low margin, installation services activity relating to the MNOs' current 4G network rollout and site upgrades. Additionally there was growth within M2M (2016: £33.2m; 2015: £18.0m) in relation to smart water metering contract revenues (for which circa 60,000 meters have been supplied) and an uplift from new recurring revenues in relation to network availability for the DCC smart energy metering contract. This growth was partially offset by the non-recurrence of certain one-off DCC smart energy metering milestone revenues and Site Share project revenues recorded in the prior year, and revenues relating to the Secure Solutions contracts, the majority of which were sold to telent, a telecommunications contractor, in December 2015.

Financial review

Within Satellite and Media there was a 5.7% decrease in revenue (2016: £146.0m; 2015: £155.0m). Following some managed customer terminations in the Distribution Platforms business and Wholesale Space segment terminations within a number of Managed Networks contracts in the prior year, revenues have begun to stabilise. Additional focus on capacity utilisation and management of the cost base has limited the impact on EBITDA.

Gross profit was £540.9m, representing a 1.7% decrease from £550.5m in the prior year. Cost of sales increased at a higher rate than revenue principally due to an increase in the level of third party costs and internal resource employed, primarily in our Telecoms business; and also due to a shift in the sales mix with milestone based project revenues in the prior period being replaced by an increase in Installation Services revenues and M2M meter sales which both carry a lower gross margin.

Other operating expenses before exceptional items were £116.7m, representing an 11.8% decrease from £132.3m in the prior year. The reduction was principally achieved by savings derived from the operating cost base review and the increase in the level of internal resource employed on cost of sales activities.

The Group recognised £13.6m of exceptional operating expenses in the year. This was primarily due to reorganisation costs arising from the operating review.

Operating profit for the year was £271.1m, an increase of 9.1% from £248.6m in the prior year. The increase was due to the reduction in other operating expenses and an impairment recorded in the prior year (2015: £38.9m), partially offset by higher depreciation and amortisation charges as a result of capital expenditure and assets being brought into use.

EBITDA² for the Group was £424.4m, representing a 1.4% increase from £418.7m in the prior year owing to a small reduction in gross profit that was more than offset by the savings derived from the operating cost base review.

Reconciliation between operating profit and EBITDA	Year ended	Year ended	Year ended
	30 June 2016	30 June 2015	30 June 2014
	£m	£m	£m
Operating profit	271.1	248.6	274.6
Exceptional operating expenses	13.6	11.7	8.3
Depreciation of property, plant and equipment	129.4	113.4	114.2
Impairment of non-current assets	-	38.9	-
Amortisation of intangible assets	10.4	8.0	10.5
Other ³	(0.1)	(1.9)	(1.0)
EBITDA	424.4	418.7	406.6

Finance costs (net of finance income) were £535.0m, an increase of 7.7% from £496.6m in the prior year. The increase was primarily as a result of the compounding effect of accrued (non-cash) interest on shareholder loan notes. Additional finance costs were also incurred as a result of the drawings on the Group's facilities.

The Group reported £14.3m of other gains in the year ended 30 June 2016 (2015: £34.6m losses). This includes a £7.9m fair value loss on interest rate swaps, inflation-linked interest rate swaps and swap options; a £45.9m fair value gain on cross currency swaps offsetting a £38.1m loss in relation to foreign exchange movements on foreign denominated debt instruments; and a £14.4m exceptional gain on disposal of a non-core subsidiary. The cross-currency swaps provide an economic hedge to the Group's US\$ denominated debt.

² EBITDA is defined as earnings before interest, tax, depreciation and amortisation; and additionally before the Group's share of results of associates and joint ventures, profit or loss on disposal of property, plant and equipment, non-interest finance costs and exceptional operating expenses. EBITDA represents a measure of the Group's operational performance.

³ Includes share of results of associates and joint ventures, other income, profit or loss on disposal of non-current assets and non-interest finance costs.

Financial review

Loss before tax was £249.6m, representing an 11.7% reduction from £282.6m in the prior year due to the reasons set out above. The loss before tax for the year was reported after non-cash charges of £450.0m.

Non-cash charges/(gains)	Year ended 30 June 2016 £m	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
Depreciation	129.4	113.4	114.2
Amortisation	10.4	8.0	10.5
Exceptional impairment	-	38.9	-
Share of results of associates and joint ventures	(0.1)	(2.4)	(1.2)
Accrued interest on shareholder loan notes	278.5	244.8	215.2
Other non-cash finance costs*	31.7	35.2	47.2
Foreign exchange on financing	38.1	17.5	(24.1)
Fair value movements on derivative financial instruments	(38.0)	18.1	48.2
Total	450.0	473.5	410.0

*Other non-cash finance costs include amortisation of debt issue costs, amounts included in the cost of qualifying assets, unwinding of the discount on provisions and imputed interest.

Cash flow

Net cash inflow from operating activities was £374.5m representing a decrease of 1.3% from £379.4m in the prior year. The additional EBITDA generated in the year was offset by timing differences impacting working capital.

The Group's net cash outflow on capital expenditure and financial investment was £164.3m, compared to £194.9m in the prior year (a decrease of 15.7%). The decrease was primarily as a result of the phasing of capital expenditure on major capital programmes as well as proceeds generated from the disposal of non-current assets.

The Group generated £226.6m of free cash flow for the year representing an increase of 22.7% from the prior year (2015: £184.7m).

Reconciliation between net cash inflow from operating activities and free cash flow	Year ended 30 June 2016 £m	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
Net cash inflow from operating activities	374.5	379.4	341.2
Purchase of tangible and intangible assets	(170.0)	(195.4)	(154.0)
Sale of tangible assets	5.7	0.5	8.1
Purchase of subsidiary undertakings (net of cash acquired)	-	-	(3.8)
Disposal of subsidiary undertakings (net of cash disposed)	16.4	-	-
Free cash flow	226.6	184.5	191.5

Financial review

Financing

In February 2013, the Group completed its refinancing raising funds from both bank facilities and bond markets of some £2.9bn in total. In 2014, the Group refinanced a further tranche of medium-term bank facilities (£532.5m) replacing them with new long-term debt instruments (£534.0m). In July 2014, a further £300.0m of the remaining 5-year facility was repaid following a new 15-year US Private Placement debt issue (within Arqiva PP Financing Plc, a subsidiary financing vehicle) which raised £300.0m. Following this repayment, only £353.5m of the original £1.6bn 3 and 5 year bank debt borrowed in February 2013 remains.

At 30 June 2016 the Group's financing (gross of issue costs) comprised:

	Notes to the financial statements	Year ended 30 June 2016 £m	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m
Shareholder financing*				
Shareholder equity (share capital and share premium)	27	969.5	969.5	969.5
Shareholder loan notes	23	1,273.6	1,273.8	1,273.8
Total shareholder financing		2,243.1	2,243.3	2,243.3
Bank loans				
Senior term debt	23	723.5	723.5	1,023.5
Other loans				
Senior bonds, notes and private placements **	23	1,643.5	1,604.7	1,287.4
Total senior*** debt		2,367.0	2,328.2	2,310.9
Junior bonds	23	600.0	600.0	600.0
Total junior*** debt		2,967.0	2,928.2	2,910.9
Facilities drawn down	23	125.9	120.7	0.5
Finance lease obligations	23	13.4	13.8	14.0
Total		5,349.4	5,306.0	5,168.7

*Represents finance provided by the shareholders of AGL (see page 41).

** Includes US\$ denominated debt revalued at the balance sheet date (see note 23). This is hedged via cross-currency swaps (see note 25).

***Senior level debt refers to the Group's financing up to, and including, the consolidated Arqiva Group Parent Limited ('AGPL') group; whilst junior level debt refers to the Group's financing up to, and including, the consolidated Arqiva Broadcast Parent Limited ('ABPL') group.

Financial review

The Group holds interest rate swaps (nominal value £1,023.2m) and inflation-linked swaps (nominal value of £1,312.5m) in order to hedge its interest rate and inflation exposure. The Group maintains a hedging policy to manage interest rate risk and to ensure the certainty of future interest cash flows. Arqiva's interest rate swaps convert variable rate debt interest costs to fixed rate debt interest costs. The inflation swaps convert fixed interest costs to RPI-linked costs, which fluctuate in line with the RPI index, as do a significant proportion of the Group's revenue contracts. As a result of the July 2014 debt issue, £300.0m of interest rate swaps were broken (incurring break costs of £100.5m) and replaced with new swaps (generating a premium of £100.5m) in order to match the maturity profile of the replacement debt. Further details of the transactions entered into during the year, their basis and strategy for use is detailed in note 25 to the consolidated financial statements.

Arqiva's financing has certain financial covenants attached, principally an interest cover ratio and a debt leverage ratio which are tested bi-annually in December and June. The Group's property, plant and equipment and other assets have been pledged as security under the terms of the Group's external debt facilities (see note 30).

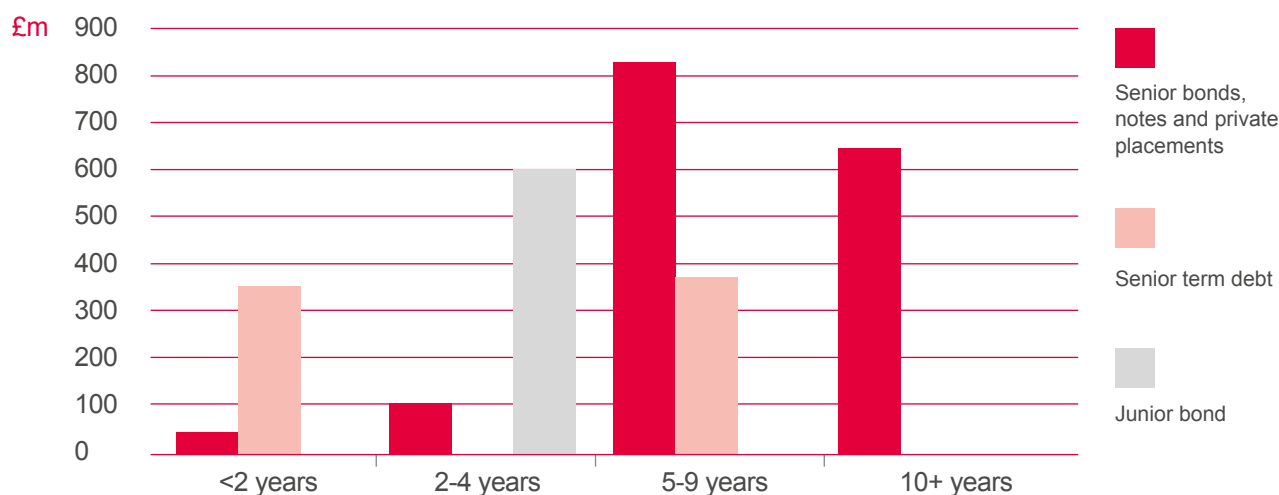
The Group's senior bonds are currently rated as BBB by both Fitch and Standard & Poor's.

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

	30 June 2016	30 June 2015	30 June 2014
Covenant ratios – senior debt level			
Maximum allowed ratio of net debt to EBITDA	7.50	7.50	7.50
Actual ratio of net debt to EBITDA	5.75	5.74	5.77
Minimum allowed ratio of EBITDA to interest	1.55	1.55	1.55
Actual ratio of EBITDA to interest	2.31	2.35	2.27
Covenant ratios – junior debt level			
Maximum allowed ratio of net debt to EBITDA	8.50	8.50	8.50
Actual ratio of net debt to EBITDA	7.08	7.10	7.13
Minimum allowed ratio of EBITDA to interest	1.50	1.50	1.50
Actual ratio of EBITDA to interest	1.75	1.76	1.70

Maturity profile of gross debt

The maturity profile of gross debt excluding shareholder financing is as follows:



Senior bonds, notes and private placements include instruments that have an amortising repayment profile and therefore span a number of maturity periods above.

Financial review

Included within the <2 year category is the Group's 5-year term loan facility (borrowed by Arqiva Senior Finance Limited, a group undertaking) which matures in February 2018, and within the 2-4 year category is the junior bond (issued by Arqiva Broadcast Finance Plc, a group undertaking) which matures in March 2020.

The Group last undertook a significant re-financing exercise in February 2013 and since then has continued to re-finance elements of its debt structure further extending its maturity profile.

As a result of these activities in recent years, the weighted average life of gross debt has evolved as follows:

Date	Weighted average life of gross debt
February 2013	6.2 years
June 2013	6.9 years
June 2014	7.5 years
June 2015	7.4 years
June 2016	6.8 years

Liquidity

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 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.

As at 30 June 2016, the Group has a £400.0m capital expenditure facility against which it has drawn £120.0m (2015: £120.0m), and £5.0m drawn against £100.0m working capital facilities, which cover short term cash flow timing differences as required. In addition, the Group has £200.0m of liquidity facilities available to cover senior interest payments and a £28.5m cash reserve to cover one junior interest payment if required.

In order to support the Group's smart metering contract, in the prior year, we established two further facilities in Arqiva Smart Financing Limited ('ASFL'), a Group company that sits outside the main Whole Business Securitisation ('WBS') financing Group. The Comms Hub Receivables Purchasing facility allows the Group to borrow up to £30.0m and the Fee Facility allows the Group to borrow up to £1.6m.

Further details of the Group's debt facilities are given in note 23 to the financial statements.

Going concern

This report includes information on the structure of the business, our business environment, financial review for the year and details of the principal risks and uncertainties facing the Group. Notes 21, 23 and 25 of the consolidated financial statements include information on the Group's cash, borrowings and derivatives; and financial risk management information presented within this report.

The directors have considered the Group's profit and cash flow forecasts alongside the Group's current funding requirements and facilities available to the Group to ensure it can continue for the foreseeable future. The directors continue to be confident that the Group will have adequate resources to continue in operational existence for the foreseeable future and consequently adopt a going concern basis in preparing the consolidated financial statements.

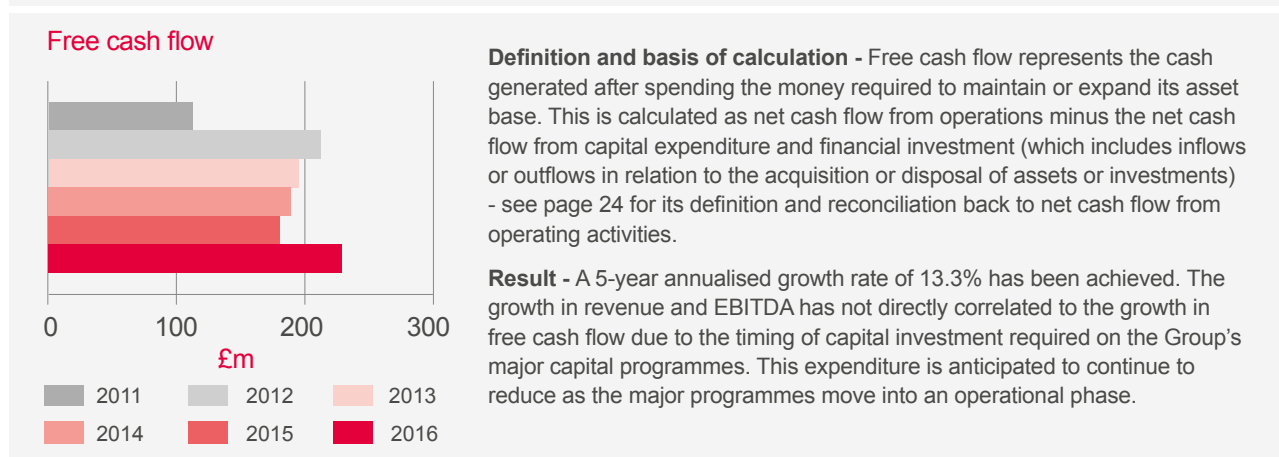
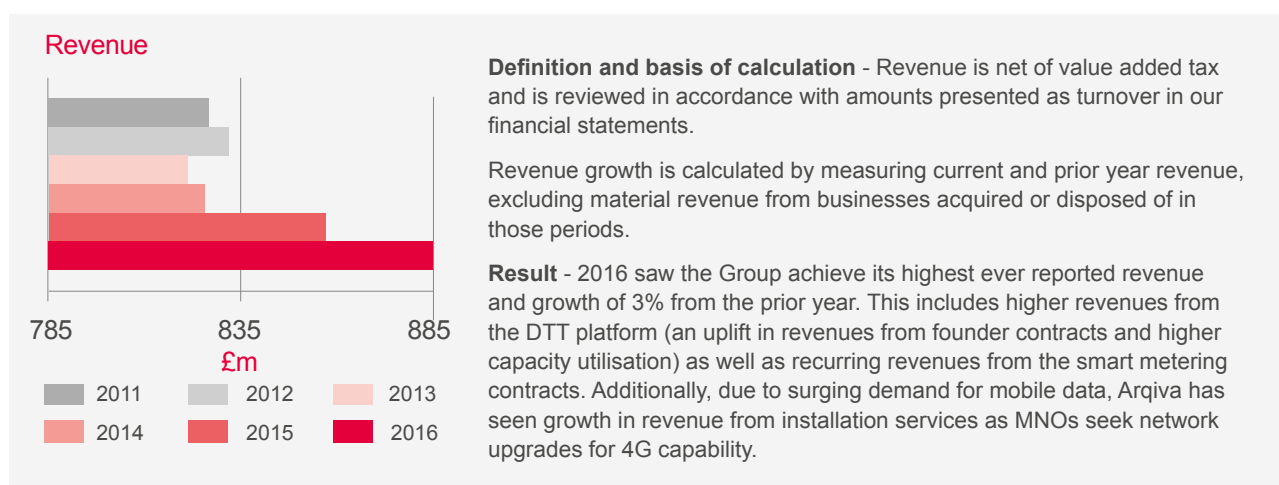
Key performance indicators

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

Strategic priorities (see page 14):

- ▶ Growing a financially successful business (financial success);
- ▶ Simplification and standardisation of our approach to efficiency (driving increasing returns);
- ▶ Helping our customers prosper and succeed (our customers); and
- ▶ Being a great place to work (our people).

Financial success and driving increasing returns...



Key performance indicators

Our customers...

	Own TV Multiplex Availability	Combined Network Availability
2014	99.99%	99.99%
2015	99.99%	99.99%
2016	99.99%	99.99%

Network availability

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

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

Delivery on our customer promises

Definition and basis of calculation - When Arqiva undertakes significant engineering projects, such as network deployment, performance is measured on delivery against the key contractual milestones.

Result - The Group has continued to meet its contractual milestones on time and at the required quality and continues to engage with all contract stakeholders to meet future milestones. This includes:

- ▶ Completion of the Pre-Integration Testing ('PIT') on the smart energy metering contract; and
- ▶ Completion of all system build and implementation milestones on the smart water metering contract with Thames Water, with the project now in its operational phase.

The programme to increase UK DAB network coverage experienced minor delays versus its contractual milestones, however the Group has continued to engage with the programme stakeholders and a remedial plan has been established leading to 152 of the 163 sites having been completed by the end of the financial year.

Our people...

	Investors in people award
2012-13	Silver
2013-14	Gold
2014-15	Gold

Investors in people

Definition and basis of calculation - The Group takes part in the 'Investors in People' accreditation for which more than 16,000 UK businesses take part.

Result - The Group is currently undertaking the 2015-16 assessment with results to be announced later in 2016; however the Group has maintained its Gold award through 2013-14 and 2014-15. Less than 4% of participants achieve Gold Standard.



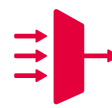
Spotlight: Terrestrial Broadcast



c.1,150
TV transmission sites



c.1,520
radio transmission sites
in the UK



4
DTT multiplex licenses

Services delivered

The Terrestrial Broadcast business unit provides transmission services and infrastructure for all terrestrial TV broadcasters and more than 90% of the UK's radio transmission, including ownership interests in the two commercial national digital radio multiplexes. Included within this business unit is the Group's DTT multiplex business, which owns and operates two of the three main national commercial digital terrestrial TV multiplexes, plus two DVB-T2 multiplexes (capable of providing additional services including HD content).

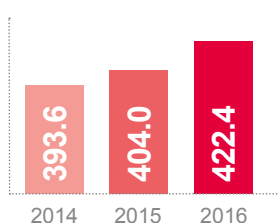
The Group's radio and TV broadcast operations (network access and managed transmission) are regulated by Ofcom on behalf of the wholesale broadcast customers. None of the Group's other business units are regulated.

Our customers include...

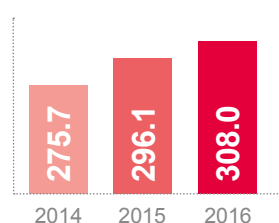


Business unit snapshot

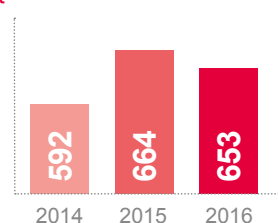
Revenue
£m



EBITDA
£m



Headcount
(FTEs)



Growth in underlying revenues is principally derived from founder contract renewals on the Group's DTT multiplexes being uplifted to market prices, together with new channel launches resulting in higher capacity utilisation, which has in turn flowed through to EBITDA. Additionally, there have been higher revenues (following additional investment) from radio transmission as a result of the progress made on the roll out of DAB radio as part of the BBC New Radio Agreement and the award of a second national DAB licence to our joint venture, Sound Digital Limited. Investment in headcount has been sustained to support the increase in activities in relation to the 700MHz clearance programme, leading to cash flows that are expected to continue over the next six years.

Market snapshot

The Group has remained at the forefront of new developments in UK broadcasting. In March 2015, Arqiva was part of a successful consortium bid to operate the second DAB multiplex for the UK as the digital radio market expands. As part of the 'New Radio Agreement' signed in 2013 the Group has continued to increase DAB coverage to strengthen DAB as a platform for the future, ahead of the potential switch over from analogue radio.

Following the decision at the World Radio Conference to clear the 700MHz spectrum range for use by the mobile network providers, Arqiva has entered into contract with the major broadcasters and Ofcom and has agreed the commercial terms to its involvement in this significant engineering programme. Arqiva will be responsible for the infrastructure changes, spectrum planning, programme management, network design, service continuity, asset replacement, and retuning broadcast transmitters.

The DTT platform remains the most popular television platform in the UK with a presence in more than 80% of households. With the 800MHz and 700MHz spectrum range now committed to mobile data services, Arqiva worked to ensure that a decision was reached about the future use of the remaining DTT spectrum. Arqiva worked with Broadcast Networks Europe, the industry body representing the owners and operators of broadcast infrastructure, to lobby at a European level as well as working with representatives from Asia, the Americas, Africa, the Middle East and the Russian Commonwealth. The result was the protection of the future use of DTT spectrum. This, combined with the recent renewal of the BBC charter, provides some long-term certainty for the continuation of terrestrial broadcast services.

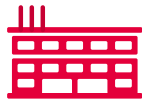
Additional information regarding business unit developments is on page 16.



Spotlight: Telecoms & M2M



c.8,000
active sites



45
In-building systems



>12million
Premises to be covered
by our smart networks

Services delivered

Arqiva's physical infrastructure gives mobile operators access to circa 8,000 active sites. This business unit licences space on our towers, in-building systems and street furniture to national MNOs and other wireless network operators to enable complete mobile communications networks ('site-share'). Arqiva is also working with major mobile providers such as BT-EE, Vodafone, Telefonica O2 and Three UK to upgrade networks to support 4G and future mobile services such as 5G.

Arqiva is a UK host provider of indoor and outdoor Distributed Antenna Systems ('DAS') with 45 in-building systems installed in locations such as Canary Wharf and Execl London, and is a provider of outdoor small cells infrastructure with exclusive access to street infrastructure in major UK cities including London, Birmingham and Manchester.

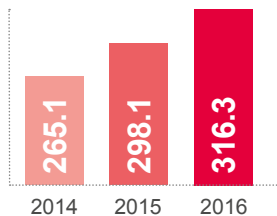
Utilising the Group's towers, Arqiva is building machine-to-machine networks as part of long-term contracts to provide a smart energy metering network for approximately 9.3 million premises in Scotland and the north of England, and a smart water metering network for customers in the south of England. Additionally, the Telecoms & M2M business unit manages the Group's WiFi infrastructure business which is one of the UK's largest access point providers and the largest UK airport hotspot provider.

Our customers include...

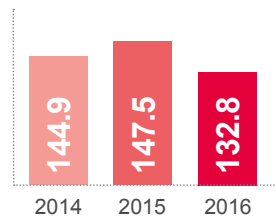


Business unit snapshot

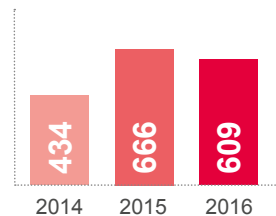
Revenue
£m



EBITDA
£m



Headcount
(FTEs)



There was growth in site-share revenues driven primarily by the increase in activities supporting the roll-out of 4G network upgrades and site upgrades. These revenues offset the one-off milestone project revenues received in the prior year (and the Secure Solutions contract revenues disposed of to telnet in December); however they carry a lower gross margin and as a result negatively impacted EBITDA year-on-year. Additionally there was revenue growth from the smart water metering contract and an uplift in recurring revenues in relation to the smart energy network. WiFi products also experienced further growth including service fee revenues. In order to support demand for the roll-out of 4G upgrades, and the build phases of smart networks, the Group has invested in its personnel and therefore the majority of the additional investment in headcount has been retained in accordance with the scheduling of these volumes.

Market snapshot

The Group is the UK's largest independent provider of towers which are central to MNOs' contractual obligations to provide national coverage. Revenue from the Group's tower portfolio is secured by contracts with all of the large UK mobile operators. Planning restrictions and initial capital expenditure requirements create high barriers to entry. The release of 4G spectrum in 2013 for use in the mobile market is also driving an increase in demand with continued growth in data demand leading to opportunities for in-building solutions and small cells. Additional spectrum will be released in the future following the 700MHz clearance programme.

Arqiva continues to work closely with the MNOs as they seek to reduce their costs and adopt the latest technology. The Group is a key supplier in this market, with contracts with all the UK MNOs. Arqiva aims to ensure it is at the heart of the mobile operators' network upgrade activity. Growth in smartphones and mobile enabled devices along with faster download speeds has led to a significant increase in the demand for mobile data services.

The MNO market is highly competitive with a recent trend of MNOs seeking to develop a 'quad-play' service offering (i.e. mobile, landline, television and broadband). This has prompted recent merger and acquisition activity with BT Group reaching an agreement in February 2016 to acquire EE. Whilst Hutchison Group announced a proposed deal to acquire O2 in the UK to combine with its Three mobile group, it is no longer proceeding having been blocked by the EU competition watchdog in May.

Additional information regarding business unit developments is on page 17.



Spotlight: Satellite and Media



80 earth stations
accessing 40+ satellites



5 teleports



We deliver via satellite
to **5** continents **24/7**

Services delivered

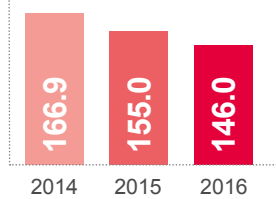
The Satellite and Media business unit provides a range of services to transmit and play-out content around the globe. It holds five award winning teleports which represent a significant barrier to entry in the market. Arqiva provides customers with up-linking and down-linking services to offer a satellite and fibre distribution network to distribute our customers' data and programming, including c.50% of all channels on the Sky platform. Its media management services include the play-out of content, watermarking and advert placement, and connected TV services (including video on demand, streaming, metadata management and other over-the-top services). Additionally, it can offer secure and reliable satellite data communications to remote and hostile locations. These customisable end-to-end solutions are currently provided to energy companies and defence organisations.

Our customers include...

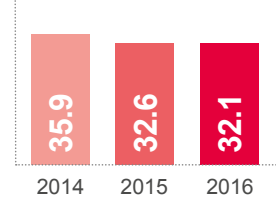


Business unit snapshot

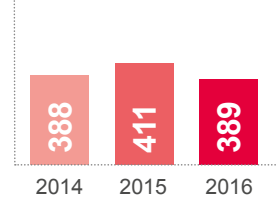
Revenue
£m



EBITDA
£m



Headcount
(FTEs)



The decline in revenue has now stabilised following the managed exit from the low margin Wholesale Satellite Space market (within the Managed Networks business) and the termination of services with customers with limited long term potential within the Distribution Platforms business. Additional focus on capacity utilisation and management of the cost base has limited the impact on EBITDA.

Despite operating in a competitive market, the business has had some significant contract wins in the year as well as being selected by Al Jazeera Media Network to provide its global teleport and satellite distribution services.

Market snapshot

In TV broadcasting the market has seen a drive in demand for HD services. Since the launch of the Sky+ HD box nine years ago, there are around nine million in operation today⁴. HD services are seen as business critical, with big shows attracting the largest audience shares and therefore commanding the largest advertising revenues. In the past year Arqiva helped launch more than 20 new channels on the Sky platform, adding two more Eutelsat transponders to the Group's fleet this year; and the continued demand means there may be opportunities to add a further HD platform in the new year.

In recent years there has been growth in the number of different platforms, including the rise of over-the-top services and Internet Protocol delivered content. The broadcast market has, however, seen convergence in these technologies through, for example, Smart TVs and set-top boxes providing the end-user with a seamless experience regardless of the delivery method. As a result of the review of the operating model carried out during prior the year, Hybrid TV activities have moved in to the Satellite and Media business unit. For satellite the amalgamation of these additional services provides longevity to satellite distribution which is often thought of as more 'traditional television'. The 2016 launch of Sky's new 'Q box' presents such an exciting development, combining the traditional viewing experience of television sets with the streaming potential of tablets or laptops.

Additional information regarding business unit developments is on page 19.
⁴Per www.freeviewuk.net/sky_tv.php

“Arqiva never underestimates the contribution its people make to its business and its customers’ businesses.”



Corporate responsibility

Arqiva is guided by its values to go the extra mile to help its customers reach their customers and audiences. Arqiva endeavours to conduct its business in a way that benefits its customers, suppliers, employees, shareholders and the communities in which it operates. Three values are at the heart of the organisation. They were developed by the Group's employees and therefore they are truly 'owned' by its people.

Ingenious

Finding ingenious and smarter ways to support our customers

Straightforward

Talking and acting in a clear and straightforward way to make sure we're always effective and understood

Collaborative

Bringing expertise and passion to collaborate as one team and go that extra mile

Arqiva never underestimates the contribution its people make to its business and its customers' businesses. That's why the values guiding how its people work were defined by its employees. Values 'champions' from across the company led workshops with their colleagues to ensure everyone had the opportunity to contribute to the decision-making process.

The Group believes it has a role to play in shaping its dynamic industry. It actively engages with government, trade associations and other industry players as it knows that to keep its customers connected it must continually work to identify and develop the ideas that will enable society's wireless digital future.

Environment

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

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

- ▶ Reducing energy consumption,
- ▶ Investing in energy efficient technology, and
- ▶ Monitoring carbon emissions.

One of Arqiva's business aims is to reduce carbon emissions and energy costs whilst complying with energy legislation. The Group is always looking at new and innovative ways of driving down its carbon footprint. Responsible management of energy has a key role in minimising environmental impacts and is embedded within Arqiva. Additionally it investigates how emerging technologies and ingenious ways of working can help it and its customers become more environmentally friendly. As new technologies emerge and legacy equipment is replaced Arqiva looks for the most environmentally-friendly ways to dispose of redundant hardware.

Corporate responsibility

The Arqiva energy policy is committed to ensuring it meets and, where possible, exceeds the requirements of applicable legislation, policies and other commitments to which it subscribes. All employees are encouraged to participate in the energy reduction aims of the company, and the Arqiva Senior Executive Management support the energy policy, as well as promoting and maintaining a high profile for carbon and energy issues within the organisation.

Arqiva has achieved year on year energy consumption reductions and continues its efforts to make further reductions. The business looks for ways to reduce energy consumption, and as at June 2016, a 0.5% reduction had been achieved against prior year.

Health and safety

The Group is committed to complying with applicable health and safety legislation, and to continual improvement in achieving a high standard of health, safety and welfare in its operations and for all those in the organisation and others who may be affected by its activities. The Group operates a safety management system that is accredited to the international standard OHSAS18001. The Directors regularly review health and safety reports in relation to the Group's activities, employees and contractors.

Information security

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

In 2014, Arqiva became the first company in the combined Broadcast and Telecoms industry to achieve ISO27001 certification for all platforms and services (end to end) for all of its UK locations. This allows Arqiva to compete for new business which requires ISO27001 accreditation and it can confidently demonstrate its security-conscious culture and compliance with this internationally recognised standard. There are two physical security audits and two internal security audits conducted every month in order to maintain the certification and since certification, Arqiva has passed every audit.

Additionally Arqiva has also attained the UK Government Cyber Security Essentials accreditation which enables it to supply into government departments. Moving forward, Arqiva is working to align its Business continuity and Disaster recovery plans to ISO22301 certification.

Employees

The average number of persons employed by the Group during the year was 2,170 (2015: 2,324). Arqiva recognises the significant contribution of its employees and makes every effort to create a rewarding and engaging working environment.

The Group's policy is to provide equal opportunities for all employees, irrespective of race, nationality, gender, sexual orientation, marital status, religion or political belief, disability or age.

The table below provides a breakdown of the gender of Directors and employees:

	Male Number / %	Female Number / %
Board of Directors	9 / 75%	3 / 25%
Arqiva Group employees	1,685 / 78%	485 / 22%

Note: Board of Directors membership refers to the Group's Board of Directors (including alternates and non-executives) and the members of the Senior Executive Management that represent management within the Board (i.e. the Chief Executive Officer and the Chief Financial Officer).

Corporate responsibility

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

In 2013-14 and 2014-15 Arqiva received an 'Investors in People Gold Award'. This is the highest level of Investors in People recognition available. Achieving the Gold Award is recognition of the outstanding commitment and hard work put in by many colleagues across the business. Arqiva is committed to retaining this award, and is currently under re-assessment. The results are expected to be announced later this calendar year.

Arqiva has continued to be recognised for its investment in its people. In March Arqiva's apprentice programme won a Silver Award at the 'Apprenticeships 4 England' awards in the 'large employer' category. Additionally the Group has earned a silver award from the Defence Employer Recognition Scheme. This scheme is run by the Ministry of Defence to recognise UK employers who pledge their commitment to the armed forces. As a silver award holder, Arqiva has demonstrated that it is dedicated to promoting an armed forces-friendly position which helps to ensure that personnel and their families do not face disadvantage in their access to services.

During the prior year, the Group was pleased to establish its first democratically elected Arqiva Employee Board. The AEB has been set up to provide a voice for employees across Arqiva and provide a clear and direct link between the Group's employees and Senior Executive Management. The AEB has since met on a monthly basis to discuss key matters such as performance management, or efficiencies and process in order to develop responsive action plans. The AEB (as well as the Senior Executive Management) also interacts with representatives of BECTU regarding employee matters.

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

Significant emphasis is placed on employee communication. The Group intranet 'Connect' makes information available to employees on all matters including company performance, growth, and issues affecting the industry. The embedded values "ingenious, straightforward, and collaborative – Always", continue to form the fundamental basis of all Arqiva business conduct and communication. Arqiva's monthly employee e-magazine - 'Stay Connected' brings together recent news and events as well as the most important things employees need to know for the month ahead.

The Group wants all of its employees to benefit from its success and growth as a business. The annual bonus scheme recognises the importance of high performance and is designed to reward employees for achieving targets and constantly improving overall performance, in line with the values. The scheme takes into account the targets that have been set by the Group and then multiplies this by a personal performance rating. The Group must achieve a minimum EBITDA before a bonus becomes payable which is then calculated based upon the financial KPIs of EBITDA and operating cash performance. The bonus payment for the 2016 financial year will be made in September 2016. In addition, certain members of senior executive management participate in a long term incentive plan which is typically 3 years in duration and is designed to recognise the value of strategic initiatives being undertaken by the Group during the long term incentive plan period. As with the annual bonus scheme, the Group must achieve a minimum threshold of financial performance before a bonus becomes payable under the long term incentive plans which is then calculated based upon the 3 year Group financial KPIs of EBITDA and operating cash performance. All such arrangements are cash based incentive schemes which operate against documented performance targets and are reviewed at least annually by the Remuneration Committee (which comprises members of the Board of Directors).

"The Group wants all of its employees to benefit from its success and growth as a business."

Corporate responsibility

Charitable donations, community and social activities

Arqiva has committed to raising funds for The Prince's Trust 'Million Makers' challenge. There have been a number of fundraising events over the course of the year with the Trust using amounts raised to invest in a small-scale enterprise challenge pitting teams against each other across the UK. The work of The Prince's Trust fits perfectly with Arqiva's purpose, vision and values as its key aim is to keep young people connected with society. As part of our Corporate Responsibility strategy, the Group continues to work with The Prince's Trust to help them run programmes that encourage young people to take responsibility for themselves and help them build the life they choose rather than the one they've found themselves with.

During the year, the Group made a number of charitable donations. Contributions were made as part of a matched funding scheme to match employee fundraising for charitable events up to £250 per employee. The Group also supports the Give As You Earn scheme, working in partnership with the Charities Aid Foundation which manages the scheme - the UK's leading payroll giving scheme. Employees are supported to take part in corporate volunteering activities whereby they give their time to local charities and organisations for special projects.

Global Corporate Challenge ('GCC') is a wellness programme that encourages participants to be active over a 100 day period, using pedometers to track daily steps. This year, Arqiva has 20 teams (made up from 130 employees) participating from a number of different locations including a US team. They will be joined by over 40,000 other teams from 1,500 of the world's largest employers. Arqiva is committed to supporting musculoskeletal health, and this challenge is a great activity to strengthen muscles and bones, and reduce the risk of injury.

Arqiva has also demonstrated its commitment to promoting health and wellbeing by launching the 'Arqiva Be healthy' programme, aimed at promoting health initiatives and healthy lifestyle choices. In addition, we have entered 'Britain's Healthiest Company' competition which aims to recognise and reward companies and their employees in their effort to lead healthier lifestyles.

Modern Slavery Act 2015 Statement

Arqiva is committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. Our supplier Code of Conduct reflects our commitment to acting ethically and with integrity in all our business relationships and to implement and enforce effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains. The full statement is included on page 38 and is also available on the company website at www.arqiva.com.

Anti-Bribery and Anti-Corruption

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

Taxation

The Group's approach to tax is to ensure compliance with all legal and statutory obligations. Arqiva is committed to maintaining a transparent and constructive working relationship with HM Revenue & Customs and with local tax authorities in the jurisdictions in which it operates. The total contribution to UK tax receipts including business rates, tax and NI paid by both Arqiva and employees, totalled £84.1m (2015: £83.1m) for the financial year.

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

This report was approved by the Board of Directors on 20 September 2016 and signed on its behalf by:



Mike Parton,

20 September 2016

Modern Slavery Act 2015: Slavery and Human Trafficking Statement

Overarching Statement

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

The statement has been made in respect of Arqiva Limited and Arqiva Services Limited, subsidiary undertakings within the Group.

Organisation's Structure

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

Arqiva Limited and Arqiva Services Limited, and their respective subsidiaries, are part of the Arqiva group which has its head office in the UK. We have over 2,000 employees and operate in the UK, Ireland, mainland Europe, Asia and the USA.

Arqiva Limited and Arqiva Services Limited (including their respective subsidiaries) each have an annual turnover in excess of £36.0m.

Our Supply Chains

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

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

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

Our Policies on Slavery and Human Trafficking

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. Our Supplier Code of Conduct reflects our commitment to acting ethically and with integrity in all our business relationships and to implement and enforce effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains.

Due Diligence Processes for Slavery and Human Trafficking

As part of our initiative to identify and mitigate risk we:

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

Supplier Adherence to our Values

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

The Transformation Director is currently responsible for compliance with the Modern Slavery Act 2015 and for the supplier relationships.

Training

To ensure a high level of understanding of the risks of modern slavery and human trafficking in our supply chains and our business, we will provide training to all relevant members of our staff. All directors and members of the Management Board have been briefed on the subject.

Modern Slavery Act 2015: Slavery and Human Trafficking Statement

Our Effectiveness in combating Slavery and Human Trafficking

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

- ▶ Use of robust supplier selection process including supplier questionnaires and compliance with Arqiva's Supplier Code of Conduct;
- ▶ Supplier RAG status risk rating to be developed and used for all existing and new suppliers. High risk existing suppliers would be questioned as to their compliance and online due diligence carried out; and
- ▶ Use of our payroll systems.

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes Arqiva Limited and Arqiva Services Limited's (subsidiary undertakings of the Group) slavery and human trafficking statement for the financial year ending 30 June 2016.

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

Governance

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Board of Directors and Senior Executive Management

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

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

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

The directors of the Company who held office during the year and up to the date of this report are detailed on page 116. The Group's Board of Directors is comprised of the following officers who were in office (on behalf of the shareholder consortium) during the year and up to the date of the signing of the annual report and financial statements:



Mike Parton, Chairman

Mike joined Arqiva as Chairman in April 2015 bringing a wealth of experience from his background in telecoms and technology. Mike started his career as a Chartered Management Accountant, working for a number of UK technology companies including ICL, GEC, STC and Marconi.



Clive Ansell, Independent non-executive

Clive has previously held senior positions at Tribal plc, Royal Mail Group, BT and the London 2012 Olympic bid team.

He is also a Non-executive Director at Eckoh plc as well as at Arqiva.

Appointed by Frequency Infrastructure Communications Assets Limited:



Paul Mullins, Director

Paul heads Canada Pension Plan Investment Board's Portfolio Value Creation group which oversees and supports assets in the Infrastructure, Natural Resources and Private Equity spaces. Paul is a member of the investment committee for Private Investments. Prior to this he was at Permira Advisors LLP and a Partner and Managing Director at the Boston Consulting Group.



Peter Adams, Director (alternate)

Peter was appointed on 24th June 2016, replacing Robert Wall who resigned as at the same date.

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

Board of Directors and Senior Executive Management

Appointed by Frequency Infrastructure Communications Assets Limited and Health Super Investments Pty Limited (joint appointment):



Sally Davis, Director

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

Sally is also a Non-Executive Director of the Boards of Telenor; Logitech; and City Fibre Holdings.

Appointed by Macquarie European Infrastructure Fund II:



Nathan Luckey, Director

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



Mark Braithwaite, Director

Mark is a Senior Managing Director in Macquarie Infrastructure and Real Assets. Mark was previously Chief Financial Officer of Thames Water, the UK's largest water and wastewater services company. Prior to joining Thames Water, Mark was Finance Director of the customer and energy divisions at EDF Energy plc, and before that held a number of senior Finance positions at Seeboard plc. Mark has other non-executive directorship roles for companies within MIRA's investment portfolio and is also a trustee of Leadership through Sport & Business, a UK social mobility and employability charity.

Appointed by IFM Investors:



Christian Seymour, Director

Christian is Head of Infrastructure at IFM Investors, responsible for the business expansion in Europe and oversight of IFM's existing European asset portfolio, of which Codan Trust Company is an investment vehicle.



Deepu Chintamaneni, Director (alternate)

Deepu is responsible for the origination and execution of infrastructure transactions, and asset management of existing investments. Prior to IFM Investors, Deepu worked in the Infrastructure and Energy Finance group at Citigroup in New York where she advised and provided financing for transactions across various infrastructure sectors.

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



Damian Walsh, Director

Damian is a Partner in Heidrick & Struggles, a leading global executive search firm where he is a member of the global Industrial and CEO & Board practices. Damian has more than twenty years' international experience as a chartered accountant, management and leadership consultant. As the Director of Tax in the Ernst & Young Global Office, Damian was responsible for strategy formulation and execution to grow the business across key geographies, industries and service lines.

The Board of Directors also includes the Chief Executive Officer and Chief Financial Officer, part of the Senior Executive Management.

Board of Directors and Senior Executive Management

The Senior Executive Management consists of the Executive Directors aligned to the operational structure of the business:



Simon Beresford-Wyllie,
Chief Executive Officer

- ▶ **Arqiva** CEO since August 2015
 - ▶ **Samsung Electronics** special advisor for network strategy
 - ▶ **Elster Group** CEO 2009-2012
 - ▶ **Nokia** 1998-2009 including founding CEO for **Nokia Siemens Networks**
-



Liliana Solomon,
Chief Financial Officer

- ▶ **Arqiva** CFO since June 2016
 - ▶ **Unify** CFO 2014-2016
 - ▶ **Vodafone Group** 2005-2014:- CFO Europe and CEO Romania
 - ▶ **Cable & Wireless** 2004-2005- CFO UK, Europe, US & Asia
 - ▶ **T-Mobile UK** CFO 1999-2004
-



Steve Holebrook,
Managing Director, Terrestrial Broadcast

- ▶ **Arqiva** since 1995, heading Terrestrial Broadcast previously including Satellite
 - ▶ Other previous positions at **Mercury Communications, Kingston Satellite Services, British Aerospace** and **British Telecom International**
-



Nicolas Ott,
Managing Director, Telecoms & M2M

- ▶ **Arqiva** telecoms head since January 2012
 - ▶ **Everything Everywhere** Vice President of Strategy, Regulation and Planning
 - ▶ Other previous positions at **Orange UK, Orange Group** and **Equant**
-



David Crawford,
Managing Director, Satellite and Media

- ▶ **Arqiva** Satellite and Media head since March 2014
 - ▶ Commercial leadership roles at **Cable & Wireless Communications** and **Capita**
 - ▶ Other previous positions at **Energis, Jardine Matheson** and **Bain**
-



Matthew Brearley,
Director of Human Resources

- ▶ **Arqiva** since February 2012
 - ▶ **Vodafone UK** HR & Property Director until 2010
 - ▶ **B&Q** Director of Retail HR
 - ▶ Other previous positions at **Associated British Foods** and **Exxon Corporation**
-



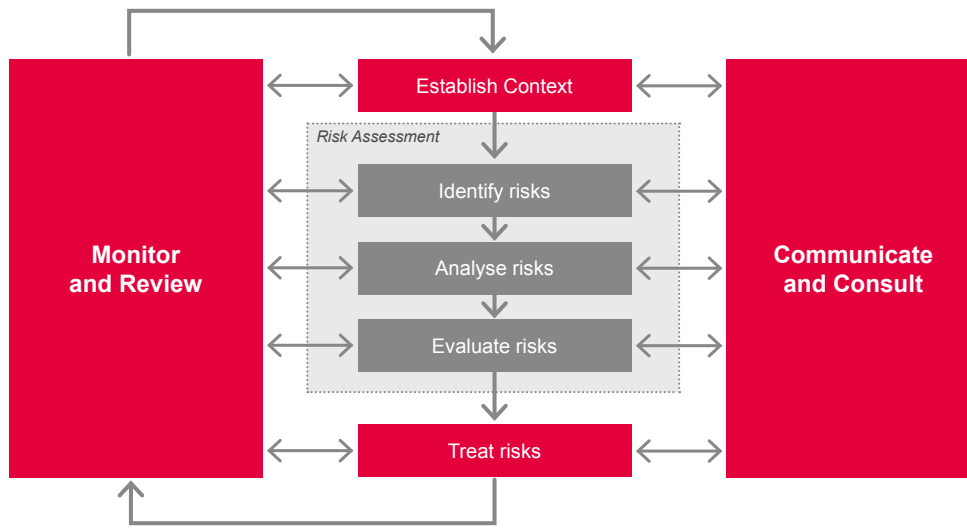
Michael Giles,
General Counsel

- ▶ Appointed **Arqiva Group Commercial Director** in 2008
 - ▶ More than 20 years at **NTL Business** and **NTL Broadcast**
-

Principal risks and uncertainties

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

Arqiva's approach to managing risk is in accordance with the ISO31000: 2009 Risk Process.



To manage risk, a risk register has been developed for each business unit. This is then consolidated into a corporate risk register; the former being reviewed on a monthly basis by business unit management, the latter is reviewed by the Senior Executive Management on a quarterly basis:



Principal risks and uncertainties

A selection of the key business risks affecting the Group are set out below together with a summary of the Group's mitigating actions; in addition the Group has long term contracts in place with a number of significant blue chip customers which support the Group's long term financial stability.

*Business units have been abbreviated as follows: Terrestrial Broadcast ('TB'), Telecoms & M2M ('T'), Satellite and Media ('SM')

Risk type	Business Units*	Description of risk / uncertainty	Recent developments	Management of risk / uncertainty
Reputational	All	<p>Bad publicity damages Arqiva's reputation as a result of:</p> <ul style="list-style-type: none"> ▶ A major event or incident impacting our services. ▶ Untimely delivery on major projects ▶ Repeated unexpected service outages ▶ Security breach on networks. 	<p>Arqiva has continued to achieve its target result for 'network availability' (see key performance indicators on page 29).</p> <p>The Group has achieved and maintained ISO27001 certification regarding information security and holds periodic reviews of the security environment.</p>	<p>The Group carefully engages with its customers to ensure that project milestones are carefully managed and management regularly review the progress status of all projects.</p> <p>Through continuous measurement of operational KPIs and addressing shortfalls in performance through process excellence the risk around service reliability is carefully managed.</p> <p>The Group has in place a crisis management plan for public relations and external communications to provide support should there be any major events. This is regularly monitored and reviewed.</p>
			<p>The MNO market is highly competitive with MNOs seeking to develop a 'quad play' service. This has prompted recent merger and acquisition activity with BT Group agreeing the acquisition of EE in February 2016 and Hutchinson Group announcing a proposed deal to acquire O2 in the UK to combine with its Three Mobile Group. The latter, however, is no longer expected to complete.</p>	<p>The Group has secured medium to long-term contracts with all of the major UK MNOs, including EE, Telefonica O2 and Vodafone.</p> <p>The Group's sites are predominantly located in rural and suburban areas. Their location, exclusivity, and restrictive planning regulations create significant barriers to switching.</p> <p>The Group seeks to protect itself by negotiating long term contracts where it makes itself the focal point for consolidation, and facilitates the MNOs' consolidation in return for long term revenue certainty.</p>
Demand	T	<p>Consolidation of market players due to mergers and acquisitions which could lead to changes in the timing of contract renewal discussions.</p>	<p>The Group has continued to identify and evolve its product propositions as demands for data grow with growth in WiFi, small cells and in-building systems.</p> <p>Additionally the Group has found alternative sources for demand, such as the machine-to-machine network business offering.</p> <p>Arqiva is continuing to support the MNOs in the roll-out of 4G upgrades to its sites reflecting the surge in demand for mobile data.</p>	<p>Significant amounts of capital expenditure have been invested by the industry in developing the wireless communications infrastructure in the UK. The Group monitors the demand for mobile data which continues to grow and indications are that spectrum capacity, and antenna deployments, will need to increase to cope with this demand. The Group continues to closely monitor the development of wireless technology and network deployment activities by MNOs.</p>
	T	<p>The level of demand for wireless communications and impact on demand for access to the Group's towers.</p>		

Principal risks and uncertainties

Risk type	Business Units*	Description of risk / uncertainty	Recent developments	Management of risk / uncertainty
Supply chain	T	Under-performance of sub-contractors could lead to an inability to meet timeline and quality requirements, and cause programme slippage.	Arqiva has continued to meet its network deployment milestones on significant engineering projects during the year (see key performance indicators on page 29).	Our contracts are worded such that the Group's risk is mitigated through contractual reimbursements. Our contracts are structured into milestones such that we are accountable to our stakeholders for our contractual obligations and our performance is managed accordingly.
Health and safety	All	Risk of an incident causing death or serious injury during site works or engineering.	During the year, Arqiva maintained its compliance with OHSAS18001 regarding safety management.	Training and rescue skills courses are required on an annual basis. Rescue kits are provided. Arqiva maintains and regularly reviews its policy on workplace safety.
Technological	TB, SM	Developments in alternative broadcast technologies, such as broadband internet connected TV, which competes against the Group's DTT transmission business.	We have leveraged off the development of our Connected Solutions offering to win the contract to provide engineering expertise supporting the rollout of Freeview Play.	DTT retains the largest share of broadcast transmission in the UK, and IPTV remains constrained by limited high speed broadband uptake and variable reliability levels. In addition the Group has mitigated some of this risk by investing in YouView TV Limited, a joint venture formed to develop and promote the DTT platform, together with its involvement in Freeview Play – a hybrid Internet Protocol Television/DTT offering.
Operational	All	Major infrastructure network or satellite failure causing multiple platform failures or service outages.		There is a dedicated Business Continuity Working Group which meets on a regular basis to review plans and procedures in place and the provision of disaster recovery services. The Group's business continuity plans are tested to ensure that they are robust and fit for purpose and that there is the right skills mix and knowledge within the Group.
	All	Networks, systems and sites are subject to security threats leading to a loss or corruption of data.		The Group maintains an ISO27001 certification regarding information security, which includes Cloud Security Services. Employee training on information security is mandatory and quarterly reviews are undertaken by external consultants to examine the robustness of the security environment.
Political	TB	International decisions regarding the future use of the 600 / 700MHz spectrum for DTT. The World Radio-communications Conference 2012 ('WRC-12') signalled that countries may clear the 700 MHz band of DTT in preparation for future use by Mobile Broadband. This would result in the 600MHz spectrum cleared during DSO having to be used for existing terrestrial TV.	The Group has now entered into contract with the major broadcasters and Ofcom and has agreed the commercial terms to its involvement in the 700MHz clearance programme.	The Group continues to engage with Ofcom and the broadcasters to ensure that Arqiva and the television industry's needs are fully considered and sufficient spectrum is available for DTT.
Financial		Details of the financial risks and details of mitigating factors are set out in the Directors' report on page 47.		

Directors' report

The Directors of Arqiva Group Limited ('AGL'), registered company number 05254001, ('the Company') and its subsidiaries ('the Group') submit the annual report and audited consolidated financial statements ('financial statements') in respect of the year ended 30 June 2016.

On 22 June 2016, a Notice of Change of Name by Resolution was submitted to Companies House to change the name of the Company from Arqiva Broadcast Holdings Limited to Arqiva Group Limited.

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

The Directors' report for the Company is on page 116.

Financial risk management

The principal risks and uncertainties of the Group have been outlined previously in this section of the report (see page 45). As a result of these, as well as the on-going business activities and strategy of the Group, Arqiva is exposed to a variety of financial risks that include financing risk, purchase price risk, credit risk, liquidity risk, interest rate risk and foreign exchange risk.

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

Risk type	Description of risk / uncertainty	Management of risk
Interest rate risk	Exposure to interest rate risk due to borrowing variable rate bank debt.	The Group uses interest rate and inflation swaps to hedge its exposure to rising interest rates. The Group maintains a hedging policy to manage interest rate risk and to ensure the certainty of future interest cash flows. It currently has fixed rate hedging, split between interest rate swaps and inflation swaps. Interest rate swaps convert variable rate interest costs to fixed rate interest costs while inflation swaps convert fixed rate interest costs to RPI-linked costs, which fluctuate in line with the RPI index as do a significant proportion of the Group's revenue contracts. Details of the interest rate profile of the Group's liabilities are provided in note 23.
Financing risk	<p>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.</p> <p>Breach of debt covenants and/or a downgrade in our rating could impact the availability of finance or the comparability of terms.</p>	<p>The Group mitigates this risk by the strength of the stable long term investment grade capital structure in place, our BBB ratings reflect our strong ability to service and repay debt from our cash flows over a reasonable period of time, maintaining an active dialogue with lenders and investors, maintaining debt with a variety of medium and long term maturities so that over time we do not have a significant concentration of debt due for refinancing in any given year, and aiming to refinance debt well in advance of the maturity date.</p> <p>With regards to covenants the Group maintains financial covenant monitoring and modelling, both retrospectively and prospectively and maintains regular dialogue with credit ratings agencies.</p>
Credit risk	<p>The Group is exposed to credit risk on customer receivables.</p> <p>The Group is exposed to counterparty risks in its Treasury operations.</p>	<p>This is managed through appropriate credit checking procedures prior to taking on new customers; and higher risk customers paying in advance of services being provided. Performance is closely monitored to ensure agreed service levels are maintained reducing the level of queried payments and mitigating the risk of uncollectable debts.</p> <p>Details of the debt maturity profile are provided in note 23. 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.</p>

Directors' report

Risk type	Description of risk / uncertainty	Management of risk
Liquidity risk	Ensuring the Group has sufficient available funds for working capital requirements and planned growth.	The Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. As at 30 June 2016 the Group had £41.0m cash (and £28.5m in reserve to cover one semi-annual interest payment on the junior bonds) and £375.0m available undrawn facilities to meet planned growth and working capital requirements. In addition, the Group has £200.0m of liquidity facilities available to cover senior interest payments if required and a £30.0m facility to support 'Comms Hub Receivables Purchasing'.
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 up to 12 months in advance. Key revenue and cost milestones are set on larger projects to ensure the financial risks of volatile market pricing are mitigated.
Foreign exchange risk	The Group operates from UK sites and predominantly in the UK market. While some customer and supplier contracts are denominated in other currencies (mainly US Dollars and Euros), the majority of the Group's revenues and costs are sterling based, and accordingly exposure to foreign exchange risk is limited.	Management regularly monitor the impact of foreign exchange risks and assess the need to put any mitigating financial instruments in place. During the year cross currency swaps were in place to fix the exchange rate in relation to US Dollar denominated Senior bonds. Details of the cross currency swaps are provided in note 25.

Internal control over financial reporting

The Board of Directors review the effectiveness of the Group's systems of internal control, including risk management systems and financial and operational controls (see page 44).

Audit Committee

The Group's Audit Committee is chaired by Damian Walsh (and includes representation from the Board of Directors) and monitors the integrity of the Group's financial statements and the effectiveness of the external audit process. It has the responsibility for ensuring that an appropriate relationship exists between the Group and the external auditor, including a review of non-audit services and fees.

In addition, it has responsibilities of oversight of risk management procedures, monitoring compliance and regulatory issues (including whistle blowing arrangements), and reviewing the effectiveness of the Group's internal controls and internal audit function. The internal audit function agrees its annual audit plan with the Audit Committee and regularly reports its findings and recommendations to it.

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

Meetings of the Committee are attended, at the invitation of the Chairman of the Committee, by the external auditor,

the Chief Executive Officer, the Chief Financial Officer and representatives from the business as required.

Internal audit

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

External audit

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

During 2016, the Audit Committee has reviewed the appointment of the external auditor and completed a competitive tender process. The process was led by the Chair of the Audit Committee with the involvement of other shareholder representation and representation from the management team. Following this process the Board has retained the services of PwC as external auditor.

The auditor has provided certain non-audit services, principally in relation to transaction support services, non-audit assurance and tax compliance. The Audit Committee ensures that appropriate safeguards of audit independence are established and applied.

Directors' report

Equal opportunities policy

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and the appropriate training arranged. It is the policy of the Group that the training, career development and promotion of a disabled person, should, as far as possible, be identical to that of a person who does not suffer from a disability. Further information on how Arqiva supports its employees can be found on page 35 of the Strategic report.

Charitable and political donations

Details of charitable donations can be found on page 37. No political donations were made during the year (2015: none).

Research and development

The Group performs research and development into new products and technology, the costs of which are capitalised in accordance with the Group's accounting policy where they meet the criteria for capitalisation. The research costs expensed in the year were £1.8m (2015: £1.4m). In addition, the Group carries out research and development as part of its contract bid processes and these costs are expensed as part of the bid costs unless the development expenditure can be capitalised. The bid costs expensed during the year total £3.8m (2015: £3.6m).

Development costs incurred as part of capital expenditure projects, which support customer contracts, are included with the total project spend within tangible fixed assets. The Group's capital expenditure in the year was £166.7m (2015: £177.7m) and includes capitalised labour of £57.4m (2015: £55.9m). Other development costs would be capitalised within intangible assets. In the year, development costs capitalised total £6.1m (2015: £0.8m), with amortisation of £2.9m (2015: £0.3m) charged against such capitalised development costs.

Overseas branches

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

Events after the reporting date

There have been no events since the balance sheet date which would have a material impact on the Group and require adjustment within the financial statements under IFRS.

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 17.

Dividends and transfers to reserves

The Company has declared no dividends in the year (2015: none declared). Group companies Now Digital (East Midlands) Limited and South West Digital Radio Limited declared dividends of £0.3m and £0.1m respectively (2015: £0.2m and £0.1m respectively). The consolidated loss for the year of £249.5m (2015: £339.8m) was transferred to reserves.

Going concern

The strategic report includes information on the structure of the business, our business environment, financial review for the year and details of the principal risks and uncertainties facing the Group. Notes 21, 23 and 25 of the consolidated financial statements include information on the group's cash, borrowings and derivatives; and financial risk management information presented within this report.

The directors have considered the Group's profit and cash flow forecasts alongside the Group's current funding requirements and facilities available to the Group to ensure it can continue for the foreseeable future. The directors continue to be confident that the Group will have adequate resources to continue in operational existence for the foreseeable future and consequently adopt a going concern basis in preparing the consolidated financial statements.

Future developments

The Group plans to continue to invest in its business units in accordance with its strategy. Further detail is contained within the Strategic report on page 14.

Directors' report

Ownership and Directors

A description of the ownership of the Group and the Board of Directors holding office during the year and up to the date of signing of the financial statements can be found on page 41.

At 30 June 2016, Mike Parton was the Group's independent Chairman. Michael Giles is the Company Secretary.

For details on the background of the Board of Directors and the Senior Executive Management please refer to page 41.

Details of the statutory directors of the Company are shown on page 116.

Directors' indemnities

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

Disclosure of information to the Independent Auditors

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

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

On behalf of the Board



Mike Parton
Crawley Court, Winchester
Hampshire SO21 2QA
20 September 2016

Statement of Directors' responsibilities

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

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under FRS 101 Reduced Disclosure Framework in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss for that period.

In preparing these financial statements, the Directors are required to:

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

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

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

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Independent Auditors' report to the Members of Arqiva Group Limited

Report on the group financial statements

Our opinion

In our opinion, Arqiva Group 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 Group 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

20 September 2016

Consolidated income statement

	Note	Year ended 30 June 2016			Year ended 30 June 2015			Year ended 30 June 2014		
		Pre-exceptional items £'m	Exceptional items £'m	Total £'m	Pre-exceptional items £'m	Exceptional items £'m	Total £'m	Pre-exceptional items £'m	Exceptional items £'m	Total £'m
Revenue	5	884.7	-	884.7	857.1	-	857.1	825.6	-	825.6
Cost of sales		(343.8)	-	(343.8)	(306.6)	-	(306.6)	(277.3)	-	(277.3)
Gross profit		540.9	-	540.9	550.5	-	550.5	548.3	-	548.3
Depreciation		(129.4)	-	(129.4)	(113.4)	-	(113.4)	(114.2)	-	(114.2)
Amortisation		(10.4)	-	(10.4)	(8.0)	-	(8.0)	(10.5)	-	(10.5)
Impairment	7	-	-	-	-	(38.9)	(38.9)	-	-	-
Other operating expenses	7	(116.7)	(13.6)	(130.3)	(132.3)	(11.7)	(144.0)	(141.9)	(8.3)	(150.2)
Total operating expenses		(256.5)	(13.6)	(270.1)	(253.7)	(50.6)	(304.3)	(266.6)	(8.3)	(274.9)
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	284.7	(13.6)	271.1	299.2	(50.6)	248.6	282.9	(8.3)	274.6
Finance income	9	1.3	-	1.3	2.7	-	2.7	2.7	-	2.7
Finance costs	10	(536.3)	-	(536.3)	(499.3)	-	(499.3)	(481.2)	-	(481.2)
Other gains and losses	11	(0.1)	14.4	14.3	(35.6)	1.0	(34.6)	(24.1)	(7.0)	(31.1)
Loss before tax		(250.4)	0.8	(249.6)	(233.0)	(49.6)	(282.6)	(219.7)	(15.3)	(235.0)
Tax	12			0.1			(57.2)			(84.5)
Loss for the year				(249.5)			(339.8)			(319.5)
Attributable to:										
Owners of the Company				(249.6)			(339.9)			(319.7)
Non-controlling interests				0.1			0.1			0.2
				(249.5)			(339.8)			(319.5)

All results are from continuing operations. Further comments on consolidated income statement line items are presented in the notes to the financial statements.

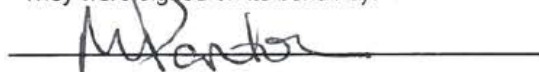
Consolidated statement of comprehensive income

		Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014
	Note	£'m	£'m	£'m
Loss for the financial year		(249.5)	(339.8)	(319.5)
Items that will not be reclassified subsequently to profit or loss				
Actuarial (losses) / gains on defined benefit pension schemes	32	(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		(1.9)	(0.7)	0.5
		(8.7)	1.8	(3.0)
Total comprehensive loss		(258.2)	(338.0)	(322.5)
Attributable to:				
Owners of the Company		(258.3)	(338.1)	(322.7)
Non-controlling interests		0.1	0.1	0.2
		(258.2)	(338.0)	(322.5)

Consolidated statement of financial position

		30 June 2016	30 June 2015	30 June 2014	1 July 2013
	Note	£'m	£'m	£'m	£'m
Non-current assets					
Goodwill	14	1,986.8	1,988.4	2,011.6	2,008.7
Other intangible assets	15	44.1	37.2	43.9	33.4
Property, plant and equipment	16	1,768.8	1,736.6	1,676.6	1,634.2
Deferred tax	20	-	-	55.7	139.3
Retirement benefits	32	7.4	6.6	4.7	-
Interest in associates and joint ventures	17	4.8	4.6	11.1	10.0
		3,811.9	3,773.4	3,803.6	3,825.6
Current assets					
Trade and other receivables	18	297.2	237.4	213.0	219.4
Cash and cash equivalents	21	69.5	98.5	97.4	149.0
		366.7	335.9	310.4	368.4
Total assets		4,178.6	4,109.3	4,114.0	4,194.0
Current liabilities					
Borrowings	23	(1,041.9)	(758.3)	(513.3)	(298.0)
Trade and other payables	22	(373.1)	(368.6)	(388.4)	(384.2)
Provisions	26	(8.0)	(11.3)	(7.4)	(7.2)
		(1,423.0)	(1,138.2)	(909.1)	(689.4)
Net current liabilities		(1,056.3)	(802.3)	(598.7)	(321.0)
Non-current liabilities					
Borrowings	23	(4,350.3)	(4,304.3)	(4,159.1)	(4,165.0)
Derivative financial instruments	25	(1,146.3)	(1,210.3)	(1,267.0)	(1,218.8)
Other payables (including accruals and deferred revenue)	22	(172.1)	(119.8)	(107.3)	(117.4)
Provisions	26	(52.6)	(44.1)	(40.5)	(46.9)
Retirement benefits	32	-	-	-	(3.0)
		(5,721.3)	(5,678.5)	(5,573.9)	(5,551.1)
Total liabilities		(7,144.3)	(6,816.7)	(6,483.0)	(6,240.5)
Net liabilities		(2,965.7)	(2,707.4)	(2,369.0)	(2,046.5)
Equity					
Share capital	27	653.9	653.9	653.9	653.9
Share premium	28	315.6	315.6	315.6	315.6
Retained earnings		(3,932.7)	(3,676.3)	(3,338.9)	(3,015.7)
Translation reserve		(2.9)	(1.0)	(0.3)	(0.8)
Equity attributable to owners of the Company		(2,966.1)	(2,707.8)	(2,369.7)	(2,047.0)
Non-controlling interest		0.4	0.4	0.7	0.5
Total equity		(2,965.7)	(2,707.4)	(2,369.0)	(2,046.5)

These financial statements were approved by the Board of Directors and authorised for issue on 20 September 2016.
They were signed on its behalf by:



Mike Parton – Director

Consolidated statement of changes in equity

		Share capital	Share premium	Retained earnings	Translation reserve	Total	Non-controlling interest	Total equity
		£'m	£'m	£'m	£'m	£'m	£'m	£'m
Balance at 1 July 2013		653.9	315.6	(3,015.7)	(0.8)	(2,047.0)	0.5	(2,046.5)
Loss for the year		-	-	(319.7)	-	(319.7)	0.2	(319.5)
Other comprehensive income		-	-	(3.5)	0.5	(3.0)	-	(3.0)
Total comprehensive loss		-	-	(323.2)	0.5	(322.7)	0.2	(322.5)
Dividends paid	13	-	-	-	-	-	-	-
Balance at 30 June 2014		653.9	315.6	(3,338.9)	(0.3)	(2,369.7)	0.7	(2,369.0)
Loss for the year		-	-	(339.9)	-	(339.9)	0.1	(339.8)
Other comprehensive income		-	-	2.5	(0.7)	1.8	-	1.8
Total comprehensive loss		-	-	(337.4)	(0.7)	(338.1)	0.1	(338.0)
Dividends paid	13	-	-	-	-	-	(0.4)	(0.4)
Balance at 30 June 2015		653.9	315.6	(3,676.3)	(1.0)	(2,707.8)	0.4	(2,707.4)
Loss for the year		-	-	(249.6)	-	(249.6)	0.1	(249.5)
Other comprehensive income		-	-	(6.8)	(1.9)	(8.7)	-	(8.7)
Total comprehensive loss		-	-	(256.4)	(1.9)	(258.3)	0.1	(258.2)
Dividends paid	13	-	-	-	-	-	(0.1)	(0.1)
Balance at 30 June 2016		653.9	315.6	(3,932.7)	(2.9)	(2,966.1)	0.4	(2,965.7)

Consolidated cash flow statement

	Note	Year ended 30 June 2016 £'m	Year ended 30 June 2015 £'m	Year ended 30 June 2014 £'m
Net cash inflow from operating activities	29	374.5	379.4	341.2
Investing activities				
Interest received		0.5	0.7	0.9
Interest element of finance lease rentals		(1.0)	(1.1)	(1.1)
Purchase of tangible assets		(169.4)	(194.8)	(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
		(148.4)	(198.4)	(157.2)
Financing activities				
Raising of external borrowings		5.2	420.2	534.9
Repayment of external borrowings		-	(300.0)	(532.5)
Finance lease capital		(0.4)	(0.3)	(0.5)
Movement in borrowings		4.8	119.7	1.4
Loans to associates and joint ventures		-	(0.2)	(0.2)
Interest paid		(233.9)	(225.3)	(230.3)
Cash settlement of principal accretion on inflation-linked swaps	25	(26.0)	(74.9)	-
Debt issue costs and facility arrangement fees		-	(3.3)	(7.7)
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)	-
		(255.1)	(180.1)	(236.1)
(Decrease) / increase in cash and cash equivalents	21	(29.0)	1.1	(51.6)
Reconciliation of net cash flow to movement in net debt				
Net debt at 1 July		(4,205.7)	(4,061.7)	(4,016.4)
(Decrease) / Increase in net cash		(29.0)	1.1	(51.6)
Movement in borrowings		(4.8)	(119.7)	(1.4)
Other cash changes		-	0.2	0.2
Other non-cash changes		(46.2)	(25.6)	7.5
Net debt at 30 June	29	(4,285.7)	(4,205.7)	(4,061.7)

Notes to the Group financial statements

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

Arqiva Group Limited ('AGL') ('the Company') is a company incorporated in the United Kingdom ("UK") under the Companies Act under registration number 5254001. The address of the registered office is Crawley Court, Winchester, Hampshire, SO21 2QA.

On 22nd June 2016, a Notice of Change of Name by Resolution was submitted to Companies House to change the name of the Company from Arqiva Broadcast Holdings Limited to Arqiva Group Limited.

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"). 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 129.

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:

IFRS 1 First-time adoption

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 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.

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	<i>Financial Instruments</i>
IFRS 10 and IAS 28 (amendments)	<i>Sale or contribution of assets</i>
IFRS 10 and IAS 28 (amendments)	<i>Investment entities applying the consolidation exception</i>
IFRS 14	<i>Regulatory Deferral Accounts</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
IAS 7 (amendments)	<i>Statement of Cash Flows Disclosure Initiative</i>
IAS 12 (amendments)	<i>Recognition of deferred tax assets for unrealised losses</i>
IAS 27 (amendments)	<i>Investment Entities</i>

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 30) 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.

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 116.

(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 30.

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.

(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.

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.

(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.

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 32) 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.

(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:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
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.

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 recognised immediately in profit or loss unless the impairment relates to goodwill, in which case it cannot be reversed.

(q) 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.

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.

(r) 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.

(s) Cash and cash equivalents

Cash includes cash at bank and in hand and bank deposits repayable on demand.

(t) 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.

(u) Dividends

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment.

(v) 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.

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 30) 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, and of the income statement charge in the year then ended to changes in these assumptions are disclosed in note 32.

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	815.5	805.4	793.2
Engineering projects	56.5	51.6	32.4
Sale of goods	12.7	0.1	-
Revenue	884.7	857.1	825.6

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.

Information regarding the nature of these business units is contained on pages 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	316.3	146.0	-	884.7
Segment result* (EBITDA)	308.0	132.8	32.1	(48.5)	424.4
Depreciation and amortisation					(139.8)
Other expenditure					(0.2)
Exceptional items					(13.6)
Share of result of joint venture and associates					0.1
Other income					0.2
Operating profit					271.1
Finance income					1.3
Finance costs					(536.3)
Other gains and losses					14.3
Loss before tax					(249.6)

Year ended 30 June 2015					
	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other	Consolidated
	£'m	£'m	£'m	£'m	£'m
Revenue	404.0	298.1	155.0	-	857.1
Segment result* (EBITDA)	296.1	147.5	32.6	(57.5)	418.7
Depreciation and amortisation					(121.4)
Other expenditure					(0.5)
Exceptional items					(50.6)
Share of result of joint venture and associates					2.4
Operating profit					248.6
Finance income					2.7
Finance costs					(499.3)
Other gains and losses					(34.6)
Loss before tax					(282.6)

Year ended 30 June 2014					
	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other	Consolidated
	£'m	£'m	£'m	£'m	£'m
Revenue	393.6	265.1	166.9	-	825.6
Segment result* (EBITDA)	275.7	144.9	35.9	(49.9)	406.6
Depreciation and amortisation					(124.7)
Other expenditure					(0.2)
Exceptional items					(8.3)
Share of result of joint venture and associates					1.2
Operating profit					274.6
Finance income					2.7
Finance costs					(481.2)
Other gains and losses					(31.1)
Loss before tax					(235.0)

*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	271.1	248.6	274.6
Depreciation	129.4	113.4	114.2
Amortisation	10.4	8.0	10.5
Impairment	-	38.9	-
Exceptional operating expenses	13.6	11.7	8.3
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	0.5	0.2
Total segment result	424.4	418.7	406.6

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	30.0	169.4
For the year ended 30 June 2015	43.6	110.9	19.0	21.4	194.8
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.

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	868.6	836.5	801.7
Continental Europe (including Republic of Ireland)	8.8	11.5	15.2
Rest of World	7.3	9.1	8.7
Revenue	884.7	857.1	825.6

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	2.1	2.4	2.7
Property, plant and equipment	1,768.8	1,736.6	1,676.6	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	(0.5)
Research and development costs	1.8	1.4	2.3
Depreciation of property, plant and equipment:			
Owned assets	129.0	113.0	113.7
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	10.4	8.0	10.5
Grant income	(0.7)	(0.7)	(1.2)
Operating lease rentals	53.1	49.9	45.4
Employee costs (see note 8)	99.5	102.6	104.0

Services provided by the Group's Auditors and network firms

During the year the Group obtained the following services from its Auditor at costs as detailed below:

	Year ended 30 June 2016	Year ended 30 June 2015	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)	(11.7)	(8.2)
Corporate finance activities		(0.6)	-	(0.1)
Impairment	14,15	-	(38.9)	-
Profit on disposal of property, plant and equipment		0.3	-	-
		<u>(13.6)</u>	<u>(50.6)</u>	<u>(8.3)</u>
Other gains and losses:				
Profit on disposal of subsidiary	31	14.4	-	-
Close out of swap arrangements		-	-	(7.0)
Disposal of swap options		-	1.0	-
Total exceptional items		<u>0.8</u>	<u>(49.6)</u>	<u>(15.3)</u>

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 31 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	58	76	58
Total employees	2,170	2,324	2,166

	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	389	411	388
Corporate functions	519	583	752
Total employees	2,170	2,324	2,166

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	130.8	133.0	123.9
Social security costs	15.1	14.3	13.3
Other pension costs	11.0	11.2	10.1
Total staff costs	156.9	158.5	147.3
Own work capitalised	(57.4)	(55.9)	(43.3)
Income statement expense	99.5	102.6	104.0

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	0.4	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	2.5	2.3
Dividends received	-	0.2	0.4
Total finance income	1.3	2.7	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	124.4	111.2
Bank and other loan interest	225.1	218.2	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
Shareholder loan note interest	278.5	244.8	215.2
Other interest	19.4	20.7	19.5
Total interest payable	536.2	499.3	479.6
Less amounts included in the cost of qualifying assets	(1.7)	(1.7)	-
Unwinding of discount on provisions (see note 26)	1.8	1.7	1.6
Total finance costs	536.3	499.3	481.2

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

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

	Note	Year ended 30 June 2016 £'m	Year ended 30 June 2015 £'m	Year ended 30 June 2014 £'m
Foreign exchange on financing		(38.1)	(17.5)	24.1
Fair value loss on derivative financial instruments	25	38.0	(18.1)	(48.2)
Other gains and losses		(0.1)	(35.6)	(24.1)
Exceptional profit on disposal of subsidiary	31	14.4	-	-
Exceptional close out of swap arrangements	7	-	-	(7.0)
Exceptional gain on disposal of swap options	7	-	1.0	-
Total other gains and losses		14.3	(34.6)	(31.1)

Foreign exchange on financing arises on the revaluation of the Group's US dollar denominated debt (see note 23).

12 Tax on loss on ordinary activities

	Year ended 30 June 2016 £'m	Year ended 30 June 2015 £'m	Year ended 30 June 2014 £'m
UK Corporation tax:			
- Current year	(0.1)	0.1	0.2
- Adjustment in respect of prior years	-	-	-
Current year overseas tax	-	0.2	0.3
Total current tax	(0.1)	0.3	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
- Deferred tax on pension liability charged to income statement	-	-	-
- 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)	57.2	84.5

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:

	Year ended 30 June 2016 £'m	Year ended 30 June 2015 £'m	Year ended 30 June 2014 £'m
Loss before tax on continuing operations	(249.6)	(282.6)	(235.0)
Tax at the UK Corporation tax rate of 20.0% (2015: 20.75%; 2014: 22.5%)	(49.9)	(58.6)	(52.9)
Tax effect of expenses that are not deductible in determining taxable profit	41.0	53.8	39.8
Tax effect of income not taxable in determining taxable profit	(2.9)	-	-
Change in recognised deferred tax assets	11.7	62.0	79.4
Impact of change in tax rate	-	-	18.1
Total Tax (credit) / charge for the year	(0.1)	57.2	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:

	Year ended 30 June 2016 £'m	Year ended 30 June 2015 £'m	Year ended 30 June 2014 £'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 AGL shareholders.

14 Goodwill

	£'m
Cost:	
At 1 July 2013	2,008.7
Additions	2.9
At 30 June 2014 and 30 June 2015	2,011.6
Disposals	(24.4)
At 30 June 2016	1,987.2
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	1,986.8
At 30 June 2015	1,988.4
At 30 June 2014	2,011.6
At 1 July 2013	2,008.7

The Group disposed of £1.6m of goodwill in association with the disposal of a subsidiary (see note 31). 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.

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 £'m	30 June 2015 %	30 June 2015 £'m	30 June 2014 %	30 June 2014 £'m	1 July 2013 %	1 July 2013 £'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		103.5		103.5		106.9		104.0
Total	7.7%	1,986.8	8.0%	1,988.4	7.9%	2,011.6	6.9%	2,008.7

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	23.1	42.8	73.3
Additions	2.2	3.1	-	15.7	21.0
Disposals	-	-	-	(1.0)	(1.0)
At 30 June 2014	6.8	5.9	23.1	57.5	93.3
Additions	0.7	1.5	-	2.4	4.6
At 30 June 2015	7.5	7.4	23.1	59.9	97.9
Additions	-	7.0	-	10.4	17.4
Disposals	-	(5.9)	-	(0.4)	(6.3)
At 30 June 2016	7.5	8.5	23.1	69.9	109.0
Accumulated amortisation and impairment					
At 1 July 2013	2.6	1.6	15.8	19.9	39.9
Amortisation	0.6	0.3	1.5	8.1	10.5
Disposals	-	-	-	(1.0)	(1.0)
At 30 June 2014	3.2	1.9	17.3	27.0	49.4
Amortisation	0.6	1.0	0.8	5.6	8.0
Impairment	-	3.3	-	-	3.3
At 30 June 2015	3.8	6.2	18.1	32.6	60.7
Amortisation	0.5	1.4	0.8	7.7	10.4
Disposals	-	(5.8)	-	(0.4)	(6.2)
At 30 June 2016	4.3	1.8	18.9	39.9	64.9
Carrying amount					
At 30 June 2016	3.2	6.7	4.2	30.0	44.1
At 30 June 2015	3.7	1.2	5.0	27.3	37.2
At 30 June 2014	3.6	4.0	5.8	30.5	43.9
At 1 July 2013	2.0	1.2	7.3	22.9	33.4

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	1,444.1	193.0	2,082.7
Acquisitions	-	-	0.3	-	0.3
Additions	1.5	-	0.9	164.3	166.7
Transfers	10.7	6.4	204.5	(221.6)	-
Disposals	(8.3)	(0.6)	(32.7)	-	(41.6)
At 30 June 2014	317.2	138.1	1,617.1	135.7	2,208.1
Additions	-	-	15.4	162.3	177.7
Transfers	9.5	2.2	104.4	(116.1)	-
Disposals	(0.1)	(0.7)	(21.0)	-	(21.8)
At 30 June 2015	326.6	139.6	1,715.9	181.9	2,364.0
Additions	-	-	11.0	155.7	166.7
Transfers	2.6	7.8	227.2	(237.6)	-
Disposals	(1.0)	(0.9)	(33.8)	-	(35.7)
At 30 June 2016	328.2	146.5	1,920.3	100.0	2,495.0
Accumulated depreciation and impairment					
1 July 2013	16.2	34.9	397.4	-	448.5
Depreciation	5.4	4.8	104.0	-	114.2
Disposals	(3.9)	(0.5)	(26.8)	-	(31.2)
At 30 June 2014	17.7	39.2	474.6	-	531.5
Depreciation	4.8	4.4	104.2	-	113.4
Impairment	0.4	0.1	3.0	-	3.5
Disposals	(0.1)	(0.7)	(20.2)	-	(21.0)
At 30 June 2015	22.8	43.0	561.6	-	627.4
Depreciation	5.3	6.7	117.4	-	129.4
Disposals	(0.7)	(0.7)	(29.2)	-	(30.6)
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	1,154.3	181.9	1,736.6
At 30 June 2014	299.5	98.9	1,142.5	135.7	1,676.6
At 1 July 2013	297.1	97.4	1,046.7	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 30). 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 30 for further details.

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	

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	115.7	72.3	74.3	89.8
Amounts receivable from joint ventures	0.5	0.5	0.3	0.1
Other receivables	9.1	5.8	10.4	4.3
Prepayments	78.8	68.4	63.2	74.0
Accrued income	90.7	87.8	61.8	48.0
Amounts receivable from finance lease arrangements (see note 19)	2.4	2.6	3.0	3.2
	297.2	237.4	213.0	219.4

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
	<u>3.5</u>	<u>4.1</u>	<u>4.7</u>	<u>5.2</u>
Less: unearned finance income	(1.1)	(1.5)	(1.7)	(2.0)
Present value of minimum lease payments receivable	<u>2.4</u>	<u>2.6</u>	<u>3.0</u>	<u>3.2</u>
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	<u>2.4</u>	<u>2.6</u>	<u>3.0</u>	<u>3.2</u>
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	<u>2.4</u>	<u>2.6</u>	<u>3.0</u>	<u>3.2</u>

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 £'m	30 June 2015 £'m	30 June 2014 £'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 £'m	Derivative financial instruments £'m	Total £'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

Deferred tax liabilities	Accelerated tax depreciation £'m	Other temporary differences £'m	Total £'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	17.4	17.2	17.9	12.6
Short term deposits	23.6	52.8	51.0	107.9
Restricted cash	28.5	28.5	28.5	28.5
Total cash and cash equivalents	69.5	98.5	97.4	149.0

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	30 June 2015	30 June 2014	1 July 2013
	£'m	£'m	£'m	£'m
Current				
Trade payables	55.5	44.4	77.5	68.4
Taxation and social security	30.3	25.8	19.9	18.8
Other payables	7.3	6.0	7.0	5.7
Accruals	97.7	108.3	117.4	129.4
Deferred revenue	182.3	184.1	166.6	161.9
Total current trade and other payables	373.1	368.6	388.4	384.2
Non-current				
Other payables	0.1	0.1	0.2	1.2
Deferred revenue	172.0	119.7	107.1	116.2
Total non-current trade and other payables	172.1	119.8	107.3	117.4

23 Borrowings

		30 June 2016	30 June 2015	30 June 2014	1 July 2013
		£'m	£'m	£'m	£'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	-	-	-
Accrued interest on shareholder loan notes	Sterling denominated	1,036.5	757.9	513.0	297.5
Borrowings due within one year		1,041.9	758.3	513.3	298.0
Within non-current liabilities:					
Bank loans		839.9	837.7	1,012.7	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 facilities	Sterling denominated	0.9	0.7	0.5	-
Other loans		2,223.8	2,179.4	1,858.9	1,716.1
- Senior bond, 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)
Shareholder loan notes	Sterling denominated	1,273.6	1,273.8	1,273.8	1,273.9
Finance lease obligations (see note 24)	Sterling denominated	13.0	13.4	13.7	14.0
Borrowings due after more than one year		4,350.3	4,304.3	4,159.1	4,165.0
Analysis of total borrowings by currency:					
Sterling		5,125.7	4,834.9	4,462.0	4,228.1
US Dollar		266.5	227.7	210.4	234.9
Total borrowings		5,392.2	5,062.6	4,672.4	4,463.0

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 shareholder loan notes carry a fixed rate of interest ranging between 13.0% and 14.0% applicable to the capital and un-paid interest which can be deferred at the option of the Group subject to certain conditions, qualification of which are subject to bi-annual review. The Group has exercised this option to defer interest payments since June 2009.

The weighted average interest rate of borrowings (excluding shareholder interest as described above) 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	1,041.9	758.3	513.3	298.0
One to five years	1,639.5	1,534.2	764.0	1,296.0
More than five years	2,735.0	2,801.9	3,434.9	2,925.8
Total	5,416.4	5,094.4	4,712.2	4,519.8

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. 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.

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.

All **shareholder loan notes** are unsecured, are listed on the Channel Islands Stock Exchange and are repayable between March 2021 and March 2022, they cannot be called upon early. The shareholder loan notes carry a fixed rate of interest ranging between 13% and 14% which can be deferred at the option of the Group subject to certain conditions, applicable to the capital and un-paid interest. The Group has exercised this option to defer interest payments since June 2009 and a balance of £1,036.5m (2015: £757.9m; 2014: £513.0m; 2013: £297.5m) is held in relation to accrued interest.

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 £'m	30 June 2015 £'m	30 June 2014 £'m	1 July 2013 £'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 obligations under 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.

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 29; 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.

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 on the following page.

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.

The sterling equivalents of the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities (excluding hedged U.S. dollar-denominated senior bonds) 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 and HKD*)	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 and HKD*)	(0.1)	(0.1)	(0.1)	-
Total	(13.1)	(12.4)	(16.0)	(22.9)

* refers to Singapore dollar and Hong Kong dollar, being the most frequently transacted currencies 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.

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

	30 June 2016	30 June 2015	30 June 2014	1 July 2013
	£'m	£'m	£'m	£'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	30 June 2015	30 June 2014	1 July 2013
	£'m	£'m	£'m	£'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 £5,392.2m (2015: £5,062.6m; 2014: £4,672.4m; 2013: £4,463.0m) (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).

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 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 page 95) 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	3.6	-	11.4	0.4	-	15.4
Unwind of discount	-	1.7	-	-	-	1.7
Released	-	-	(0.3)	-	-	(0.3)
Utilised	(0.2)	(0.6)	(8.5)	-	-	(9.3)
At 30 June 2015	5.4	39.8	5.8	3.9	0.5	55.4
Income statement expense	2.3	0.5	2.9	0.8	0.4	6.9
Additions created through property, plant and equipment	-	8.2	-	-	-	8.2
Unwind of discount	(0.1)	1.9	-	-	-	1.8
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	11.3	7.4	7.2
Non-current	52.6	44.1	40.5	46.9
	60.6	55.4	47.9	54.1

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

	30 June 2016	30 June 2015	30 June 2014	1 July 2013
	£'m	£'m	£'m	£'m
Authorised, issued and fully paid: 653,928,000 ordinary shares of £1 each	653.9	653.9	653.9	653.9

28 Share premium account

	30 June 2016	30 June 2015	30 June 2014	1 July 2013
	£'m	£'m	£'m	£'m
Share premium	315.6	315.6	315.6	315.6

29 Notes to the cash flow statement

Reconciliation from loss for the year to net cash from operating activities:

	Year ended 30 June 2016 £'m	Year ended 30 June 2015 £'m	Year ended 30 June 2014 £'m
Operating profit	271.1	248.6	274.6
Adjustments for:			
Depreciation of property, plant and equipment	129.4	113.4	114.2
Amortisation of intangible assets	10.4	8.0	10.5
Impairment	-	38.9	-
Loss on disposal of property, plant and equipment	0.3	0.3	2.4
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	410.9	406.8	400.5
Decrease/(increase) in receivables	(71.7)	(29.1)	2.1
Increase/(decrease) in payables	32.3	(3.1)	(52.3)
Increase/(decrease) in provisions	2.8	5.7	(7.7)
Cash generated from operating activities	374.3	379.9	341.6
Taxes refunded/(paid)	0.2	(0.5)	(0.4)
Net cash from operating activities	374.5	379.4	341.2

Analysis of changes in net debt (comprising shareholder loan notes excluding accrued interest thereon, bank and other loans and finance lease obligations offset by cash and loans to joint ventures):

Note	At 1 July 2015 £'m	Cash flows £'m	Non-cash changes £'m	At 30 June 2016 £'m	
Cash at bank and cash equivalents	21	98.5	(29.0)	-	69.5
Amounts receivable from joint ventures	18	0.5	-	-	0.5
Debt due within one year	23	(0.4)	(4.6)	(0.4)	(5.4)
Debt due after one year	23	(4,304.3)	-	(46.0)	(4,350.3)
Total		(4,205.7)	(33.6)	(46.4)	(4,285.7)

Note	At 1 July 2014 £'m	Cash flows £'m	Non-cash changes £'m	At 30 June 2015 £'m	
Cash at bank and cash equivalents	21	97.4	1.1	-	98.5
Amounts receivable from joint ventures	18	0.3	0.2	-	0.5
Debt due within one year	23	(0.3)	0.3	(0.4)	(0.4)
Debt due after one year	23	(4,159.1)	(120.0)	(25.2)	(4,304.3)
Total		(4,061.7)	(118.4)	(25.6)	(4,205.7)

Note	At 1 July 2013 £'m	Cash flows £'m	Non-cash changes £'m	At 30 June 2014 £'m	
Cash at bank and cash equivalents	21	149.0	(51.6)	-	97.4
Amounts receivable from joint ventures	18	0.1	0.2	-	0.3
Debt due within one year	23	(0.5)	0.5	(0.3)	(0.3)
Debt due after one year	23	(4,165.0)	(1.9)	7.8	(4,159.1)
Total		(4,016.4)	(52.8)	7.5	(4,061.7)

Major non-cash changes include a movement in unamortised debt issue costs and revaluations in US dollar denominated borrowings (see note 23).

30 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 £'m	30 June 2015 £'m	30 June 2014 £'m	1 July 2013 £'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 £'m	30 June 2015 £'m	30 June 2014 £'m	1 July 2013 £'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 £'m	30 June 2015 £'m	30 June 2014 £'m	1 July 2013 £'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

31 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.

	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 7 and 11 respectively).

32 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.

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

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 £'m	30 June 2015 £'m	30 June 2014 £'m	1 July 2013 £'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 £'m	Year ended 30 June 2015 £'m	Year ended 30 June 2014 £'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 £'m	Year ended 30 June 2015 £'m	Year ended 30 June 2014 £'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 £'m	Year ended 30 June 2015 £'m	Year ended 30 June 2014 £'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)

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 £'m	30 June 2015 £'m	30 June 2014 £'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.

33 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 32. 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	Year ended	Year ended	Year ended	Year ended	Year ended
	30 June 2016 £'m	30 June 2015 £'m	30 June 2014 £'m	30 June 2016 £'m	30 June 2015 £'m	30 June 2014 £'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
	31.0	16.4	13.4	19.5	8.3	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: £0.0m) 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).

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 £'m	Year ended 30 June 2015 £'m	Year ended 30 June 2014 £'m
Salaries and other 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 32).

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.

Investor transactions

There are two investor companies, FICAL and MEIF II, which are related parties with the Group in accordance with IAS 24, by virtue of significant shareholding in the Group. Refer to the Directors report for further details of these investor companies.

30 June 2016	MGIF II *	MEIF II +	Macquarie Prism *	FICAL +
	£'m	£'m	£'m	£'m
Shareholder loan notes	4.7	344.8	9.3	665.2
Shareholder loan note interest for the year	1.4	70.9	2.4	136.7
Accrued shareholder loan note interest	7.3	242.5	10.6	467.4

* A related party by virtue of common influence.

+ An investor company and a related party by virtue of significant shareholding (as at 30 June 2016).

30 June 2015	MGIF II *	MEIF II +	Macquarie Prism *	FICAL +
	£'m	£'m	£'m	£'m
Shareholder loan notes	4.7	344.8	9.3	665.2
Shareholder loan note interest for the year	1.2	62.3	2.1	120.2
Accrued shareholder loan note interest	5.9	171.6	8.2	330.6

* A related party by virtue of common influence.

+ An investor company and a related party by virtue of significant shareholding (as at 30 June 2015).

30 June 2014	MGIF II *	MEIF II +	Macquarie Prism *	FICAL +
	£'m	£'m	£'m	£'m
Shareholder loan notes	4.7	344.8	9.3	665.2
Shareholder loan note interest for the year	1.1	54.8	1.9	105.7
Accrued shareholder loan note interest	4.7	109.3	6.1	210.4

* A related party by virtue of common influence.

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

1 July 2013	MGIF II *	MEIF II +	Macquarie Prism *	FICAL +
	£'m	£'m	£'m	£'m
Shareholder loan notes	4.7	344.8	9.3	665.2
Shareholder loan note interest for the year	1.0	39.1	1.3	75.2
Accrued shareholder loan note interest	3.6	54.5	4.2	104.8

* A related party by virtue of common influence.

+ An investor company and a related party by virtue of significant shareholding (as at 1 July 2013).

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.

Group reconciliation of equity as at 1 July 2013 ('transition date')

	Notes to the reconciliation	As reported under UKGAAP £'m	Recognition and measurement differences £'m	Re-classification for presentational purposes £'m	IFRS at 1 July 2013 £'m
Non-current assets					
Goodwill	A	2,008.7	-	-	2,008.7
Other intangible assets	B	9.3	-	24.1	33.4
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
		3,686.3	103.4	35.9	3,825.6
Current assets					
Trade and other receivables	F	254.6	-	(35.2)	219.4
Cash and cash equivalents		149.0	-	-	149.0
		403.6	-	(35.2)	368.4
Total assets		4,089.9	103.4	0.7	4,194.0
Current liabilities					
Borrowings	D	-	-	(298.0)	(298.0)
Trade and other payables	D	(682.2)	-	298.0	(384.2)
Provisions	C	-	-	(7.2)	(7.2)
		(682.2)	-	(7.2)	(689.4)
Net current liabilities		(278.6)	-	(42.4)	(321.0)
Non-current liabilities					
Borrowings	D	-	-	(4,165.0)	(4,165.0)
Derivative financial instruments	D	-	(1,218.8)	-	(1,218.8)
Other payables (including accruals and deferred income)	D	(4,201.5)	(80.9)	4,165.0	(117.4)
Provisions	C	(54.1)	-	7.2	(46.9)
Retirement benefits		(2.3)	-	(0.7)	(3.0)
		(4,257.9)	(1,299.7)	6.5	(5,551.1)
Total liabilities		(4,940.1)	(1,299.7)	(0.7)	(6,240.5)
Net liabilities		(850.2)	(1,196.3)	-	(2,046.5)
Share capital		653.9	-	-	653.9
Share premium		315.6	-	-	315.6
Retained earnings	A-F	(1,819.4)	(1,196.3)	-	(3,015.7)
Translation reserve		(0.8)	-	-	(0.8)
Equity attributable to owners of the Company		(850.7)	(1,196.3)	-	(2,047.0)
Non-controlling interest		0.5	-	-	0.5
Total equity		(850.2)	(1,196.3)	-	(2,046.5)

Group reconciliation of equity as at 30 June 2014

	Notes to the reconciliation	As reported under UKGAAP £'m	Recognition and measurement differences £'m	Re-classification for presentational purposes £'m	IFRS at 30 June 2014 £'m
Non-current assets					
Goodwill	A	1,856.6	155.5	(0.5)	2,011.6
Other intangible assets	B	10.2	-	33.7	43.9
Property, plant and equipment	B	1,710.3	-	(33.7)	1,676.6
Deferred tax	F	-	-	55.7	55.7
Retirement benefits		3.8	-	0.9	4.7
Interest in associates and joint ventures	A	10.6	-	0.5	11.1
		3,591.5	155.5	56.6	3,803.6
Current assets					
Trade and other receivables	F	269.6	-	(56.6)	213.0
Cash and cash equivalents		97.4	-	-	97.4
		367.0	-	(56.6)	310.4
Total assets		3,958.5	155.5	-	4,114.0
Current liabilities					
Borrowings	D	-	-	(513.3)	(513.3)
Trade and other payables	D	(970.7)	69.0	513.3	(388.4)
Provisions	C	-	-	(7.4)	(7.4)
		(970.7)	69.0	(7.4)	(909.1)
Net current liabilities		(603.7)	69.0	(64.0)	(598.7)
Non-current liabilities					
Borrowings	D	-	-	(4,159.1)	(4,159.1)
Derivative financial instruments	D	-	(1,267.0)	-	(1,267.0)
Other payables (including accruals and deferred income)	D	(4,297.6)	31.2	4,159.1	(107.3)
Provisions	C	(47.9)	-	7.4	(40.5)
		(4,345.5)	(1,235.8)	7.4	(5,573.9)
Total liabilities		(5,316.2)	(1,166.8)	-	(6,483.0)
Net liabilities		(1,357.7)	(1,011.3)	-	(2,369.0)
Share capital		653.9	-	-	653.9
Share premium		315.6	-	-	315.6
Retained earnings	A-F	(2,327.6)	(1,011.3)	-	(3,338.9)
Translation reserve		(0.3)	-	-	(0.3)
Equity attributable to owners of the Company		(1,358.4)	(1,011.3)	-	(2,369.7)
Non-controlling interest		0.7	-	-	0.7
Total equity		(1,357.7)	(1,011.3)	-	(2,369.0)

Group reconciliation of equity as at 30 June 2015

	Notes to the reconciliation	As reported under UKGAAP £'m	Recognition and measurement differences £'m	Re-classification for presentational purposes £'m	IFRS at 30 June 2015 £'m
Non-current assets					
Goodwill	A	1,677.6	310.8	-	1,988.4
Other intangible assets	B	10.0	(3.3)	30.5	37.2
Property, plant and equipment	B	1,767.1	-	(30.5)	1,736.6
Deferred tax	F	-	-	-	-
Retirement benefits	G	-	6.6	-	6.6
Interest in associates and joint ventures	A	4.6	-	-	4.6
		3,459.3	314.1	-	3,773.4
Current assets					
Trade and other receivables	F	237.4	-	-	237.4
Cash and cash equivalents		98.5	-	-	98.5
		335.9	-	-	335.9
Total assets		3,795.2	314.1	-	4,109.3
Current liabilities					
Borrowings	D	-	-	(758.3)	(758.3)
Trade and other payables	D	(1,143.6)	16.7	758.3	(368.6)
Provisions	C	-	-	(11.3)	(11.3)
		(1,143.6)	16.7	(11.3)	(1,138.2)
Net current liabilities		(807.7)	16.7	(11.3)	(802.3)
Non-current liabilities					
Borrowings	D	-	-	(4,304.3)	(4,304.3)
Derivative financial instruments	D	-	(1,210.3)	-	(1,210.3)
Other payables (including accruals and deferred income)	D	(4,526.7)	102.6	4,304.3	(119.8)
Provisions	C	(55.4)	-	11.3	(44.1)
		(4,582.1)	(1,107.7)	11.3	(5,678.5)
Total liabilities		(5,725.7)	(1,091.0)	-	(6,816.7)
Net liabilities		(1,930.5)	(776.9)	-	(2,707.4)
Share capital		653.9	-	-	653.9
Share premium		315.6	-	-	315.6
Retained earnings	A-G	(2,899.3)	(777.0)	-	(3,676.3)
Translation reserve		(1.0)	-	-	(1.0)
Equity attributable to owners of the Company		(1,930.8)	(777.0)	-	(2,707.8)
Non-controlling interest		0.3	0.1	-	0.4
Total equity		(1,930.5)	(776.9)	-	(2,707.4)

Group reconciliation of the income statement for the year ended 30 June 2014

	Notes to the reconciliation	UKGAAP			Recognition and measurement differences	IFRS for the year ended 30 June 2014		
		Pre exceptional items £'m	Exceptional items £'m	Total £'m		Pre exceptional items £'m	Exceptional items £'m	Total £'m
Continuing operations								
Group revenue		825.6	-	825.6	-	825.6	-	825.6
Cost of sales	I	(301.4)	-	(301.4)	24.1	(277.3)	-	(277.3)
Gross profit		<u>524.2</u>	<u>-</u>	<u>524.2</u>	<u>24.1</u>	<u>548.3</u>	<u>-</u>	<u>548.3</u>
Depreciation	B	(122.6)	-	(122.6)	8.4	(114.2)	-	(114.2)
Amortisation	A, B	(157.7)	-	(157.7)	147.2	(10.5)	-	(10.5)
Impairment		-	-	-	-	-	-	-
Other operating expenses	A, I	(117.8)	(8.2)	(126.0)	(24.2)	(141.9)	(8.3)	(150.2)
Total operating expenses		<u>(398.1)</u>	<u>(8.2)</u>	<u>(406.3)</u>	<u>131.4</u>	<u>(266.6)</u>	<u>(8.3)</u>	<u>(274.9)</u>
Share of result of joint venture and associates		1.2	-	1.2	-	1.2	-	1.2
Operating profit		<u>127.3</u>	<u>(8.2)</u>	<u>119.1</u>	<u>155.5</u>	<u>282.9</u>	<u>(8.3)</u>	<u>274.6</u>
Finance income		2.7	-	2.7	-	2.7	-	2.7
Finance costs	J, K	(531.1)	(112.3)	(643.4)	162.2	(481.2)	-	(481.2)
Other gains and losses	L	-	-	-	(31.1)	(24.1)	(7.0)	(31.1)
Loss before tax		<u>(401.1)</u>	<u>(120.5)</u>	<u>(521.6)</u>	<u>286.6</u>	<u>(219.7)</u>	<u>(15.3)</u>	<u>(235.0)</u>
Tax	F			18.2	(102.7)			(84.5)
Loss for the year				<u>(503.4)</u>	<u>183.9</u>			<u>(319.5)</u>
Non-controlling interests	H			(0.3)	0.3			
Loss for the financial year				<u>(503.7)</u>	<u>184.2</u>			

Group reconciliation of other comprehensive income for year ended 30 June 2014

		UK GAAP	Recognition and measurement differences	IFRS for the year ended 30 June 2014
	Notes to the reconciliation	£'m	£'m	£'m
Loss for the financial year		(503.7)	184.2	(319.5)
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 loss		(507.7)	185.2	(322.5)

Group reconciliation of the income statement for the year ended 30 June 2015

	Notes to the reconciliation	UKGAAP			Recognition and measurement differences £'m	IFRS at 30 June 2015		
		Pre exceptional items £'m	Exceptional items £'m	Total £'m		Pre exceptional items £'m	Exceptional items £'m	Total £'m
Continuing operations								
Group revenue		857.1	-	857.1	-	857.1	-	857.1
Cost of sales	I	(328.3)	-	(328.3)	21.7	(306.6)	-	(306.6)
Gross profit		528.8	-	528.8	21.7	550.5	-	550.5
Depreciation	B	(119.7)	-	(119.7)	6.3	(113.4)	-	(113.4)
Amortisation	A, B	(158.9)	-	(158.9)	150.9	(8.0)	-	(8.0)
Impairment	A	-	(33.7)	(33.7)	(5.2)	-	(38.9)	(38.9)
Other operating expenses	I	(110.6)	(11.7)	(122.3)	(21.7)	(132.3)	(11.7)	(144.0)
Total operating expenses		(389.2)	(45.4)	(434.6)	130.3	(253.7)	(50.6)	(304.3)
Share of result of joint venture and associates		2.4	-	2.4	-	2.4	-	2.4
Operating profit		142.0	(45.4)	96.6	152.0	299.2	(50.6)	248.6
Finance income		2.7	1.0	3.7	(1.0)	2.7	-	2.7
Finance costs	J,K	(508.3)	(100.5)	(608.8)	109.5	(499.3)	-	(499.3)
Other gains and losses	L	-	-	-	(34.6)	(35.6)	1.0	(34.6)
Loss before tax		(363.6)	(144.9)	(508.5)	225.9	(233.0)	(49.6)	(282.6)
Tax				(57.6)	0.4			(57.2)
Loss for the year				(566.1)	226.3			(339.8)
Non-controlling interests	H			(0.1)	0.1			
Loss for the financial year				(566.2)	226.4			

Group reconciliation of other comprehensive income for year ended 30 June 2015

		UK GAAP	Recognition and measurement differences	IFRS at 30 June 2015
	Notes to the reconciliation	£'m	£'m	£'m
Loss for the financial year		(566.2)	226.4	(339.8)
Items that will not be reclassified subsequently to profit or loss				
Actuarial (losses) / gains on defined benefit pension schemes	G, J	(6.9)	8.2	1.3
Movement on deferred tax relating to pension schemes	G, 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		(0.7)	-	(0.7)
		(6.2)	8.0	1.8
Total comprehensive loss		(572.4)	234.4	(338.0)

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

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: £11.3m; 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).

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:

- o 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);
- o The presentation of unrealised foreign currency movements on US\$ denominated debt as 'other gains and losses' (2015: £17.5m charge; 2014: £24.2m gain)
- o Adjustments with respect to the IAS 19 calculation of the return on scheme assets (2015: £1.6m; 2014: £3.5m);
- o 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
- o 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:

- o Fair value movements on derivatives including principal accretion (see notes D and K);
- o Unrealised foreign currency movements on US\$ denominated debt as described in note K.
- o Exceptional break costs on the exit of swap arrangements which were cash settled (in the year ended 30 June 2014);
- o 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.

Directors' report and statement of directors' responsibilities for Arqiva Group Limited ('the Company')

The Directors of Arqiva Group Limited, registered company number 05254001, ('the Company') submit the following annual report and financial statements in respect of the year ended 30 June 2016.

On 22nd June 2016, a Notice of Change of Name by Resolution was submitted to Companies House to change the name of the Company from Arqiva Broadcast Holdings Limited to Arqiva Group Limited.

Business review and principal activities

The Company acts as an ultimate holding company of the Arqiva Group Limited ('AGL') group ('the Group') of companies. The Company has a loss for the year of £3.9m (2015: £0.8m; 2014: nil) and net assets of £1,764.1m (2015: £1,768.0m; 2014: £1,768.8m; 2013: £1,768.8m).

Principal risks and uncertainties and key performance indicators ('KPIs')

From the perspective of the Company, the principal risks and uncertainties arising from its activities are integrated with the principal risks and uncertainties of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed on pages 44 to 46.

Given the straightforward nature of the Company's activities, the Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. The KPIs of the Group are discussed on pages 28 and 29.

Dividends and transfers to reserves

The Directors do not propose to pay a dividend (2015: nil; 2014: nil). The loss for the year £3.9m (2015: £0.8m; 2014: nil) was transferred to reserves.

Financial risk management

Due to the straightforward nature of the Company's operations, it is exposed to limited financial risks. The Group's financial risk management programme is detailed on page 47.

Future developments and going concern

It is the intention of the Company to continue to act as the Group's ultimate holding company.

The Company adopts the going concern basis in preparing its financial statements on the basis of the future profit, cash flows and available resource of the Group which lead the Directors of the Company to be confident that the Company will have adequate resources to continue in operational existence for the foreseeable future.

Directors

The following held office as directors of the Company during the period and up to the date of this report:

Mike Parton
Mark Braithwaite
Paul Mullins
Christian Seymour
Robert Wall (resigned 24 June 2016)
Peter Adams (alternate) (appointed 24 June 2016)
Damian Walsh
Nathan Luckey
Sally Davis
Deepu Chintamaneni (alternate)

Michael Giles is the Company Secretary.

Directors' indemnities

The Company has provided an indemnity for its Directors and the Company Secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

On behalf of the Board



Mike Parton - Director

20 September 2016

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101').

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Independent auditors' report to the members of Arqiva Group Limited

Report on the Company financial statements

Our opinion

In our opinion, Arqiva Group Limited's company financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 30 June 2016;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Consolidated Financial statements (the "Annual Report"), comprise:

- the Company statement of financial position as at 30 June 2016;
- the Company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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

Opinion on other matter 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 accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

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

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

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

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

In addition, we read all the financial and non-financial information in the Annual Report 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 group financial statements of Arqiva Group 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
20 September 2016

Company statement of financial position

	Note	30 June 2016 £'m	30 June 2015 £'m	30 June 2014 £'m
Non-current assets				
Investments	4	1,767.0	1,767.0	1,767.0
Receivables	5	2.1	1.8	1.8
		1,769.1	1,768.8	1,768.8
Current assets				
Receivables	5	-	0.1	-
Cash and cash equivalents	6	0.1	0.1	0.1
Total current assets		0.1	0.2	0.1
Payables	7	(5.1)	(1.0)	(0.1)
Net current liabilities		(5.0)	(0.8)	-
Net assets		1,764.1	1,768.0	1,768.8
Equity				
Share capital	8	653.9	653.9	653.9
Share premium		315.6	315.6	315.6
Retained earnings		794.6	798.5	799.3
Total equity		1,764.1	1,768.0	1,768.8

The accounting policies and notes on pages 122 to 129 form part of these financial statements.

The result for the year for the Company was a loss of £3.9m (2015: £0.8m loss; 2014: £nil).

These financial statements on pages 116 to 129 were approved by the Board of Directors on 20 September 2016 and were signed on its behalf by:



Mike Parton - Director

Company statement of changes in equity

	Share capital £'m	Share premium £'m	Retained earnings £'m	Total equity £'m
Balance at 1 July 2013 and 30 June 2014	653.9	315.6	799.3	1,768.8
Loss for the year	-	-	(0.8)	(0.8)
Balance at 30 June 2015	653.9	315.6	798.5	1,768.0
Loss for the year	-	-	(3.9)	(3.9)
Balance at 30 June 2016	653.9	315.6	794.6	1,764.1

Notes to the Company financial statements

1 Arqiva Group Limited accounting policies and other information

Basis of preparation

As used in these financial statements and associated notes, the term 'Company' refers to Arqiva Group Limited.

The Financial Statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). The Company has also early adopted the amendments to FRS 101 which were issued in July 2015. The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006. The Group's financial statements (Arqiva Group Limited and its subsidiaries) are available online at www.arqiva.com.

This is the first year that the Company has presented its results under FRS101. The most recent financial statements were prepared under previous UK GAAP and were for the year ended 30 June 2015. The date of transition to FRS 101 was 1 July 2013. There are no recognition and measurement differences relating to the presentation of financial performance and position under FRS 101 therefore no reconciliation of equity at 1 July 2013 ('transition date') and 30 June 2014 and 30 June 2015 or total comprehensive income for the years ended 30 June 2014 and 30 June 2015 is presented.

The requirements have been applied in accordance with the requirements of the Companies Act 2006. As permitted by Section 408(3) of the Companies Act 2006, the Company's income statement has not been presented.

The financial statements are prepared on a going concern basis and under the historical cost convention.

The following disclosure exemptions, as permitted by paragraph 8 of FRS 101, have been taken in these Company financial statements and notes:

<u>EU-adopted IFRS</u>	<u>Relevant disclosure exemptions</u>
IAS 1 <i>Presentation of financial statements</i>	The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B to D, 40A to D, 111 and 134 to 136
IAS 7 <i>Statement of Cash Flows</i>	All disclosure requirements.
IAS 24 <i>Related Party Disclosures</i>	The requirements of paragraph 17; the requirement to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary party to the transaction is wholly owned by such a member.

Accounting policies

Investments

Investments in subsidiaries and associates are shown at cost less provision for impairment.

Cash and cash equivalents

Cash includes cash at bank and in hand and bank deposits repayable on demand.

Dividends

Dividend distributions are recognised as a liability in the year in which the dividends are approved by the Company's shareholders.

Share capital

Ordinary shares are classified as equity.

Other information

Employees

The Company had no employees during the year (2015: none; 2014: none). None of the Directors (2015: none; 2014: none) were remunerated by the Company. Their individual remuneration reflects the services they provide to the Company, its subsidiaries and a number of other entities outside of the Group. It is therefore not possible to make an accurate apportionment of each Director's remuneration in respect of their service to the Company except where sums are paid to third parties in respect of their services. There were no such sums paid in the year (2015: none; 2014: none).

Audit fees

The audit fee in respect of the Company and fees payable to PricewaterhouseCoopers LLP for non-audit services were not specific to the Company and are disclosed in the notes to the Group financial statements (see note 6).

2 Critical accounting estimates and judgements

The application of the accounting policies in note 1 did not require any critical judgments or any sources of estimation uncertainty.

3 Directors' remuneration

The aggregate of the amount paid to the Directors in respect of their services as a Director of the parent company and the amount they receive in respect of their services as a Director of the group are set out below:

	Year ended 30 June 2016 £'m	Year ended 30 June 2015 £'m	Year ended 30 June 2014 £'m
Aggregate remuneration	0.4	0.2	0.3
Amounts due under long term incentive plans	1.0	-	-
Sums paid to third parties in respect of services	-	0.1	-
Compensation for loss of office	-	0.1	-
Total remuneration	1.4	0.4	0.3

Certain of the Directors were representatives of the Company's shareholders and their individual remuneration reflects the services they provide to the Company, its subsidiaries and a number of other entities outside of the Group. It is therefore not possible to make an accurate apportionment of each Director's remuneration in respect of their service to the Company and the Group except where sums are paid to third parties in respect of their services. Accordingly, the details set out in the table above include no remuneration in respect of these Directors other than in relation to sums paid to third parties in respect of services.

Highest paid director

Included in the above is remuneration in respect of the highest paid Director of:

	Year ended 30 June 2016 £'m	Year ended 30 June 2015 £'m	Year ended 30 June 2014 £'m
Aggregate remuneration	1.3	0.2	0.3
Compensation for loss of office	-	0.1	-
Total remuneration	1.3	0.3	0.3

4 Investments

The Company's subsidiary investments (held indirectly unless stated) are shown below:

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
ABHL Digital Limited	United Kingdom	Holding company	30-Jun	100%
ABHL Digital Radio Limited	United Kingdom	Holding company	30-Jun	100%
ABHL Multiplex Limited	United Kingdom	Dormant company	30-Jun	100%
Aerial UK Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva (Scotland) Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva Aerial Sites Limited	United Kingdom	Management of aerial sites	30-Jun	100%
Arqiva Asia Limited	Hong Kong	Satellite transmission services	30-Jun	100%
Arqiva Broadcast Finance Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Broadcast Intermediate Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Broadcast Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Broadcast Parent Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Communications Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Defined Benefit Pension Plan Trustees Limited	United Kingdom	Pension company	30-Jun	100%
Arqiva Digital Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Finance Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Financing No. 1 Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Financing No. 2 Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Financing No. 3 Plc	United Kingdom	Holding company	30-Jun	99.99% (held directly)
Arqiva Financing Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Group Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Group Intermediate Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Group Parent Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Inc.	USA	Satellite transmission services	30-Jun	100%
Arqiva International Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva Limited	Ireland	Transmission services	30-Jun	100%
Arqiva Media Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile Broadcast Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile TV Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 10 Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 11 Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 2 Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva No. 3 Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva No. 4 Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Pension Trust Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva PP Financing Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Pte Limited	Singapore	Satellite transmission services	30-Jun	100%
Arqiva Public Safety Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva SAS	France	Satellite transmission services	30-Jun	100%

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
Arqiva Satellite Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Senior Finance Limited	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Services Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva Smart Financing Limited	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Smart Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Smart Metering Limited	United Kingdom	Smart metering communications	30-Jun	100%
Arqiva Smart Parent Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva SRL	Italy	Satellite transmission services	30-Jun	100%
Arqiva Swing Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Arqiva Telecommunications Asset Development Company Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Telecoms Investment Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Transmission Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva UK Broadcast Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva WiFi Limited	United Kingdom	WiFi services	30-Jun	100%
Arqiva Wireless Limited	United Kingdom	Dormant company	30-Jun	100%
Capablue Limited	United Kingdom	Transmission services	30-Jun	100%
Cast Communications Limited	United Kingdom	Dormant company	30-Jun	100%
Connect TV (Scotland) Limited	United Kingdom	Dormant company	30-Jun	100%
Connect TV Limited	United Kingdom	Transmission services	30-Jun	100%
Digital One Limited	United Kingdom	Transmission services	30-Jun	100%
Inmedia Communications (Holdings) Limited	United Kingdom	Dormant company	30-Jun	100%
Inmedia Communications Group Limited	United Kingdom	Dormant company	30-Jun	100%
Inmedia Communications Limited	United Kingdom	Dormant company	30-Jun	100%
J F M G Limited	United Kingdom	Spectrum services	30-Jun	100%
Macropolitan Limited	United Kingdom	Dormant company	30-Jun	100%
Now Digital (East Midlands) Limited	United Kingdom	Transmission services	30-Jun	52.50%
Now Digital (Oxford) Limited	United Kingdom	Transmission services	30-Jun	100%
Now Digital (Southern) Limited	United Kingdom	Transmission services	30-Jun	100%
Now Digital Limited	United Kingdom	Transmission services	30-Jun	100%
NWP Spectrum Holdings Limited	United Kingdom	Holding company	30-Jun	100%
NWP Street Limited	United Kingdom	Operating street payphones	30-Jun	100% (disposed of 11 December 2015, see note 32)
Primrose No.1 Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Scanners (Europe) Limited	United Kingdom	Dormant company	30-Jun	100%
Scanners Television Outside Broadcasts Limited	United Kingdom	Dormant company	30-Jun	100%
Selective Media Limited	United Kingdom	WiFi services	30-Jun	100%
South West Digital Radio Limited	United Kingdom	Transmission services	30-Jun	66.67%
Spectrum Interactive (UK) Limited	United Kingdom	Dormant company	30-Jun	100%
Spectrum Interactive GmbH	Germany	Dormant company	30-Jun	100%
Spectrum Interactive Limited	United Kingdom	Holding company	30-Jun	100%

With the following exceptions, the registered office of each of the subsidiary companies listed was Crawley Court, Winchester, Hampshire, SO21 2QA:

Company	Registered office
Arqiva Inc.	c/o The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE19801, United States of America.
Arqiva Pte Limited	8 Marina Boulevard #05-02, Marina Bay Financial Centre, 018981, Singapore.
Arqiva Asia Limited	1401 Hutchison House, 10 Harcourt Road, Hong Kong.
Arqiva SAS	Tour Vendome 204, Rond Point du Pont De Sevres, 92100, Boulogne, France.
Arqiva SRL	c/o Studio Bandini & Associati, Via Calabria 32, Rome, Italy.
Arqiva (Scotland) Limited	c/o Morton Fraser, Quatermile 2, 2 Lister Square, Edinburgh, EH3 9GL, Scotland.

In addition to the subsidiary undertakings the Company indirectly holds the following interests in associates and joint ventures:

Company	Country of incorporation	Principal activities	Registered office	Year end	Percentage of ordinary shares held
Joint ventures					
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%

The following companies within the Group will adopt the Department for Business, Innovation and Skills audit exemption for the year ended 30 June 2016. As the ultimate parent company, AGL has guaranteed the debts and liabilities held within these companies as required under section 479A of the Companies Act 2006.

Company	Company registration number
Arqiva Group Intermediate Limited	8126989
Arqiva Group Holdings Limited	8221064
Arqiva UK Broadcast Holdings Limited	5254048
Arqiva Telecoms Investment Limited	3696564
Arqiva Scotland Limited	SC365509
Arqiva Aerial Sites Limited	1460772
ABHL Digital Limited	3538787
ABHL Digital Radio Limited	3573732
Digital One Limited	3537636
Now Digital Limited	3546921
Now Digital (Southern) Limited	3654065
Connect TV Limited	07403839
Arqiva Financing No 2 Limited	06137899
Arqiva International Holdings Limited	08753024
Arqiva No 2 Limited	03922958
Arqiva No 3 Limited	02973983
Arqiva Smart Holdings Limited Arqiva	08723422
Smart Parent Limited	08723419
Capablue Limited	06962172
NWP Spectrum Holdings Limited	04412123
Selective Media Limited	06579687
Spectrum Interactive Limited	04440500

The following dormant companies within the Group will take the exemption from preparing and filing financial statements for the year ended 30 June 2016 (by virtue of s394A and s448A of Companies Act 2006 respectively). As the ultimate parent company, AGL has guaranteed the various debts and liabilities held within these companies as required under section 394C of the Companies Act 2006.

Company	Company registration number
ABHL Multiplex Limited	05138188
Arqiva Mobile TV Limited	4107732
Arqiva Public Safety Limited	3341257
Aerial UK Limited	2333949
Arqiva Broadcast Limited	03844675
Arqiva Communications Limited	02928653
JFMG Limited	3297317
Arqiva Digital Limited	03120642
Arqiva Finance Limited	03347387
Arqiva Media Limited	02826184
Arqiva Mobile Broadcast Limited	02816853
Arqiva Mobile Limited	03246721
Arqiva No 4 Limited	02903056
Arqiva No 10 Limited	05393073
Arqiva No 11 Limited	05393079
Arqiva Satellite Limited	02192952
Now Digital (Oxford) Limited	6314242
Arqiva Swing Limited	07140424
Arqiva Telecommunications Asset Development Company Limited	03956595
Arqiva Transmission Limited	03598122
Arqiva Wireless Limited	03055844
Cast Communications Limited	05097626
Connect TV (Scotland) Limited	SC403631
Inmedia Communications (Holdings) Limited	02755211
Inmedia Communications Group Limited	05097612
Inmedia Communications Limited	05097623
Macropolitan Limited	05401565
Primrose No.1 Limited	07046887
Scanners (Europe) Limited	02833712
Scanners Television Outside Broadcasts Limited	03391685
Spectrum Interactive (UK) Limited	03500162

The Company held the following investments in subsidiaries:

	Total £'m
Cost	
At 1 July 2013, 30 June 2014, 30 June 2015 and 30 June 2016	1,767.0
Provision for impairment	
At 1 July 2013, 30 June 2014, 30 June 2015 and 30 June 2016	-
Carrying value	
At 1 July 2013, 30 June 2014, 30 June 2015 and 30 June 2016	1,767.0

The Directors consider the carrying value of the Company's investments in its subsidiaries 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.

5 Receivables

Amounts receivable from other group entities are unsecured and interest-free.

6 Cash and cash equivalents

	30 June 2016	30 June 2015	30 June 2014	1 July 2013
	£'m	£'m	£'m	£'m
Cash at bank	0.1	0.1	0.1	-
Total cash and cash equivalents	0.1	0.1	0.1	-

7 Payables

	30 June 2016	30 June 2015	30 June 2014	1 July 2013
	£'m	£'m	£'m	£'m
Amounts payable to fellow group undertakings	1.2	0.2	-	-
Accruals	3.9	0.8	0.1	-
Total payables	5.1	1.0	0.1	-

The Company has no payables falling due after more than one year.

8 Share capital

	30 June 2016	30 June 2015	30 June 2014	1 July 2013
	£'m	£'m	£'m	£'m
Authorised, issued and fully paid: 653,928,000 ordinary shares of £1 each	653.9	653.9	653.9	653.9

9 Related parties

The Company has applied the provisions within FRS 101 to be exempt from the disclosure of transactions entered into, and balances outstanding, with a Group entity which is wholly-owned by another Group entity.

10 Controlling parties

The Company is owned by a consortium of shareholders including Canada Pension Plan Investment Board, Macquarie European Infrastructure Fund II, other Macquarie managed funds and minorities.

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

Glossary

The following table references some of the terms and acronyms used in this report:

Term	Definition or explanation
AGL	'Arqiva Group Limited'
AEB	'Arqiva Employee Board'
BECTU	'Broadcasting, Entertainment, Cinematograph and Theatre Union'
CA 2006	'Companies Act 2006'
CHuRP	'Comms Hub Receivables Purchasing'
DAB	'Digital Audio Broadcast'
DAS	'Distributed Antenna Systems'
DCC	'Data and Communications Company' a body licensed by statute and backed by the utility companies
DCMS	'Department of Culture, Media and Sport'
DTT	'Digital Terrestrial Television'
EBITDA	'Earnings Before Interest Tax Depreciation and Amortisation' refers to earnings before interest, tax, depreciation and amortisation and additionally before the Group's share of results of associates and joint ventures, profit or loss on disposal of property, plant and equipment, non-interest finance costs and exceptional operating expenses. Underlying EBITDA represents a measure of the Group's operational performance. (see page 23 for further information).
ERM	'Enterprise Risk Management'
Free cash flow	'Free cash flow' represents the cash generated after spending the money required to maintain or expand its asset base. This is calculated as net cash flow from operations minus the net cash flow from capital expenditure and financial investment (which includes inflows or outflows in relation to the acquisition or disposal of assets or investments).
FRS101	'Financial Reporting Standard 101'
IFRSs	'International Financial Reporting Standards'
Internet of Things	The internet of things is a system of interrelated computer, mechanical and digital devices that have the ability to transmit data over a network without requiring human intervention.
IoT	'Internet of Things'
IP	'Internet Protocol'
IPTV	'Internet Protocol Television'
KPI	'Key Performance Indicator'
M2M	'Machine-to-Machine' data connectivity; M2M is an important element of our Telecoms & M2M business unit.
Metadata	Metadata is used with video streaming to provide information about the contents of the data within the stream.
MIP	'Mobile Infrastructure Project'
MNOs	'Mobile Network Operators'
OTT	'Over-The-Top'
SNG	'Satellite News Gathering'
Teleport	A telecommunications port ('teleport') is a ground station that acts as a hub to connect a satellite network to a terrestrial telecommunications network
TMT	'Telecoms, Media and Technology' sector