# Arqiva Broadcast Parent Limited

**Registered number 08085823**

## Condensed Consolidated Interim Financial Statements

**For the six months ended 31 December 2020**

# Table of Contents

# Interim financial report

The Directors of Arqiva Broadcast Parent Limited ('ABPL'), registered company number 08085823, ('the Company') and its subsidiaries ('the Group') provide the following interim financial report and condensed consolidated interim financial statements ('financial statements'), in respect of the six months ended 31 December 2020.

**Cautionary statement**

This interim financial report ('IFR') 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 IFR, 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 utilities 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.

**Business overview**

Arqiva is one of the UK's leading communications infrastructure and media services providers, with significant investments in essential communications infrastructure. The Group's core business comprises of Broadcast and Utilities markets. It generates predictable earnings, supported by strong market positions, diverse revenue streams, long-life assets and long-term inflation linked contracts. The sale of the Telecoms business was successfully completed in July 2020. The Group had a contracted orderbook of £3.8bn as at 30 June 2020 for the remaining business after the Telecoms sale.

**Recent Developments since 30 June 2020**

**Corporate updates**

**Sale of telecoms business**

The sale of the Telecoms business to Cellnex completed in July 2020. The Group's operational and asset separation relating to the Telecoms sale has largely been completed. Operationally, Arqiva will continue to support Cellnex's UK business via Transitional Services Agreements (TSA) for a period of up to 18 months from the deal completion date.

**New organisation structure**

Arqiva is implementing a new integrated organisation structure that will help better serve our customers, their delivery requirements, and the products and services that we provide. This change will:

- Place productivity, innovation and sustainability at the heart of our actions;
- Create a high performance, high engagement culture; and
- Deliver financial outcomes that create value.

**Brexit**

Arqiva has been reviewing the impact on its supply chain following the Brexit deal in December 2020. The Group will broadly have no impact as we are predominately UK based with key customers also in the UK.

**COVID 19**
Despite the extended lockdown Arqiva continues to provide customers with essential communications infrastructure for our broadcast and utility customers. We have deployed business continuity plans as part of our operational and financial risk mitigation, to ensure the safety of our staff and the ongoing provision of services for our customers.

Measures are in place across a number of areas including:
- Ensuring workplaces and activities conform to the Government's COVID Secure guidelines;
- Using rapid flow antigen tests for our key workers;
- Implementing alternative working arrangements and technology to keep our employees and contractors safe;
- Ensuring that we plan and deliver our activities in line with Government alert levels;
- Ensuring regular communication with critical suppliers, identifying and managing any risks;
- Ensuring disaster recovery plans can be invoked for critical assets and systems;
- Cyber security, where we have reviewed and further strengthened this; and
- Financial liquidity – where we continue to review our available facilities. We had benefitted from the Government's VAT deferral scheme but repaid the full amount during this period.

**Transformation update**
Our Digital Transformation has continued uninterrupted by COVID 19. Following the successful launch of our Service Transformation and implementation of our single ServiceNow platform (IT service portal), we continued with our Finance Transformation and the implementation of a new Oracle ERP system in December 2020. Our Site Transformation programme remains on track with the launch of our Siterra platform (site data management) in mid-2021 hosted in our new cloud based data management solution which was implemented alongside our Service platform last year. Both our Network Modernisation and Digital Workplace programmes continue to deliver to plan.

<u>**Broadcast**</u>

**700 MHz Clearance and DTT spectrum**
The Government (DCMS) has recognised the success of the 700 MHz Clearance programme and the fact that it was under budget and ahead of schedule in terms of making the spectrum available for auction. The planned auction of the 700MHz spectrum by Ofcom has been delayed from January 2021 to March 2021 due to COVID 19 impact. Subject to the notice period being triggered, Arqiva will continue to have the right to remain in this spectrum with its DVB-T2 multiplex until June 2022.

Arqiva's project completion activities will continue with a project team until around October 2021, including the removal of the temporary mast at Emley Moor; decommissioning of temporary site works and financial reconciliation of spend with Ofcom. The team size continues to reduce as the project ramps down in accordance with the agreed plan.

**Freeview – Arqiva steps down as a shareholder in Digital UK**
In December 2020, Digital UK announced that Arqiva will stand down as a shareholder in the Freeview marketing consortium, Digital UK from March 2021. The agreement means that Arqiva will withdraw from its Board involvement in Digital UK, which leads the day-to-day management of the DTT platform as well as the long-term strategy and development of the Freeview service.

For the remaining shareholders (BBC, ITV and C4) this is an opportunity for greater collaboration in how viewers find public service programming in the connected world, whilst remaining committed to working with the wider industry to ensure that Freeview remains a vibrant, competitive and open hybrid TV platform. Whilst no longer a shareholder of Digital UK, Arqiva will maintain its important role in the Freeview platform, both as an independent national multiplex operator - carrying around half of the channels on the Freeview platform - and as the sole transmission provider for the Digital Terrestrial TV (DTT) platform.

**Digital Platforms channel utilisation**
Arqiva's main (DVB-T) multiplexes saw an increase in utilisation to 94% as at 31 December 2020. Since the last period which saw the launch of Sky Arts on one of our main DTT Multiplexes, GB News UK has been contracted for a 24 hour slot also on one of the main DTT Multiplexes. Arqiva will distribute GB News to all major UK platforms. Our solution will allow GB News to access all major DTT, satellite and cable platforms reaching more than 96% of British television households. The full-service proposition will see Arqiva execute the launch and manage the programme delivery for GB News, allowing the channel to capitalise on flexible content distribution solutions through a seamless combination of traditional fibre and our fully managed 'Virtual Connect' cloud-based products. This deal brings a new channel to the DTT platform, which demonstrates the continued value of Freeview.

TV viewing on the DTT/Freeview platform has remained strong during the current pandemic period as more people stay at home. TV has provided a vital way of keeping people informed, helping with social isolation and entertainment. The wide reach of the DTT platform has been of vital national importance for delivering news and other information to the whole nation and for supporting society during the current pandemic. There have recently also been positive signs of media markets recovering more quickly than expected following the downturn in early 2020. In December 2020 the DCMS issued a consultation on DTT Multiplex licences which is also exploring the longevity of the platform.

**Radio**
COVID 19 continues to impact commercial radio. There were signs of a promising recovery in national advertising and during November 2020 advertising revenues held up despite the national lockdown. Local advertising, on the other hand did see some impact. Despite positive news about effective vaccines, concern about repeated lockdowns continued to affect confidence and revenues in the overall radio market, particularly local sectors.

The Government praised Arqiva for the financial support given to commercial radio following the first lockdown. During the autumn, we initiated discussions to provide additional help for customers. A follow on financial package has been agreed, which was more narrowly focussed on smaller local stations and was jointly funded with DCMS. The aim is to help secure the future of UK local radio and provide an additional boost to the radio sector during this challenging period.

Despite the pandemic, customers continued to launch new stations on Arqiva's local DAB digital radio multiplexes across the country. On the Sound Digital national multiplex (a joint venture of Arqiva 40%, Bauer 30% and Wireless Group 30%) Love Sport came off air at the end of December 2020 and a new station, JACK Rock was launched. Digital One (the national multiplex wholly owned by Arqiva) remains at 100% occupancy. In addition, renewals with our major customers Global and Bauer were secured in October 2020.

The Government's Radio and Audio Review continues with Arqiva playing an active role alongside other stakeholders to review the future of radio. Most of the research, data gathering, and analysis has been completed and DCMS are leading the process to identify key themes for the final report which will be published in coming months.

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

**<u>Utilities</u>**

**New proof of concepts**
Arqiva has engaged with industry suppliers and utility companies as it looks to expand its presence in the utilities industry. Building on our established credibility in critical national infrastructure and security we are leveraging our relationships with existing and new utility customers by exploring a number of proofs of concept (PoCs) with them. This includes a trial of "hybrid connectivity" services by utilising our satellite, cellular and private radio solutions. We have signed a trial with SGN recently which will go live in March 2021. The PoCs will give our utility customers the opportunity to improve the management of their operational networks.

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

Anglian successfully commenced their meter rollout on 6 July which was less than one month from contract signature. The meter roll-out has now ramped up to over 700 per day and as at 31 December 2020, we were providing service to over 90,000 installed meters under our network.

**Thames Water**
Since April 2015, Arqiva has delivered a smart metering network that enables the collection, management and transfer of metering data for Thames Water. At 31 December 2020, there were nearly 500,000 meters installed and well over 11 million meter readings being delivered per day. It is currently the largest smart water metering network in the UK and has high coverage across the Thames Water London region. At the beginning of June, Thames announced publicly that round-the-clock data from smart meters across London has helped it find and repair a record number of leaks, hit its regulatory target, and reduce overall leakage from its 20,000 mile network of pipes by 15 per cent in one year. In November 2020 they announced that using the data had helped to prevent over 12 million litres per day leakage since April 2020. Smart meters have helped Thames Water achieve what it described as the water industry's "biggest reduction in leakage this century".

**Yorkshire Water**
Arqiva was selected by Yorkshire Water to deliver and monitor a smart metering fixed-network trial as part of its plans to revolutionise its leakage detection programme. This two-year exercise will see Arqiva build and monitor the fixed-network infrastructure to facilitate the operation of new smart water meters for non-household customers across 30 of Yorkshire

Water's areas. Designed to facilitate real-time monitoring, the collection and presentation of frequent meter reading data provided by the service will allow Yorkshire Water to reduce demand for water by rapidly identifying leaks and helping customers understand their usage. Meter installations began in mid-May 2020 and our network went live at the end of June 2020.

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

**Smart energy metering rollout**
The Group's smart metering communication network in the North of England and Scotland now covers 99.5% of premises. Arqiva achieved its final contracted coverage milestone (BMax) in December 2020 despite COVID 19 restrictions. The customer, Smart DCC Ltd, (DCC), continues to submit change requests that reflect new industry requirements, but at a reduced volume compared to the previous period.

The Group continues to support the DCC and their users ahead of meter rollout programmes. DCC has reported that there are now c. 6.5 million SMETS2 meters on the national network.

**Financial results**
The following table summarises the headline financials for the period:

| | Six Months Ended 31 December | | |
|---|---|---|---|
| | 2020 | 2019 | % Change |
| | (Unaudited) £ millions | | |
| Broadcast | 269.0 | 294.8 | (8.8)% |
| Utilities[1] | 44.8 | 43.6 | 2.8% |
| **Total continuing operations revenue** | **313.8** | **338.4** | **(7.3)%** |
| Discontinued operations | 4.9 | 107.9 | (95.5)% |
| **Total Group revenue** | **318.7** | **446.3** | **(28.6)%** |
| | | | |
| Broadcast | 167.7 | 203.5 | (17.6)% |
| Utilities | 19.1 | 23.8 | (19.7)% |
| Other[2] | (20.6) | (22.0) | 6.3% |
| **Total continuing operations EBITDA** | **166.2** | **205.3** | **(19.0)%** |
| Discontinued operations | 2.5 | 60.3 | (95.9)% |
| **Total EBITDA (excluding exceptional items)** | **168.7** | **265.6** | **(36.5)%** |
| | | | |
| Net cash inflow from operating activities | 211.5 | 199.8 | 5.9)% |
| Net capital expenditure | (29.8) | (60.0) | 50.3% |
| Net financial investment | - | 0.1 | (100.0)% |
| | | | |
| **Operating cash flow after capital and financial investment activities** | **181.7** | **139.9** | **29.9%** |

**Income Statement**

*Revenue*

For the six month period ended 31 December 2020, revenue for the Group was £318.7m, a decrease of 28.6% from the prior year. Included within revenue is £4.9m (31 December 2019: £107.9m) associated with discontinued operations related to the Group's telecoms infrastructure and related assets which were sold on 8 July 2020. Revenue from continuing operations has decreased 7.3%.
Broadcast

Revenue for the Group's broadcast business during the six month period ended 31 December 2020 was £269.0m, representing an 8.8% decrease from £294.8m in the prior year period. This decrease has been driven by managed decreases on the 700MHz Clearance programme as expected as the programme reaches completion with major works completed in August 2020, as well as reduced revenues on the main (DVB-T2) multiplex owing to a small number of customers reviewing their channel portfolios, as well as impacts owing to the COVID-19 pandemic with discounts provided to independent commercial radio customers to support them through this period. Also included within broadcast revenues are £13m of new revenues related to the utilisation of broadcast sites for telecommunications equipment and transitional services provided following the sale of the telecoms towers business to Cellnex.

Utilities

Revenues from utilities have increased 2.8% year on year from £43.6m to £44.8m. The increase is driven by the ramp up of revenues from water metering contracts that were won in the prior year. This increase has been partially offset by a slight decrease in energy metering contracts driven by a reduction in incremental change request revenue.

[1] For the avoidance of doubt, Smart Metering machine-to-machine financials included in this report refer solely to the ABPL financials.
[2] "Other" refers to the Group's corporate business unit, i.e. the Company's finance, legal, HR and IT services.

*EBITDA*

For the six months ended 31 December 2020 EBITDA (as defined in Note 7) for the total reported Group excluding exceptional items was £168.7m, representing a 36.5% decrease from £265.6m in the prior year period. Excluding the EBITDA from the telecoms business sold, continuing operations EBITDA has decreased 19.0% from £205.3m to £166.2m. The decrease to EBITDA has been driven by the reductions in revenues partially offset by decreases in other areas and changes in product mix impacting margins.

Broadcast

EBITDA for the Group's Broadcast business during the six month period ended 31 December 2020 was £167.7m, representing a 17.6% decrease from £203.5m in the prior year period. The movement is predominantly due to the decrease in revenue as described above including reductions in DTT multiplexes and lower activity levels on the 700MHz clearance programme partially offset by rent and rates costs on existing sites recovered through the new broadcast revenues following sale of the telecoms business as explained above.

Utilities

EBITDA for the utilities business has decreased 19.7% from £23.8m to £19.1m despite an increase in revenue. This change in margin is driven by the change in product mix with higher volumes of lower margin, devices revenues.

EBITDA for the Other business unit, which reflects the Group's corporate services, has seen costs decrease from £22.0m to £20.6m owing to lower salary costs driven primarily by a reduction in headcount.

*Depreciation*

Depreciation for the Group during the six month period ended 31 December 2020 was £87.2m, a decrease of 7.7% from the prior year period figure of £94.5m for continuing operations. The decrease is driven by a reduction in accelerated depreciation from the prior year period particularly in connection with assets replaced under the 700MHz Clearance Programme as the programme winds down.

*Amortisation*

Amortisation for the Group during the six month period ended 31 December 2020 was £5.0m, compared to the prior year period figure of £5.6m.

*Exceptional operating expenses*

Exceptional operating expenses for the Group during the six month period ended 31 December 2020 were £8.0m, reduced from £12.2m during the prior year period. Exceptional items charged to operating profit in the current year predominantly relate to transaction costs associated with one off projects including costs associated with the changes in the organisational design of the business and repayment of debt instruments following the divestment of the Group's telecoms towers business.

*Net bank and other loan interest*

Net bank and other loan interest for the Group for the six month period was £48.7m compared to £100.4m in the prior year period. This decrease was as a result of reduced principal amounts following the repayment of debt principal and swap portfolio closed out in the period.

*Other interest*

Other interest for the continuing operations of the Group for the six month period was £18.0m, compared to £18.7m in the prior year period. Other interest is primarily non-cash and principally includes the amortisation of debt issue costs, interest on lease obligations and imputed interest.

*Interest payable to group undertakings*

Interest payable to group undertakings for the six month period was £67.2m, compared to £61.2m in the prior year period. The increase is due to the additional interest on outstanding balances.

*Other gains and losses*

On 8 July 2020, Arqiva successfully completed the sale of its Telecoms business to Cellnex in a circa £2.0bn deal. The transaction comprises the divestment of c.7,400 of Arqiva's cellular sites, including masts and towers as well as urban rooftop sites, and the right to market a further c.900 sites across the UK. In the execution of the agreement, the Group has sold six subsidiaries, the largest being Arqiva Services Limited. The Group has recognised a £1,035.2m profit on the sale of this business.

The significant majority of proceeds have been utilised to repay debt and related swap derivatives. On exit and recouponing of swap arrangements in the period, the Group has recognised £7.6m of losses on the swaps and incurred £55.9m of break costs included in the other gains and losses balance in the income statement. Further losses recognised in other gains and losses include a loss of £0.7m (2019: £9.2m gain) recognised in relation to foreign exchange movements on foreign denominated debt instruments offset by a £2.2m gain (2019: £59.3m gain) recognised as a result of fair value movements of swaps, principally attributable to the servicing of derivatives partially offset by changes in market yields and credit spreads.

**Financial position**

As at 31 December 2020 net liabilities for the Group were £679.8m, a decrease of 56.6% from £1,567.9m in the prior year. The movement has been driven by the profit recognised on the sale of the telecoms infrastructure and subsequent deleveraging of the Group through the repayment of borrowings and exit from derivative financial instruments.

**Cash flow**

A reconciliation of the reported EBITDA to net cash inflow from operating activities is provided below:

| | Six months ended 31 December 2020 £m | Six months ended 31 December 2019 £m | Year ended 30 June 2020 £m |
|---|---|---|---|
| EBITDA | 168.7 | 265.6 | 522.4 |
| Exceptional items | (8.0) | (12.2) | (34.4) |
| Working capital | 51.1 | (53.7) | (13.3) |
| Other | (0.3) | 0.1 | 0.6 |
| **Net cash inflow from operating activities** | **211.5** | **199.8** | **475.3** |

Net cash inflow from operating activities for the six month period ended 31 December 2020 was £211.5m compared to £199.8m for the prior year period, representing a 5.9% increase. This increase is driven by the sale of the Telecoms business decreasing total EBITDA for the Group offset by working capital inflows arising from the recognition of one off additional contract liabilities..

The Group's business is not seasonal in nature. Annual staff bonus payments are made in the first half of the year. The working capital outflow for the six months to 31 December 2020 was driven by a decrease in accruals following payment of VAT deferred at 30 June 2020 as well as utilisation of cash received from customers in advance (decreasing deferred income contract liabilities) and timing of payments, typical with historical trends of the business.

Net capital expenditure in the six month period ended 31 December 2020 was £29.8m compared with £60.0m in the prior year period. The overall decrease in net capital expenditure and financial investment compared with the prior year period was principally owing to decreased expenditure on significant capital projects such as the 700MHz clearance programme as it progresses and IT refresh related to the smart metering programme that is continuing but at lower levels than the prior year period.

Operating cash flow after all capital and financial investment activities was £181.7m, compared to £139.9m in the prior year period, representing an increase of 29.9% principally driven by the change in the Groups operations following the sale of the Telecoms business offset by the working capital inflows explained above.

Total cash for the Group has increased £125.6m owing to the proceeds received from the sale of the telecoms business partially offset by the cash outflows on repayment of borrowings and exit of swap arrangements and related costs incurred on the deleveraging of the Group.

**Operational delivery**

The Group continues to deliver projects and engage with all contract stakeholders to meet future milestones. This includes:

- The Smart Metering M2M contract, achieved the final network milestone BMax (99.5% network coverage) in December;

- 700MHz Clearance. Clearance events were successfully completed in August 2020. Project completion activities continues and are expected to complete by October 2021.

Other KPIs for the Group are the level of network availability across both TV and radio infrastructure. The Group's total level of network availability across both TV and radio infrastructure was 99.98% during the six months ended 31 December 2020 (six months ended 31 December 2019: 99.96%).

**Risks and uncertainties**
There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 30 June 2020, which is available from the Group's website at www.arqiva.com.

**Investors in people**
Arqiva holds an 'Investors in People Gold Award'. This is the highest level of Investors in People recognition available. Achieving the Gold Award is an outstanding recognition of the commitment and hard work put in by many colleagues across the business. Arqiva has also been awarded the IIP Health and Wellbeing Good Practice Award, confirming our commitment to support the health and wellbeing of our colleagues.

**ISO certification and Cyber security**
Arqiva holds certification to ISO/IEC 27001:2013. ISO27001 is an internationally recognised specification for an information security management system (ISMS), a framework of policies and procedures that includes all legal, physical and technical controls involved in an organisation's information risk management processes. This allows Arqiva to compete for new business which requires it to demonstrate the robustness of its security controls. Through independent review and accreditation, supported by internal monthly audits, Arqiva can confidently demonstrate its commitment to security and its adoption of secure working practices. Arqiva has held this certification since 2013 and re-certifies every three years with re-certification last given in May 2020.

Arqiva holds and Cyber Essentials. Cyber Essentials is a government-backed, industry-supported scheme to help organisations guard against the most common cyber threats and demonstrate their commitment to cyber security. Arqiva has held this certification since 2016 and recertifies annually.

**Going concern**
The Group adopts the going concern basis in preparing these interim financial statements based on the future cash flow forecasts of the Group and available cash and facilities. The Directors are confident that the Group will have adequate resources to continue in operational existence for the foreseeable future. The Directors have also taken into account the potential implications of the current COVID-19 pandemic and have determined that given there will continue to be demand for services provided by the Group and the mixed customer base of the Group, the going concern basis remains appropriate.

**Future outlook**
The Group will continue to invest in its core infrastructure markets with a continued focus on operating these businesses more efficiently in order to deliver sustained growth in earnings. Net capital investment is anticipated to reduce in line with the phasing of expenditure on the Group's major capital programmes.

On behalf of the Board

**Frank Dangeard**
**Director**
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22 February 2021

# Consolidated interim income statement

| | | Six months ended 31 December 2020 Unaudited | | | Six months ended 31 December 2019 Unaudited | | | Year ended 30 June 2020 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Continuing operations £m | Discontinued operations £m | Total £m | Continuing operations £m | Discontinued operations £m | Total £m | Continuing operations £m | Discontinued operations £m | Total £m |
| Revenue | 7 | 313.8 | 4.9 | 318.7 | 338.4 | 107.9 | 446.3 | 654.6 | 225.3 | 879.9 |
| Cost of sales | | (103.2) | (2.0) | (105.2) | (86.8) | (38.6) | (125.4) | (170.3) | (75.5) | (245.8) |
| **Gross profit** | | 210.6 | 2.9 | **213.5** | 251.6 | 69.3 | **320.9** | 484.3 | 149.8 | **634.1** |
| Depreciation | 16 | (87.2) | (0.6) | (87.8) | (94.5) | (15.8) | (110.3) | (190.8) | (16.4) | (207.2) |
| Amortisation | 15 | (5.0) | - | (5.0) | (5.6) | (0.1) | (5.7) | (10.3) | (0.1) | (10.4) |
| Exceptional operating expenses | 8 | (8.0) | - | (8.0) | (3.7) | (8.5) | (12.2) | (15.5) | (19.2) | (34.7) |
| Other operating expenses | | (44.4) | (0.4) | (44.8) | (46.0) | (9.3) | (55.3) | (93.3) | (18.4) | (111.7) |
| Total operating expenses | | (144.6) | (1.0) | (145.6) | (149.8) | (33.7) | (183.5) | (309.9) | (54.1) | (364.0) |
| Other income | | 5.8 | - | 5.8 | 4.9 | - | 4.9 | 10.5 | - | 10.5 |
| **Operating profit** | | 71.8 | 1.9 | **73.7** | 106.7 | 35.6 | **142.3** | 184.9 | 95.7 | **280.6** |

The remainder of the consolidated interim income statement continues on the next page.

| | | Six months ended 31 December 2020 Unaudited | | | Six months ended 31 December 2019 Unaudited | | | Year ended 30 June 2020 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Continuing operations £m | Discontinued operations £m | Total £m | Continuing operations £m | Discontinued operations £m | Total £m | Continuing operations £m | Discontinued operations £m | Total £m |
| **Operating profit** | | 71.8 | 1.9 | **73.7** | 106.7 | 35.6 | **142.3** | 184.9 | 95.7 | **280.6** |
| Finance income | 9 | 0.5 | - | 0.5 | 0.6 | 0.1 | 0.7 | 1.6 | 0.2 | 1.8 |
| Finance costs | 10 | (133.9) | (0.1) | (134.0) | (180.3) | (6.9) | (187.2) | (361.3) | (14.6) | (375.9) |
| Exceptional gain on disposal of discontinued operations | 13 | - | 1,035.2 | 1,035.2 | - | - | - | - | - | - |
| Other gains and losses | 11 | (62.0) | - | (62.0) | 68.5 | - | 68.5 | 114.7 | - | 114.7 |
| **(Loss) / profit before tax** | | (123.6) | 1,037.0 | **913.4** | (4.5) | 28.8 | **24.3** | (60.1) | 81.3 | **21.2** |
| Tax | 12 | (39.5) | (0.4) | (39.9) | (10.4) | (5.7) | (16.1) | 11.9 | (13.5) | (1.6) |
| **(Loss) / profit for the period** | | (163.1) | 1,036.6 | **873.5** | (14.9) | 23.1 | **8.2** | (48.2) | 67.8 | **19.6** |
| Attributable to: | | | | | | | | | | |
| Owners of the company | | | | 873.4 | | | 8.0 | | | 19.3 |
| Non-controlling interest | | | | 0.1 | | | 0.2 | | | 0.3 |
| | | | | **873.5** | | | **8.2** | | | **19.6** |

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

# Consolidated interim statement of comprehensive income

| | Note | Six months to 31 December 2020 Unaudited £m | Six months to 31 December 2019 Unaudited £m | Year ended 30 June 2020 £m |
|---|---|---|---|---|
| **Profit for the period** | | **873.5** | **8.2** | **19.6** |
| **Items that will not be reclassified subsequently to profit or loss** | | | | |
| Actuarial (loss) / gain on defined benefit pension schemes | 29 | (3.0) | 4.1 | (11.9) |
| Movement on deferred tax relating to pension schemes | | 0.6 | (0.7) | 2.3 |
| | | **(2.4)** | **3.4** | **(9.6)** |
| **Items that may be reclassified subsequently to profit or loss** | | | | |
| Exchange differences on translation of foreign operations | | 0.1 | - | - |
| | | **(2.3)** | **3.4** | **(9.6)** |
| **Total comprehensive income** | | **871.2** | **11.6** | **10.0** |
| Attributable to: | | | | |
| Owners of the Company | | 871.1 | 11.4 | 9.7 |
| Non-controlling interest | | 0.1 | 0.2 | 0.3 |
| **Total comprehensive income** | | **871.2** | **11.6** | **10.0** |

All items of other comprehensive income relate to continuing operations.

# Consolidated interim statement of financial position

| | Note | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Goodwill | 14 | 1,458.0 | 1,458.0 | 1,458.0 |
| Other intangible assets | 15 | 42.7 | 42.7 | 46.1 |
| Property, plant and equipment | 16 | 1,421.5 | 1,522.6 | 1,475.4 |
| Deferred tax | 18 | 129.0 | 152.0 | 168.1 |
| Retirement benefits | 29 | 18.6 | 31.8 | 16.1 |
| Interest in associates and joint ventures | | 0.1 | 0.1 | 0.1 |
| | | **3,069.9** | **3,207.2** | **3,163.8** |
| **Current assets** | | | | |
| Trade and other receivables | 17 | 103.3 | 111.6 | 129.9 |
| Contract assets | 17 | 39.7 | 34.6 | 36.4 |
| Cash and cash equivalents | 19 | 204.3 | 19.7 | 78.7 |
| | | **347.3** | **165.9** | **245.0** |
| Assets held for sale | 20 | - | 1,160.4 | 1,186.4 |
| | | **347.3** | **1,326.3** | **1,431.4** |
| **Total assets** | | **3,417.2** | **4,533.5** | **4,595.2** |
| **Current liabilities** | | | | |
| Borrowings | 22 | (70.2) | (617.0) | (500.7) |
| Trade and other payables | 21 | (1,442.4) | (1,366.1) | (1,551.7) |
| Contract liabilities | 21 | (103.1) | (91.5) | (90.4) |
| Provisions | 24 | (2.8) | (4.5) | (2.4) |
| | | **(1,618.5)** | **(2,079.1)** | **(2,145.2)** |
| Liabilities directly associated with the assets held for sale | 20 | - | (388.8) | (429.6) |
| | | **(1,618.5)** | **(2,467.9)** | **(2,574.8)** |
| **Net current liabilities** | | **(1,271.2)** | **(1,141.6)** | **(1,143.4)** |
| **Non-current liabilities** | | | | |
| Borrowings | 22 | (1,750.3) | (2,414.0) | (2,577.0) |
| Derivative financial instruments | 23 | (327.6) | (945.6) | (718.7) |
| Contract liabilities | 21 | (319.8) | (202.6) | (197.4) |
| Provisions | 24 | (80.8) | (71.3) | (78.3) |
| | | **(2,478.5)** | **(3,633.5)** | **(3,571.4)** |
| **Total liabilities** | | **(4,097.0)** | **(6,101.4)** | **(6,146.2)** |
| **Net liabilities** | | **(679.8)** | **(1,567.9)** | **(1,551.0)** |

| | Note | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|---|
| **Equity** | | | | |
| Share capital | | 0.1 | 0.1 | 0.1 |
| Accumulated losses | | (663.4) | (1,532.7) | (1,534.4) |
| Capital contribution reserve | | 171.2 | 152.6 | 171.2 |
| Merger reserve | | (188.5) | (188.5) | (188.5) |
| Translation reserve | | (0.5) | (0.6) | (0.6) |
| **Equity attributable to owners of the Company** | | **(681.1)** | **(1,569.1)** | **(1,552.2)** |
| Non-controlling interest | | 1.3 | 1.2 | 1.2 |
| **Total equity** | | **(679.8)** | **(1,567.9)** | **(1,551.0)** |

These condensed consolidated interim financial statements were approved by the Board of Directors on 22 February 2021 and were signed on its behalf by:

Frank Dangeard - Director

# Consolidated statement of changes in equity

| | Share capital £m | Capital contribution reserve £m | Merger reserve £m | Accumulated losses £m | Translation reserve £m | Total £m | Non-controlling interest £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2020** | **0.1** | **171.2** | **(188.5)** | **(1,534.4)** | **(0.6)** | **(1,552.2)** | **1.2** | **(1,551.0)** |
| Profit for the period | - | - | - | 873.4 | - | 873.4 | 0.1 | 873.5 |
| Other comprehensive (expense) / income | - | - | - | (2.4) | 0.1 | (2.3) | - | (2.3) |
| Total comprehensive income | - | - | - | 871.0 | 0.1 | 871.1 | 0.1 | 871.2 |
| **Balance at 31 December 2020** | **0.1** | **171.2** | **(188.5)** | **(663.4)** | **(0.5)** | **(681.1)** | **1.3** | **(679.8)** |

| | Share capital £m | Capital contribution reserve £m | Merger reserve £m | Accumulated losses £m | Translation reserve £m | Total £m | Non-controlling interest £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2019** | **0.1** | **152.6** | **(188.5)** | **(1,544.1)** | **(0.6)** | **(1,580.5)** | **1.0** | **(1,579.5)** |
| Profit for the period | - | - | - | 8.0 | - | 8.0 | 0.2 | 8.2 |
| Other comprehensive income | - | - | - | 3.4 | - | 3.4 | - | 3.4 |
| Total comprehensive income | - | - | - | 11.4 | - | 11.4 | 0.2 | 11.6 |
| **Balance at 31 December 2019** | **0.1** | **152.6** | **(188.5)** | **(1,532.7)** | **(0.6)** | **(1,569.1)** | **1.2** | **(1,567.9)** |

| | Share capital £m | Capital contribution reserve £m | Merger reserve £m | Accumulated losses £m | Translation reserve £m | Total £m | Non-controlling interest £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2019** | **0.1** | **152.6** | **(188.5)** | **(1,544.1)** | **(0.6)** | **(1,580.5)** | **1.0** | **(1,579.5)** |
| Profit for the year | - | - | - | 19.3 | - | 19.3 | 0.3 | 19.6 |
| Other comprehensive expense | - | - | - | (9.6) | - | (9.6) | - | (9.6) |
| Total comprehensive income | - | - | - | 9.7 | - | 9.7 | 0.3 | 10.0 |
| Dividends paid | - | - | - | - | - | - | (0.1) | (0.1) |
| Capital contribution | - | 18.6 | - | - | - | 18.6 | - | 18.6 |
| **Balance at 30 June 2020** | **0.1** | **171.2** | **(188.5)** | **(1,534.4)** | **(0.6)** | **(1,552.2)** | **1.2** | **(1,551.0)** |

# Consolidated interim cash flow statement

| | Note | Six months to 31 December 2020 Unaudited £m | Six months to 31 December 2019 Unaudited £m | Year ended 30 June 2020 £m |
|---|---|---|---|---|
| **Net cash inflow from operating activities** | 25 | **211.5** | **199.8** | **475.3** |
| **Investing activities** | | | | |
| Interest received | | 0.4 | 0.4 | 1.2 |
| Purchase of tangible assets | | (28.3) | (59.0) | (113.3) |
| Purchase of intangible assets | | (1.5) | (1.0) | (2.1) |
| Sale of tangible assets | | - | 0.1 | - |
| Disposal of subsidiaries net of cash disposed and deferred income generated in relation to future services | | 1,823.0 | - | - |
| | | **1,793.6** | **(59.5)** | **(114.2)** |
| **Financing activities** | | | | |
| New external borrowings | | - | 105.0 | 515.0 |
| Repayment of external borrowings | | (1,247.6) | (84.4) | (463.6) |
| Movement in borrowings | | (1,247.6) | 20.6 | 51.4 |
| Payment of lease liabilities | | (9.5) | (51.8) | (71.6) |
| Interest paid | | (53.6) | (107.4) | (232.8) |
| Debt issue costs and facility arrangement fees | | - | - | (0.5) |
| Break costs | | (55.9) | - | - |
| Cash settlement of principal accretion on inflation-linked swaps | | - | - | (48.8) |
| Cash inflow on redemption of swaps | | - | 3.1 | 5.0 |
| Cash outflow on exit of swap agreements | | (513.0) | - | - |
| | | **(1,879.6)** | **(135.5)** | **(297.3)** |
| **Increase in cash and cash equivalents** | 19 | **125.5** | **4.8** | **63.8** |

# Notes to the financial statements

## 1 General information

This condensed consolidated interim financial information does not comprise statutory accounts as defined by section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 June 2020 were approved by the board of directors on 21 September 2020 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. A copy of the audited financial statements for the year ended 30 June 2020 can be obtained from the Company Secretary at Crawley Court, Winchester, Hampshire, SO21 2QA.

## 2 Directors' responsibilities

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 Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## 3 Basis of preparation

These financial statements for the six months ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards ('IFRSs'), as adopted by the United Kingdom. The condensed set of financial statements included in this interim financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the United Kingdom.

The accounting policies adopted are consistent with the statutory accounts for the year ended 30 June 2020.

## 4 Significant judgements and key estimations

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and costs. Actual results may differ from these estimates.

In preparing these financial statements, the Group's accounting policies and the significant judgements made by management in applying key estimations were the same as those that applied to the statutory accounts for the year ended 30 June 2020.

## 5 Financial risk management

The Group's operations expose it and the Company to a variety of financial risks that include purchase price risk, credit risk, liquidity risk, financing risk, interest rate risk and foreign exchange risk. The Group's risk management programme seeks to minimise potential adverse effects. A selection of the key business risks affecting the Group are set out below together with a summary of the Group's mitigating actions.

Purchase price risk

Energy is a major component of the Group's cost base. 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 in excess of 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.

Credit risk

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

Liquidity risk

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. As at 31 December 2020 the Group had £204.3m cash and short term deposits available to cover short term cash flow timing differences if required. In addition, the Group has a £140.0m working capital facility available to cover senior interest and accretion payments if required, which also remains undrawn. Details of the debt maturity profile are provided in note 22.

Financing risk

The Group will need to refinance at least part of its debt as it matures and may need additional financing to cover capital expenditure and certain other expenses to support its growth plans. The Group cannot be certain that such financing will be readily available on attractive or historically comparable terms. The Group mitigates this risk by the strength of the stable long term investment grade capital structure in place; our BBB ratings (from Standard & Poors and Fitch) which reflect our strong ability to raise cash 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 to ensure no material concentration of refinancing risk; and aiming to complete any refinancing well in advance of the required maturity date.

Breach of debt covenants and/or a downgrade in our rating could impact the availability of finance or the competitiveness of terms. In order to mitigate this, the Group maintains financial covenant monitoring and modelling, both retrospectively and prospectively and maintains regular dialogue with its lenders and credit ratings agencies.

Interest rate risk

The Group maintains a hedging policy to manage interest rate risk, ensuring the certainty of future interest cash flows and compliance with its debt covenants. It currently has hedging in place, split between interest rate swaps and inflation swaps. Interest rate swaps convert interest costs from floating to fixed rate whilst inflation swaps convert fixed rate interest costs to RPI-linked costs, which fluctuate in line with the RPI index as do a proportion of the Group's revenue contracts. Details of the interest rate profile of the Group's borrowings are provided in note 22.

Foreign exchange risk

The Group operates predominantly from UK sites and in the UK market, but has some transactions denominated in foreign currency. While some customer and supplier contracts are denominated in other currencies (mainly US Dollars and Euros), the overwhelming 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. From time to time, forward foreign exchange contracts are used to fix the exchange rate for anticipated net exposures. Cross currency swaps were used until July 2020 to fix the exchange rate in relation to US Dollar denominated private placement notes, forming an economic hedge. Details of the cross currency swaps, and the exit from the cross currency swap agreements in July 2020, are provided in note 23.

## 6 Going concern

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 financial statements.

The Group has responded to the COVID-19 pandemic by taking deferrals on VAT payments (which have now been repaid), and also offering discounts to commercial radio customers severely impacted by the virus through loss of advertising revenues. Due to the nature of Arqiva's business, and the fact many of the contracts in place are long term contracts, we do not anticipate a long lasting impact on the business as a result of the pandemic.

# 7 Revenue and segmental information

The Group derives its revenue from the rendering of services, engineering projects and the sale of communications equipment.

The following tables disaggregate revenue from contracts with customers by our major service lines and by reportable segment:

| Six months to 31 December 2020 - Unaudited | Broadcast £m | Utilities £m | Total – continuing operations £m | Discontinued operations £m | Total £m |
|---|---|---|---|---|---|
| Rendering of services | 260.5 | 34.9 | **295.4** | 4.4 | **299.8** |
| Engineering projects | 8.5 | - | **8.5** | 0.5 | **9.0** |
| Sale of goods | - | 9.9 | **9.9** | - | **9.9** |
| **Total revenue** | **269.0** | **44.8** | **313.8** | **4.9** | **318.7** |

| Six months to 31 December 2019 - Unaudited | Broadcast £m | Utilities £m | Total – continuing operations £m | Discontinued operations £m | Total £m |
|---|---|---|---|---|---|
| Rendering of services | 274.5 | 37.6 | **312.1** | 89.4 | **401.5** |
| Engineering projects | 20.3 | - | **20.3** | 18.5 | **38.8** |
| Sale of goods | - | 6.0 | **6.0** | - | **6.0** |
| **Total revenue** | **294.8** | **43.6** | **338.4** | **107.9** | **446.3** |

| Year ended 30 June 2020 | Broadcast £m | Utilities £m | Total – continuing operations £m | Discontinued operations £m | Total £m |
|---|---|---|---|---|---|
| Rendering of services | 528.4 | 76.7 | **605.1** | 190.8 | **795.9** |
| Engineering projects | 37.4 | - | **37.4** | 34.5 | **71.9** |
| Sale of goods | - | 12.1 | **12.1** | - | **12.1** |
| **Total revenue** | **565.8** | **88.8** | **654.6** | **225.3** | **879.9** |

### 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 customer-facing business units, supported by central corporate functions which are non-revenue generating. The Group's reportable segments under IFRS 8 are:

- Broadcast; and
- Utilities

'Other' segment refers to our corporate support services, which is non-revenue generating and therefore its performance is not viewed in the same way by the Group's CODM.

| Six months to 31 December 2020 (Unaudited) | Broadcast | Utilities | Other | Discontinued operations | Consolidated |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Revenue** | **269.0** | **44.8** | **-** | **4.9** | **318.7** |
| **Segment result* (EBITDA)** | **167.7** | **19.1** | **(20.6)** | **2.5** | **168.7** |
| Depreciation and amortisation | | | | | (92.8) |
| Exceptional items | | | | | (8.0) |
| Other income | | | | | 5.8 |
| Operating profit from discontinued operations | | | | | (1.9) |
| **Operating profit from continuing operations** | | | | | **71.8** |
| Finance income | | | | | 0.5 |
| Finance costs | | | | | (133.9) |
| Other gains and losses | | | | | (62.0) |
| **Loss before tax from continuing operations** | | | | | **(123.6)** |

| Six months to 31 December 2019 (Unaudited) | Broadcast | Utilities | Other | Discontinued operations | Consolidated |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Revenue** | **294.8** | **43.6** | **-** | **107.9** | **446.3** |
| **Segment result* (EBITDA)** | **203.5** | **23.8** | **(22.0)** | **60.3** | **265.6** |
| Depreciation and amortisation | | | | | (116.0) |
| Exceptional items | | | | | (12.2) |
| Other income | | | | | 4.9 |
| Operating profit from discontinued operations | | | | | (35.6) |
| **Operating profit from continuing operations** | | | | | **106.7** |
| Finance income | | | | | 0.6 |
| Finance costs | | | | | (180.3) |
| Other gains and losses | | | | | 68.5 |
| **Loss before tax from continuing operations** | | | | | **(4.5)** |

| Year ended 30 June 2020 | Broadcast | Utilities | Other | Discontinued operations | Consolidated |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Revenue** | **565.8** | **88.8** | **-** | **225.3** | **879.9** |
| **Segment result* (EBITDA)** | **389.2** | **48.7** | **(46.9)** | **131.4** | **522.4** |
| Depreciation and amortisation | | | | | (217.6) |
| Exceptional items | | | | | (34.7) |
| Other income | | | | | 10.5 |
| Operating profit from discontinued operations | | | | | (95.7) |
| **Operating profit from continuing operations** | | | | | **184.9** |
| Finance income | | | | | 1.6 |
| Finance costs | | | | | (361.3) |
| Other gains and losses | | | | | 114.7 |
| **Loss before tax from continuing operations** | | | | | **(60.1)** |

*Segment result is defined as total operating profit before exceptional operating expenses and excluding depreciation, amortisation, profit or loss on disposal of non-current assets, impairment and share of result from joint venture and associates (i.e. EBITDA).

EBITDA is a key measure of the Group's financial performance. A reconciliation of the reported EBITDA to the financial statements is provided below:

| | Six months to 31 December 2020 Unaudited | Six months to 31 December 2019 Unaudited | Year ended 30 June 2020 |
|---|---|---|---|
| | £m | £m | £m |
| **Operating profit from continuing operations** | **71.8** | **106.7** | **184.9** |
| *Depreciation* | *87.8* | *110.3* | *207.2* |
| *Amortisation* | *5.0* | *5.7* | *10.4* |
| *Exceptional operating expenses* | *8.0* | *12.2* | *34.7* |
| *Profit from discontinued operations* | *1.9* | *35.6* | *95.7* |
| *Other income* | *(5.8)* | *(4.9)* | *(10.5)* |
| **EBITDA** | **168.7** | **265.6** | **522.4** |

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

| | Broadcast | Utilities | Other | **Consolidated** |
|---|---|---|---|---|
| | £m | £m | £m | **£m** |
| **Capital expenditure:** | | | | |
| For the six months ended 31 December 2020 (Unaudited) | 10.5 | 9.0 | 10.3 | **29.8** |
| For the six months ended 31 December 2019 (Unaudited) | 23.0 | 16.8 | 20.2 | **60.0** |
| For the year ended 30 June 2020 | 35.9 | 34.5 | 45.0 | **115.4** |

**Geographical information**

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.

| | Six months to 31 December 2020 Unaudited £m | Six months to 31 December 2019 Unaudited £m | Year ended 30 June 2020 £m |
|---|---|---|---|
| UK | 314.7 | 442.1 | 872.0 |
| Continental Europe | 3.2 | 3.1 | 6.1 |
| Rest of World | 0.8 | 1.1 | 1.8 |
| **Total revenue** | **318.7** | **446.3** | **879.9** |

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

| | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|
| UK | 2,920.3 | 3,021.3 | 2,977.8 |
| Continental Europe | 1.9 | 2.0 | 1.8 |
| Rest of World | 0.1 | 0.1 | - |
| **Total non-current assets** | **2,922.3** | **3,023.4** | **2,979.6** |

# 8 Exceptional items

Profit/(loss) on ordinary activities before taxation is stated after charging:

| | Six months to 31 December 2020 Unaudited £m | Six months to 31 December 2019 Unaudited £m | Year ended 30 June 2020 £m |
|---|---|---|---|
| **Operating expenses** | | | |
| Reorganisation and severance | (6.2) | (2.6) | (6.8) |
| Corporate finance activities | (1.8) | (9.6) | (27.9) |
| | (8.0) | (12.2) | (34.7) |
| **Other exceptional items** | | | |
| Gain on disposal of discontinued operations | 1,035.2 | - | - |
| | **1,027.2** | **(12.2)** | **(34.7)** |

Reorganisation and severance expenses include costs relating to changes in the organisational design of the business and delivery of the Group’s transformation programme. This is a one-off transformation programme that will help Arqiva streamline processes, modernise IT systems and achieve significant cost efficiencies and savings. Corporate finance activity figures relate to costs and accruals associated with one off projects, and corporate transactions.

The gain on disposal of discontinued operations relates to the sale of the Group’s Telecoms infrastructure and related assets on 8 July 2020 as disclosed in note 13.

# 9 Finance income

| | Six months to 31 December 2020 Unaudited £m | Six months to 31 December 2019 Unaudited £m | Year ended 30 June 2020 £m |
|---|---|---|---|
| Bank deposits | - | 0.1 | 0.2 |
| Finance lease interest receivable | - | - | 0.2 |
| Other loans and interest receivable | 0.5 | 0.6 | 1.4 |
| **Total finance income** | **0.5** | **0.7** | **1.8** |

# 10 Finance costs

| | Six months to 31 December 2020 Unaudited £m | Six months to 31 December 2019 Unaudited £m | Year ended 30 June 2020 £m |
|---|---|---|---|
| Interest on bank overdrafts and loans | 9.5 | 42.6 | 85.7 |
| Other loan interest | 39.2 | 57.8 | 114.5 |
| Bank and other loan interest | **48.7** | **100.4** | **200.2** |
| Amortisation of debt issue costs | 1.6 | 2.7 | 4.2 |
| Interest on lease obligations | 3.6 | 11.9 | 23.8 |
| Interest payable to other group entities | 67.2 | 61.2 | 124.5 |
| Other interest | 10.3 | 8.8 | 16.3 |
| **Total interest payable** | **82.7** | **185.0** | **369.0** |
| Unwinding of discount on provisions (see note 24) | 2.6 | 2.2 | 6.9 |
| **Total finance costs** | **134.0** | **187.2** | **375.9** |

## 11 Other gains and losses

| | Six months to 31 December 2020 Unaudited £m | Six months to 31 December 2019 Unaudited £m | Year ended 30 June 2020 £m |
|---|---|---|---|
| Foreign exchange (loss) / gain on financing | (0.7) | 9.2 | (8.1) |
| Fair value gain on derivative financial instruments (see note 23) | 2.2 | 59.3 | 121.7 |
| Break costs | (55.9) | - | - |
| **Total other gains and losses** | **(54.4)** | **68.5** | **113.6** |
| Exceptional loss on close out of interest rate swaps | (3.7) | - | - |
| Exceptional (loss) / profit on close out of inflation linked swaps | (3.9) | - | 1.1 |
| **Exceptional other gains and losses** | **(7.6)** | **-** | **1.1** |
| **Total other (loses) / gains** | **(62.0)** | **68.5** | **114.7** |

Foreign exchange gain / (loss) on financing arises on the revaluation of the Group's US dollar denominated debt (see note 22), although until July 2020 the Group economically hedged these instruments with cross currency swaps. In July 2020 the entire cross currency swap portfolio was exited as detailed in note 23).

## 12 Tax

| | Six months to 31 December 2020 Unaudited £m | Six months to 31 December 2019 Unaudited £m | Year ended 30 June 2020 £m |
|---|---|---|---|
| UK Corporation tax: | | | |
| - Current year | 0.4 | 0.2 | (1.8) |
| Current year overseas tax | - | 0.1 | - |
| Total current tax charge / (credit) | 0.4 | 0.3 | (1.8) |
| Deferred tax (see note 18): | | | |
| - Origination and reversal of temporary differences | (11.8) | 6.1 | 29.6 |
| - Change in unrecognised deferred tax assets | 51.3 | 9.7 | - |
| - Prior period adjustment | - | - | (2.7) |
| - Impact of rate change | - | - | (23.5) |
| Total deferred tax | 39.5 | 15.8 | 3.4 |
| **Total tax charge for the period** | **39.9** | **16.1** | **1.6** |
| **Income tax expense is attributable to:** | | | |
| Loss from continuing operations | **39.5** | **10.4** | **(11.9)** |
| Profit from discontinued operations | **0.4** | **5.7** | **13.5** |
| | **39.9** | **16.1** | **1.6** |

The tax charge on ordinary activities is recognised based on management's estimate of the weighted average annual corporate income tax rate expected for the full financial year. The estimated average annual tax rate for the year to 30 June 2021 on continuing operations (excluding the profit on the gain of the discontinued operations) is 18.6% (the estimated tax rate used at 31 December 2019 was 26.8%), excluding one-off tax adjustments such as the allocation of interest expense which is not deductible. The rate is different to the statutory rate mainly due to permanent differences which are not tax deductible.

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

The main rate of UK corporation tax was 19.0% during the year. In the Finance Act 2016 it was enacted that the main rate of UK corporation tax would be further reduced to 17.0% from 1 April 2020, however this reduction was reversed in Finance Act 2020. UK deferred tax has been valued at 19.0% (31 December 2019: 17.0%) as this is the rate at which the deferred tax balances are forecast to unwind.

The current tax charge in the period ended 31 December 2020 represents payments for corporation tax in respect of the discontinued operations for which corporation tax group relief cannot be provided.

## 13 Discontinued operations

On 8 July 2020, the Group sold its Telecoms infrastructure and related assets including its 100% interest in Arqiva Services Ltd and its subsidiaries. As disclosed in note 12, the profit on the disposal of the discontinued operation is not subject to UK Corporation tax.

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

| | **Six months to 31 December 2020 Unaudited £m** |
|---|---|
| Total cash consideration received | 1,945.3 |
| Less cash disposed of | 0.1 |
| Less deferred income generated in relation to future services | 122.2 |
| **Net cash inflow on disposal of discontinued operation** | **1,823.0** |
| Net assets disposed (other than cash) | |
| Goodwill | 521.0 |
| Intangible assets | 0.9 |
| Property, plant and equipment | 601.5 |
| Trade and other receivables | 17.7 |
| Contract assets | 20.2 |
| Deferred tax | 28.5 |
| Lease liabilities | (233.5) |
| Trade and other payables | (9.6) |
| Contract liabilities | (129.6) |
| Provisions | (29.3) |
| | **787.8** |
| Pre-tax gain on disposal of discontinued operation | 1,035.2 |
| **Gain on disposal of discontinued operation** | **1,035.2** |

### Result of discontinued operations

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

# 14 Goodwill

| | £m |
|---|---|
| **Cost:** | |
| At 1 July 2020 | 1,458.4 |
| **At 31 December 2020** | **1,458.4** |
| **Accumulated impairment losses:** | |
| At 1 July 2020 | 0.4 |
| **At 31 December 2020** | **0.4** |
| **Carrying amount:** | |
| **At 31 December 2020 (Unaudited)** | **1,458.0** |
| At 31 December 2019 (Unaudited) | 1,458.0 |
| At 30 June 2020 | 1,458.0 |

# 15 Other intangible assets

| | Licences | Development costs | Access rights | Software | Total |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Cost** | | | | | |
| At 1 July 2020 | 13.7 | 22.4 | 15.4 | 101.1 | 152.6 |
| Additions | - | (0.6) | - | 1.5 | 0.9 |
| Transfers from AUC (note 16) | - | 0.2 | - | 0.5 | 0.7 |
| Disposals | (0.1) | (0.2) | - | (0.2) | (0.5) |
| **At 31 December 2020** | **13.6** | **21.8** | **15.4** | **102.9** | **153.7** |
| **Accumulated amortisation** | | | | | |
| At 1 July 2020 | 7.1 | 9.8 | 15.4 | 74.2 | 106.5 |
| Charge for the period | 0.7 | 0.7 | - | 3.6 | 5.0 |
| Disposals | - | (0.2) | - | (0.3) | (0.5) |
| **At 31 December 2020** | **7.8** | **10.3** | **15.4** | **77.5** | **111.0** |
| **Carrying amount** | | | | | |
| **At 31 December 2020 (Unaudited)** | **5.8** | **11.5** | **-** | **25.4** | **42.7** |
| At 31 December 2019 (Unaudited) | 7.2 | 11.6 | - | 23.9 | 42.7 |
| At 30 June 2020 | 6.6 | 12.6 | - | 26.9 | 46.1 |

## 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 2020 | 322.0 | 145.8 | 1,786.8 | 103.1 | 2,357.7 |
| Additions | - | 3.9 | 4.2 | 38.7 | 46.8 |
| Completion of AUC | 3.2 | 0.7 | 20.6 | (24.5) | - |
| Transfers to intangibles (Note 15) | - | - | - | (0.7) | (0.7) |
| Disposals | - | (2.4) | (22.1) | - | (24.5) |
| **At 31 December 2020** | **325.2** | **148.0** | **1,789.5** | **116.6** | **2,379.3** |
| **Accumulated depreciation** | | | | | |
| At 1 July 2020 | 57.1 | 40.9 | 784.3 | - | 882.3 |
| Charge for the period | 3.3 | 8.3 | 76.2 | - | 87.8 |
| Disposals | - | (0.6) | (11.7) | - | (12.3) |
| **At 31 December 2020** | **60.4** | **48.6** | **848.8** | **-** | **957.8** |
| **Carrying amount** | | | | | |
| **At 31 December 2020 (Unaudited)** | **264.8** | **99.4** | **940.7** | **116.6** | **1,421.5** |
| At 31 December 2019 (Unaudited) | 266.0 | 107.0 | 1,049.8 | 99.8 | 1,522.6 |
| At 30 June 2020 | 264.9 | 104.9 | 1,002.5 | 103.1 | 1,475.4 |

## 17 Trade and other receivables

| | 31 December 2020 Unaudited | 31 December 2019 Unaudited | 30 June 2020 |
|---|---|---|---|
| | £m | £m | £m |
| Trade receivables | 56.1 | 63.4 | 62.1 |
| Amounts receivable from other group entities | 17.2 | 15.3 | 39.4 |
| Other receivables | 4.2 | 2.9 | 5.3 |
| Prepayments | 25.8 | 28.5 | 23.1 |
| Amounts receivable from finance lease arrangements | - | 1.5 | - |
| | **103.3** | **111.6** | **129.9** |
| Contract assets | **39.7** | **34.6** | **36.4** |

## 18 Deferred tax

| | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|
| Deferred tax asset | **131.4** | **160.3** | **171.1** |
| Deferred tax liability | **2.4** | **8.3** | **3.0** |

The net deferred tax asset of £129.0m comprises deferred tax asset on fixed asset temporary differences of £54.1m, tax losses of £23.2m, derivative financial instruments of £46.0m, other temporary differences of £8.1m and a deferred tax liability on retirement benefits of £2.4m.

## 19 Cash and cash equivalents

| | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|
| Cash at bank | 164.3 | 8.9 | 48.7 |
| Short term deposits | 40.0 | 10.8 | 30.0 |
| **Total cash and cash equivalents** | **204.3** | **19.7** | **78.7** |

## 20 Disposal group held for sale

On 8 October 2019, management committed to a plan for the sale of its' Telecoms infrastructure and related assets. The sale was completed in July 2020 (see note 13).

**Assets and liabilities of disposal group held for sale**

| | Note | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|---|
| Goodwill | | - | 521.0 | 521.0 |
| Property, plant and equipment | | - | 563.6 | 599.8 |
| Intangible assets | | - | 1.1 | 0.9 |
| Trade and other receivables | | - | 28.4 | 15.9 |
| Contract assets | | - | 17.2 | 20.2 |
| Cash and cash equivalents | | - | - | 0.1 |
| Deferred tax | | - | 29.1 | 28.5 |
| **Assets held for sale** | | **-** | **1,160.4** | **1,186.4** |
| Lease liabilities | | - | (250.4) | (233.5) |
| Trade and other payables | | - | (38.6) | (37.2) |
| Contract liabilities | | - | (94.4) | (129.6) |
| Provisions | | - | (5.4) | (29.3) |
| **Liabilities held for sale** | | **-** | **(388.8)** | **(429.6)** |

## 21 Trade and other payables

| | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|
| **Current** | | | |
| Trade payables | 26.2 | 36.3 | 40.0 |
| Amounts payable to other group entities | 1,343.0 | 1,236.6 | 1,279.5 |
| Taxation and social security | 12.5 | 17.9 | 53.3 |
| Other payables | 4.6 | 3.4 | 5.5 |
| Accruals | 56.1 | 71.9 | 173.4 |
| **Total current trade and other payables** | **1,442.4** | **1,366.1** | **1,551.7** |
| Contract liabilities | **103.1** | **91.5** | **90.4** |
| **Non-Current** | | | |
| Contract liabilities | **319.8** | **202.6** | **197.4** |

## 22 Borrowings

| | | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|---|
| **Within current liabilities:** | | | | |
| Lease liabilities | *Sterling denominated* | 20.7 | 20.0 | 21.7 |
| Bank facility | *Sterling denominated* | - | 140.0 | 350.0 |
| Senior bonds and notes (amortising) | *Sterling denominated* | 39.5 | 415.4 | 72.7 |
| | *US dollar denominated* | - | 31.3 | 46.7 |
| Accrued interest on junior and senior financing[1] | *Sterling denominated* | 10.0 | 10.3 | 9.6 |
| **Borrowings due within one year** | | **70.2** | **617.0** | **500.7** |
| **Within non-current liabilities:** | | | | |
| Bank loans | | **261.0** | **368.8** | **369.0** |
| - *Senior debt* | *Sterling denominated* | *262.0* | *370.0* | 370.0 |
| - *Issue costs* | *Sterling denominated* | *(1.0)* | *(1.2)* | (1.0) |
| Bank facility | *Sterling denominated* | **-** | **-** | **200.0** |
| Other loans | | **1,352.9** | **1,894.6** | **1,861.6** |
| - *Senior bonds and notes* | *Sterling denominated* | *738.0* | *1,069.6* | 1,043.3 |
| | *US dollar denominated* | *-* | *212.2* | 204.3 |
| - *Junior bonds* | *Sterling denominated* | *625.0* | *625.0* | 625.0 |
| - *Issue costs* | *Sterling denominated* | *(10.1)* | *(12.1)* | (11.0) |
| Amounts payable to other group entities | Sterling denominated | **45.2** | **45.2** | **45.2** |
| Lease liabilities | Sterling denominated | **90.9** | **105.3** | **101.2** |
| **Borrowings due after more than one year** | | **1,750.0** | **2,414.0** | **2,577.0** |

[1] The balance at 31 December 2020 is shown net of £1.1m (31 December 2019: £1.3m; 30 June 2020 £1.8m) interest receivable under swap arrangements associated with the underlying financing.

| | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|
| Analysis of total borrowings by currency: | | | |
| Sterling | 1,820.2 | 2,787.5 | 2,826.7 |
| US Dollar | - | 243.5 | 251.0 |
| **Total borrowings** | **1,820.2** | **3,031.0** | **3,077.7** |

The majority of the balances within amounts payable to other group entities were formalised under a single subordinated loan agreement with the direct parent company which has a long-term maturity date of 2033. These loans cannot be recalled earlier than the final maturity date other than with the agreement of the borrower.

The fair value of the senior quoted bonds based upon observable market prices (fair value hierarchy level 1) was £586.0m (31 December 2019: £949.2m; 30 June 2020: £584.8m) whilst their carrying amount was £484.0m (31 December 2019: £860.7m; 30 June 2020: £497.3m). In June 2020, the Group repaid in full the 4.04% Senior Bonds issued for £350.0m.

The fair value of the junior quoted bonds based upon observable market prices (fair value hierarchy level 1) was £646.7m (31 December 2019: £667.4m; 30 June 2020: £650.2m) whilst their carrying value was £625.0m (31 December 2019: £625.0m; 30 June 2020: £625.0m).

The fair value of fixed rate privately placed senior debt determined from observable market prices for quoted instruments as a proxy measure (fair value hierarchy level 2) was £nil (31 December 2019: £411.0m; 30 June 2020: £445.6m) whilst their carrying amount was £nil (31 December 2019: £389.4m; 30 June 2020: £391.2m), as the Group fully repaid these debt arrangements in July 2020.

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

The weighted average interest rate of borrowings is 5.51% (31 December 2019: 7.16%; 30 June 2020: 6.6%).
An analysis of total borrowings (excluding issue costs and accrued interest) by maturity is as follows:

| | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|
| **Borrowings fall due within:** | | | |
| One year | 60.2 | 606.7 | 500.7 |
| One to five years | 1,159.3 | 1,632.4 | 1,835.2 |
| More than five years | 601.8 | 794.9 | 753.8 |
| **Total** | **1,821.3** | **3,034.0** | **3,089.7** |

**Bank loans** entirely comprise of **senior debt**. **Other loans** are comprised from the Group's **senior bonds & notes** and **junior bonds**.

**Senior debt** includes an institutional term loan with £90.0m outstanding (31 December 2019: £180.0m; 30 June 2020: £180.0m) with an expected maturity date of December 2023; a loan from the European Investment Bank with £172.0m outstanding (31 December 2019: £190.0m; 30 June 2020: £190.0m) with an expected maturity date of June 2024 and capital expenditure and working capital facilities with £nil outstanding (31 December 2019: £140.0m; 30 June 2020: £550.0m) with an expected maturity date of March 2021. All of these facilities are floating rate in nature with a margin over LIBOR of between 130 and 205 bps. From the proceeds of the sale of the Group's Telecommunications business unit, the Group repaid £90.0m of the institutional term loan, £18.0m of the European Investment Bank loan and all £550.0m of drawn capital expenditure facility balances in July and August 2020.

The Group has £390.0m (31 December 2019: £500.0m; 30 June 2020: £250.0m) of undrawn senior debt facilities available. These facilities are at floating interest rates. For further information on the Group's liquidity risk management, see note 5.

**Senior bonds and notes** include a combination of publicly listed bonds and US private placement notes.

As at 31 December 2020, the Group has £484.0m sterling denominated bonds outstanding with fixed interest rates ranging between 4.88% and 5.34%. These bonds have scheduled amortisation between June 2021 and December 2032 and are listed on the London Stock Exchange. Arqiva Financing Plc is the issuer of all the Group's senior listed bonds.

The remaining senior notes relate to a number of US private placement issues. The Group has £293.4m (31 December 2019: £478.5m; 30 June 2020: £478.5m) of sterling denominated floating rate US private placements that are amortising in nature with repayments due between June 2021 and December 2029. These instruments have a margin over LIBOR of between 210 and 220 bps. Prior to being fully repaid in July 2020, the Group held fixed rate US private placements (31 December 2019: £389.4m; 30 June 2020: £391.2m) in sterling and US dollar denominated notes. At the hedged rate these are valued at £nil (31 December 2019: £356.7m; 30 June 2020: £342.7m). Arqiva PP Financing Plc ('APPF') is the issuer of all of the Group's private placement notes. From the proceeds of the sale of the Group's Telecommunications business unit, the Group repaid the remaining £251.0m of fixed rate US dollar denominated notes, as well as the remaining £140.2m of fixed rate sterling denominated notes in July and August 2020, as well as a partial repayment of £172.3m of floating rate sterling notes,

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

**Junior bonds** of £625.0m (31 December 2019: £625m; 30 June 2020: £625m) represent amounts raised from the issuance of notes by Arqiva Broadcast Finance Plc. These notes have a fixed interest rate of 6.75% and are repayable in September 2023. These notes are listed on the Luxembourg Market and have interest cover and debt leverage covenants attached. The Group continues to comply with all covenant requirements.

# 23 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 31 December 2020 was 6.0% (31 December 2019: 5.3%; 30 June 2020: 5.9%). The weighted average period of funding was 4.8 years (31 December 2019: 4.2 years; 30 June 2020: 4.5 years).

Within the Group's financial liabilities were borrowings of £1,821.3m excluding issue costs and accrued interest (31 December 2019: £3,034.0m; 30 June 2020: £3,068.1m) (see note 22), which includes £555.4m (31 December 2019: £988.5m; 30 June 2020: £1,398.5m) with floating interest and the remainder with fixed interest (prior to hedging arrangements).

**Derivative financial instruments**
The Group seeks to manage the exposures of its debt payment obligations through a combination of index linked, interest rate and cross currency swaps.

At the period end, the Group held interest rate swaps with notional amounts of £444.6m which hedge the interest obligations of the Group's floating rate debt. The average fixed rate on these instruments is 0.2%. The swap contracts have termination dates that match the maturities of the underlying floating rate debt instruments (see note 22). Between July and September 2020, the Group exited or recouponed a number of interest rate swap arrangements, reducing the notional holdings of interest rate swaps by £395.1m, whilst recognising losses upon exit totalling £3.7m.

The Group has also entered into index linked swaps (notional amount of £681.8m) where it receives floating and pays fixed interest obligations to an average rate of 2.908% indexed with RPI. The notional amounts of these swaps increase with RPI and these accretion amounts are cash settled annually in June. All of these instruments have a maturity date of April 2027. These instruments were established to hedge the Group's fixed rate debt (namely fixed rate sterling) and in order to ensure that the cash flow characteristics align with these instruments, the Group has entered into £643.0m of fixed to floating rate interest rate swaps to match the cash flows on both the fixed rate debt instruments and the index linked swaps set out above. In July and August 2020, following the Group's repayment of £391.2m fixed rate US private placement sterling and US dollar denominated notes and £350m public bond maturing in June 2020, the Group exited or recouponed a number of index linked swap arrangements, reducing the notional holdings of index linked swaps by £630.7m, whilst recognising losses upon exit totalling £3.9m.

The Group previously held USD cross-currency swaps to fix the Sterling cost of future interest and capital repayment obligations relating to the US dollar denominated private placement issue at an exchange rate of 1.52. The entire cross-currency swap portfolio was exited in July 2020 with the fair value at time of disposal being £51.8m.

The fair value of the interest rate and inflation rate swaps at 31 December 2020 excluding the inflation swap principal accretion of £5.7m (31 December 2019: £38.4m; 30 June 2020: £nil), is a liability of £321.9m (31 December 2019: £907.2m; 30 June 2020: £718.7m). This fair value is calculated using a risk-adjusted discount rate.

**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 and inflation rate swaps (as disclosed below) 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.

The following table details the fair value of financial instruments recognised on the statement of financial position within non-current liabilities:

| | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|
| Interest rate swaps | (1.0) | (255.5) | (261.5) |
| Inflation-linked interest rate swaps (including principal accretion of £5.7m; 31 December 2019: £38.4m; 30 June 2020: £nil) | (326.6) | (717.9) | (507.8) |
| Cross-currency swaps | - | 27.8 | 50.6 |
| **Total** | **(327.6)** | **(945.6)** | **(718.7)** |
| | | | |
| Change in fair value recognised in the income statement: | | | |
| - Attributable to changes in market conditions | 6.0 | 74.8 | 124.4 |
| - Attributable to changes in perceived credit risk | (3.8) | (15.5) | (2.7) |
| **Total profit recognised in the income statement** | **2.2** | **59.3** | **121.7** |
| Cash settlement of principal accretion on inflation-linked swaps | - | - | 48.8 |
| Accrued settlement on close out of inflation linked swaps | - | - | 116.5 |
| Cash outflow / (inflow) on redemption of swaps | 396.5 | (3.1) | (5.1) |
| Exceptional (loss) / gain recognised on close out of inflation linked swaps | (3.9) | - | 1.1 |
| Exceptional loss recognised on close out of interest rate swaps | (3.7) | - | - |
| **Total change in fair value** | **391.1** | **56.2** | **283.1** |

Where possible, the Group seeks to match the maturity of any derivative contracts with that of debt instruments that it has issued.

## 24 Provisions

| | Decommissioning | Restructuring | Remediation and maintenance | Other | Total |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| At 1 July 2020 | 69.4 | 1.0 | 5.1 | 5.2 | 80.7 |
| Unwind of discount (note 10) | 2.5 | - | 0.1 | - | 2.6 |
| Utilised | - | (0.6) | (0.1) | - | (0.7) |
| Released to income statement | - | - | - | (4.3) | (4.3) |
| Charged to income statement | - | 1.0 | - | 4.3 | 5.3 |
| **At 31 December 2020 (Unaudited)** | **71.9** | **1.4** | **5.1** | **5.2** | **83.6** |
| At 31 December 2019 (Unaudited) | 65.1 | 3.1 | 5.2 | 2.4 | 75.8 |
| At 30 June 2020 | 69.4 | 1.0 | 5.1 | 5.2 | 80.7 |

| | 31 December 2020 Unaudited | 31 December 2019 Unaudited | 30 June 2020 |
|---|---|---|---|
| | £m | £m | £m |
| **Analysed as:** | | | |
| Current | 2.8 | 4.5 | 2.4 |
| Non-current | 80.8 | 71.3 | 78.3 |
| | **83.6** | **75.8** | **80.7** |

## 25 Notes to the cash flow statement

Reconciliation from operating profit to net cash from operating activities:

| | Six months to 31 December 2020 Unaudited | Six months to 31 December 2019 Unaudited | Year ended 30 June 2020 |
|---|---|---|---|
| | £m | £m | £m |
| Operating profit | 73.7 | 142.3 | 280.6 |
| Adjustments: | | | |
| Depreciation of property, plant and equipment | 87.8 | 110.3 | 207.2 |
| Amortisation of intangible assets | 5.0 | 5.7 | 10.4 |
| Loss on disposal of property, plant and equipment | - | - | 0.8 |
| Other income | (5.8) | (4.9) | (10.5) |
| Operating cash flows before movements in working capital | **160.7** | **253.4** | **488.5** |
| Decrease / (increase) in receivables | 4.9 | (25.9) | (6.4) |
| Increase / (decrease) in payables | 46.2 | (27.0) | (6.9) |
| Increase / (decrease) in provisions | 0.2 | (0.8) | - |
| **Cash generated from operating activities** | **212.0** | **199.7** | **475.2** |
| Taxes paid | (0.5) | 0.1 | 0.1 |
| **Net cash inflow from operating activities** | **211.5** | **199.8** | **475.3** |

Analysis of changes in financial liabilities:

| | At 1 July 2020 £m | Changes in financing cash flows (Cash) £m | Changes in foreign exchange (Non-cash) £m | Changes in fair value (Non-cash) £m | Other changes including accrued interest (Non-cash) £m | At 31 December 2020 £m |
|---|---|---|---|---|---|---|
| Current borrowings (Note 22) | 491.1 | (462.0) | - | - | 31.1 | 60.2 |
| Non-current borrowings (Note 22) | 2,577.0 | (798.7) | 0.7 | - | (29.0) | 1,750.0 |
| Accrued interest on borrowings (Note 22) | 9.6 | (53.6) | - | - | 54.0 | 10.0 |
| Derivative financial instrument Liabilities (Note 23) | 718.7 | (513.0) | - | (2.2) | 124.1 | 327.6 |
| **Total** | **3,796.4** | **(1,827.3)** | **0.7** | **(2.2)** | **180.2** | **2,147.8** |

## 26 Financial commitments and contingent liabilities

**Financing commitments**
Under the terms of the Groups 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:

| | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|
| Within one year | 16.5 | 18.5 | 15.1 |
| Within two to five years | - | - | 0.5 |
| **Total capital commitments** | **16.5** | **18.5** | **15.6** |

There are no capital commitments payable in more than five years.

## 27 Leases

**Leases as lessee (IFRS 16)**

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

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

| | Leasehold buildings £m | Plant and equipment £m | Total £m |
|---|---|---|---|
| Balance at 1 July 2020 | 68.3 | 51.0 | 119.3 |
| Depreciation charge for the year | (5.7) | (7.1) | (12.8) |
| Additions to right of use assets | 3.8 | 4.2 | 8.0 |
| Derecognition of right of use assets | (2.3) | (8.4) | (10.7) |
| **Balance at 31 December 2020** | **64.1** | **39.7** | **103.8** |

**Amounts recognised in the Income Statement**

| Leases under IFRS 16 | Six months to 31 December 2020 Unaudited £m | Six months to 31 December 2019 Unaudited £m | Year ended 30 June 2020 £m |
|---|---|---|---|
| Interest on lease liabilities | 3.6 | 11.5 | 23.8 |
| Expenses relating to variable lease payments not included in the measurement of lease liabilities | 5.1 | - | 11.2 |

**Amounts recognised in the cashflow statement**

| | Six months to 31 December 2020 Unaudited £m | Six months to 31 December 2019 Unaudited £m | Year ended 30 June 2020 £m |
|---|---|---|---|
| Total cash outflow for leases | 13.1 | 51.8 | 95.4 |

## 28 Related party transactions

Balances and transactions between Group entities, 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 29.

The disclosure of transactions with related parties reflects the periods in which the related party relationships exist. The disclosure of amounts outstanding to/from related parties at the reporting date reflects related party relationships at that date.

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 | | |
|---|---|---|---|---|---|---|
| | Six months to 31 December 2020 £m | Six months to 31 December 2019 £m | Year ended 30 June 2020 £m | Six months to 31 December 2020 £m | Six months to 31 December 2019 £m | Year ended 30 June 2020 £m |
| Associates | - | - | - | 3.2 | 3.2 | 5.6 |
| Joint ventures | 2.0 | 2.1 | 4.3 | 1.4 | 1.3 | 2.5 |
| Entities under common influence | 1.2 | - | 1.1 | 1.0 | - | - |
| Other group entities | 25.9 | 27.5 | 55.3 | - | - | - |
| | **29.1** | **29.6** | **60.7** | **5.6** | **4.5** | **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.

As at 31 December 2020, the amount payable to joint ventures was £nil (31 December 2019: £nil; 30 June 2020: £0.9m).

As at 31 December 2020, the amount receivable from associates was £0.4m (31 December 2019: £nil; 30 June 2020: £0.5m) and the amount payable to associates was £nil (31 December 2019: £nil; 30 June 2020: £0.4m).

As at 31 December 2020, the amount receivable from entities under common influence was £0.8m (31 December 2019: £nil; 30 June 2020: £1.8m).

Details of the balances the Group held with its immediate parent and other subsidiaries within the largest Group in which the Company and its subsidiaries consolidate (see note 30) are set out in notes 17, 21 and 22.

# 29 Retirement benefits

**Defined benefit scheme**

In the period to 31 December 2020, the Group operated one defined benefit plan ('the 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 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 18 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 2017 by an independent firm of consulting actuaries. The triennial valuation due as at 30 June 2020 has commenced but is not expected to be completed until later in 2021. 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 from the triennial valuation figures.

Amounts recognised in the income statement in respect of the defined benefit plan were as follows:

| | Six months to 31 December 2020 Unaudited £m | Six months to 31 December 2019 Unaudited £m | Year ended 30 June 2020 £m |
|---|---|---|---|
| Components of defined benefit finance income recognised in profit or loss | (0.1) | (0.3) | (0.6) |
| | **(0.1)** | **(0.3)** | **(0.6)** |

The net interest item has been included within finance income (see note 9). 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:

| | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|
| Return on Plan assets excluding Interest Income | 14.7 | 2.5 | 18.9 |
| Experience gains arising on the Plan's liabilities | - | - | 2.2 |
| Actuarial (losses)/gains arising from changes in financial assumptions | (17.7) | 1.6 | (32.2) |
| Actuarial losses arising from changes in demographic assumptions | - | - | (0.8) |
| | **(3.0)** | **4.1** | **(11.9)** |

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:

| | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|
| Fair value of Plan assets | 301.5 | 266.1 | 282.9 |
| Present value of Plan liabilities | (282.9) | (234.3) | (266.8) |
| **Surplus** | **18.6** | **31.8** | **16.1** |

## 30 Controlling parties

The Company's immediate parent undertaking is Arqiva Financing No 3 Plc ('AF3'). Arqiva Group Limited ('AGL') is the ultimate UK parent undertaking and is the largest Group in which these financials are consolidated.

AGL is owned by a consortium of shareholders comprising Canada Pension Plan Investment Board, Macquarie European Infrastructure Fund II plus other Macquarie managed funds, Health Super Investments, IFM Investors Global Infrastructure Fund and the Motor Trades Association of Australia.

# Arqiva Group Parent Limited

**Registered number 08085794**

## Condensed Consolidated Interim Financial Statements

**For the six months ended 31 December 2020**

# Table of Contents

# Interim financial report

The Directors of Arqiva Group Parent Limited ('AGPL'), registered company number 08085794, ('the Company') and its subsidiaries ('the Group') provide the following interim financial report and condensed consolidated interim financial statements ('financial statements'), in respect of the six months ended 31 December 2020.

**Cautionary statement**
This interim financial report ('IFR') 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 IFR, 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 utilities 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.

**Business overview**

Arqiva is one of the UK's leading communications infrastructure and media services providers, with significant investments in essential communications infrastructure. The Group's core business comprises of Broadcast and Utilities markets. It generates predictable earnings, supported by strong market positions, diverse revenue streams, long-life assets and long-term inflation linked contracts. The sale of the Telecoms business was successfully completed in July 2020. The Group had a contracted orderbook of £3.8bn as at 30 June 2020 for the remaining business after the Telecoms sale.

**Recent Developments since 30 June 2020**

**Corporate updates**

**Sale of telecoms business**
The sale of the Telecoms business to Cellnex completed in July 2020. The Group's operational and asset separation relating to the Telecoms sale has largely been completed. Operationally, Arqiva will continue to support Cellnex's UK business via Transitional Services Agreements (TSA) for a period of up to 18 months from the deal completion date.

**New organisation structure**
Arqiva is implementing a new integrated organisation structure that will help better serve our customers, their delivery requirements, and the products and services that we provide. This change will:

- Place productivity, innovation and sustainability at the heart of our actions;
- Create a high performance, high engagement culture; and
- Deliver financial outcomes that create value.

**Brexit**
Arqiva has been reviewing the impact on its supply chain following the Brexit deal in December 2020. The Group will broadly have no impact as we are predominately UK based with key customers also in the UK.

**COVID 19**
Despite the extended lockdown Arqiva continues to provide customers with essential communications infrastructure for our broadcast and utility customers. We have deployed business continuity plans as part of our operational and financial risk mitigation, to ensure the safety of our staff and the ongoing provision of services for our customers.

Measures are in place across a number of areas including:

- Ensuring workplaces and activities conform to the Government's COVID Secure guidelines;
- Using rapid flow antigen tests for our key workers;
- Implementing alternative working arrangements and technology to keep our employees and contractors safe;
- Ensuring that we plan and deliver our activities in line with Government alert levels;
- Ensuring regular communication with critical suppliers, identifying and managing any risks;
- Ensuring disaster recovery plans can be invoked for critical assets and systems;
- Cyber security, where we have reviewed and further strengthened this; and
- Financial liquidity – where we continue to review our available facilities. We had benefitted from the Government's VAT deferral scheme but repaid the full amount during this period.

**Transformation update**
Our Digital Transformation has continued uninterrupted by COVID 19. Following the successful launch of our Service Transformation and implementation of our single ServiceNow platform (IT service portal), we continued with our Finance Transformation and the implementation of a new Oracle ERP system in December 2020. Our Site Transformation programme remains on track with the launch of our Siterra platform (site data management) in mid-2021 hosted in our new cloud based data management solution which was implemented alongside our Service platform last year. Both our Network Modernisation and Digital Workplace programmes continue to deliver to plan.

**Broadcast**

**700 MHz Clearance and DTT spectrum**
The Government (DCMS) has recognised the success of the 700 MHz Clearance programme and the fact that it was under budget and ahead of schedule in terms of making the spectrum available for auction. The planned auction of the 700MHz spectrum by Ofcom has been delayed from January 2021 to March 2021 due to COVID 19 impact. Subject to the notice period being triggered, Arqiva will continue to have the right to remain in this spectrum with its DVB-T2 multiplex until June 2022.

Arqiva's project completion activities will continue with a project team until around October 2021, including the removal of the temporary mast at Emley Moor; decommissioning of temporary site works and financial reconciliation of spend with Ofcom. The team size continues to reduce as the project ramps down in accordance with the agreed plan.

**Freeview – Arqiva steps down as a shareholder in Digital UK**
In December 2020, Digital UK announced that Arqiva will stand down as a shareholder in the Freeview marketing consortium, Digital UK from March 2021. The agreement means that Arqiva will withdraw from its Board involvement in Digital UK, which leads the day-to-day management of the DTT platform as well as the long-term strategy and development of the Freeview service.

For the remaining shareholders (BBC, ITV and C4) this is an opportunity for greater collaboration in how viewers find public service programming in the connected world, whilst remaining committed to working with the wider industry to ensure that Freeview remains a vibrant, competitive and open hybrid TV platform. Whilst no longer a shareholder of Digital UK, Arqiva will maintain its important role in the Freeview platform, both as an independent national multiplex operator - carrying around half of the channels on the Freeview platform - and as the sole transmission provider for the Digital Terrestrial TV (DTT) platform.

**Digital Platforms channel utilisation**
Arqiva's main (DVB-T) multiplexes saw an increase in utilisation to 94% as at 31 December 2020. Since the last period which saw the launch of Sky Arts on one of our main DTT Multiplexes, GB News UK has been contracted for a 24 hour slot also on one of the main DTT Multiplexes. Arqiva will distribute GB News to all major UK platforms. Our solution will allow GB News to access all major DTT, satellite and cable platforms reaching more than 96% of British television households. The full-service proposition will see Arqiva execute the launch and manage the programme delivery for GB News, allowing the channel to capitalise on flexible content distribution solutions through a seamless combination of traditional fibre and our fully managed 'Virtual Connect' cloud-based products. This deal brings a new channel to the DTT platform, which demonstrates the continued value of Freeview.

TV viewing on the DTT/Freeview platform has remained strong during the current pandemic period as more people stay at home. TV has provided a vital way of keeping people informed, helping with social isolation and entertainment. The wide reach of the DTT platform has been of vital national importance for delivering news and other information to the whole nation and for supporting society during the current pandemic. There have recently also been positive signs of media markets recovering more quickly than expected following the downturn in early 2020. In December 2020 the DCMS issued a consultation on DTT Multiplex licences which is also exploring the longevity of the platform.

**Radio**
COVID 19 continues to impact commercial radio. There were signs of a promising recovery in national advertising and during November 2020 advertising revenues held up despite the national lockdown. Local advertising, on the other hand did see some impact. Despite positive news about effective vaccines, concern about repeated lockdowns continued to affect confidence and revenues in the overall radio market, particularly local sectors.

The Government praised Arqiva for the financial support given to commercial radio following the first lockdown. During the autumn, we initiated discussions to provide additional help for customers. A follow on financial package has been agreed, which was more narrowly focussed on smaller local stations and was jointly funded with DCMS. The aim is to help secure the future of UK local radio and provide an additional boost to the radio sector during this challenging period.

Despite the pandemic, customers continued to launch new stations on Arqiva's local DAB digital radio multiplexes across the country. On the Sound Digital national multiplex (a joint venture of Arqiva 40%, Bauer 30% and Wireless Group 30%) Love Sport came off air at the end of December 2020 and a new station, JACK Rock was launched. Digital One (the national multiplex wholly owned by Arqiva) remains at 100% occupancy. In addition, renewals with our major customers Global and Bauer were secured in October 2020.

The Government's Radio and Audio Review continues with Arqiva playing an active role alongside other stakeholders to review the future of radio. Most of the research, data gathering, and analysis has been completed and DCMS are leading the process to identify key themes for the final report which will be published in coming months.

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

**Utilities**

**New proof of concepts**
Arqiva has engaged with industry suppliers and utility companies as it looks to expand its presence in the utilities industry. Building on our established credibility in critical national infrastructure and security we are leveraging our relationships with existing and new utility customers by exploring a number of proofs of concept (PoCs) with them. This includes a trial of "hybrid connectivity" services by utilising our satellite, cellular and private radio solutions. We have signed a trial with SGN recently which will go live in March 2021. The PoCs will give our utility customers the opportunity to improve the management of their operational networks.

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

Anglian successfully commenced their meter rollout on 6 July which was less than one month from contract signature. The meter roll-out has now ramped up to over 700 per day and as at 31 December 2020, we were providing service to over 90,000 installed meters under our network.

**Thames Water**
Since April 2015, Arqiva has delivered a smart metering network that enables the collection, management and transfer of metering data for Thames Water. At 31 December 2020, there were nearly 500,000 meters installed and well over 11 million meter readings being delivered per day. It is currently the largest smart water metering network in the UK and has high coverage across the Thames Water London region. At the beginning of June, Thames announced publicly that round-the-clock data from smart meters across London has helped it find and repair a record number of leaks, hit its regulatory target, and reduce overall leakage from its 20,000 mile network of pipes by 15 per cent in one year. In November 2020 they announced that using the data had helped to prevent over 12 million litres per day leakage since April 2020. Smart meters have helped Thames Water achieve what it described as the water industry's "biggest reduction in leakage this century".

**Yorkshire Water**
Arqiva was selected by Yorkshire Water to deliver and monitor a smart metering fixed-network trial as part of its plans to revolutionise its leakage detection programme. This two-year exercise will see Arqiva build and monitor the fixed-network infrastructure to facilitate the operation of new smart water meters for non-household customers across 30 of Yorkshire

Water's areas. Designed to facilitate real-time monitoring, the collection and presentation of frequent meter reading data provided by the service will allow Yorkshire Water to reduce demand for water by rapidly identifying leaks and helping customers understand their usage. Meter installations began in mid-May 2020 and our network went live at the end of June 2020.

**Other smart water metering trials**

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

**Smart energy metering rollout**

The Group's smart metering communication network in the North of England and Scotland now covers 99.5% of premises. Arqiva achieved its final contracted coverage milestone (BMax) in December 2020 despite COVID 19 restrictions. The customer, Smart DCC Ltd, (DCC), continues to submit change requests that reflect new industry requirements, but at a reduced volume compared to the previous period.

The Group continues to support the DCC and their users ahead of meter rollout programmes. DCC has reported that there are now c. 6.5 million SMETS2 meters on the national network.

**Financial results**
The following table summarises the headline financials for the period:

| | Six Months Ended 31 December 2020 | 2019 | % Change |
|---|---|---|---|
| | (Unaudited) £ millions | | |
| Broadcast | 269.0 | 294.8 | (8.8)% |
| Utilities[1] | 44.8 | 43.6 | 2.8% |
| **Total continuing operations revenue** | **313.8** | **338.4** | **(7.3)%** |
| Discontinued operations | 4.9 | 107.9 | (95.5)% |
| **Total Group revenue** | **318.7** | **446.3** | **(28.6)%** |
| | | | |
| Broadcast | 167.7 | 203.5 | (17.6)% |
| Utilities | 19.1 | 23.8 | (19.7)% |
| Other[2] | (20.6) | (21.9) | (6.4)% |
| **Total continuing operations EBITDA** | **166.2** | **205.3** | **(19.0)%** |
| Discontinued operations | 2.5 | 60.3 | (95.9)% |
| **Total EBITDA (excluding exceptional items)** | **168.7** | **265.7** | **(36.5)%** |
| | | | |
| Net cash inflow from operating activities | 211.6 | 199.9 | 5.9% |
| Net capital expenditure | (29.8) | (60.0) | (50.3)% |
| Net financial investment | - | 0.1 | (100.0)% |
| | | | |
| **Operating cash flow after capital and financial investment activities** | **181.8** | **140.0** | **29.9%** |

**Income Statement**

*Revenue*

For the six month period ended 31 December 2020, revenue for the Group was £318.7m, a decrease of 28.6% from the prior year. Included within revenue is £4.9m (31 December 2019: £107.9m) associated with discontinued operations related to the Group's telecoms infrastructure and related assets which were sold on 8 July 2020. Revenue from continuing operations has decreased 7.3%.

Broadcast

Revenue for the Group's broadcast business during the six month period ended 31 December 2020 was £269.0m, representing an 8.8% decrease from £294.8m in the prior year period. This decrease has been driven by managed decreases on the 700MHz Clearance programme as expected as the programme reaches completion with major works completed in August 2020, as well as reduced revenues on the main (DVB-T2) multiplex owing to a small number of customers reviewing their channel portfolios, as well as impacts owing to the COVID-19 pandemic with discounts provided to independent commercial radio customers to support them through this period. Also included within broadcast revenues are £13m of new revenues related to the utilisation of broadcast sites for telecommunications equipment and transitional services provided following the sale of the telecoms towers business to Cellnex.

Utilities

Revenues from utilities have increased 2.8% year on year from £43.6m to £44.8m. The increase is driven by the ramp up of revenues from water metering contracts that were won in the prior year. This increase has been partially offset by a slight decrease in energy metering contracts driven by a reduction in incremental change request revenue.

[1] For the avoidance of doubt, Smart Metering machine-to-machine financials included in this report refer solely to the AGPL financials.

[2] "Other" refers to the Group's corporate business unit, i.e. the Company's finance, legal, HR and IT services.

*EBITDA*

For the six months ended 31 December 2020 EBITDA (as defined in Note 7) for the total reported Group excluding exceptional items was £168.7m, representing a 36.5% decrease from £265.6m in the prior year period. Excluding the EBITDA from the telecoms business sold, continuing operations EBITDA has decreased 19.0% from £205.3m to £166.2m. The decrease to EBITDA has been driven by the reductions in revenues partially offset by decreases in other areas and changes in product mix impacting margins.

Broadcast

EBITDA for the Group's Broadcast business during the six month period ended 31 December 2020 was £167.7m, representing a 17.6% decrease from £203.5m in the prior year period. The movement is predominantly due to the decrease in revenue as described above including reductions in DTT multiplexes and lower activity levels on the 700MHz clearance programme partially offset by rent and rates costs on existing sites recovered through the new broadcast revenues following sale of the telecoms business as explained above.

Utilities

EBITDA for the utilities business has decreased 19.7% from £23.8m to £19.1m despite an increase in revenue. This change in margin is driven by the change in product mix with higher volumes of lower margin, devices revenues.

EBITDA for the Other business unit, which reflects the Group's corporate services, has seen costs decrease from £22.0m to £20.6m owing to lower salary costs driven primarily by a reduction in headcount.

*Depreciation*

Depreciation for the Group during the six month period ended 31 December 2020 was £87.2m, a decrease of 7.7% from the prior year period figure of £94.5m for continuing operations. The decrease is driven by a reduction in accelerated depreciation from the prior year period particularly in connection with assets replaced under the 700MHz Clearance Programme as the programme winds down.

*Amortisation*

Amortisation for the Group during the six month period ended 31 December 2020 was £5.0m, compared to the prior year period figure of £5.6m.

*Exceptional operating expenses*

Exceptional operating expenses for the Group during the six month period ended 31 December 2020 were £8.0m, reduced from £12.2m during the prior year period. Exceptional items charged to operating profit in the current year predominantly relate to transaction costs associated with one off projects including costs associated with the changes in the organisational design of the business and repayment of debt instruments following the divestment of the Group's telecoms towers business.

*Net bank and other loan interest*

Net bank and other loan interest for the Group for the six month period was £27.6m compared to £79.4m in the prior year period. This decrease was as a result of reduced principal amounts following the repayment of debt principal and swap portfolio closed out in the period.

*Other interest*

Other interest for the continuing operations of the Group for the six month period was £17.1m, compared to £22.5m in the prior year period. Other interest is primarily non-cash and principally includes the amortisation of debt issue costs, interest on lease obligations and imputed interest.

*Interest payable to group undertakings*

Interest payable to group undertakings for the six month period was £89.7m, compared to £83.1m in the prior year period. The increase is due to the additional interest on outstanding balances.

*Other gains and losses*

On 8 July 2020, Arqiva successfully completed the sale of its Telecoms business to Cellnex in a circa £2.0bn deal. The transaction comprises the divestment of c.7,400 of Arqiva's cellular sites, including masts and towers as well as urban rooftop sites, and the right to market a further c.900 sites across the UK. In the execution of the agreement, the Group has sold six subsidiaries, the largest being Arqiva Services Limited. The Group has recognised a £1,035.2m profit on the sale of this business.

The significant majority of proceeds have been utilised to repay debt and related swap derivatives. On exit and recouponing of swap arrangements in the period, the Group has recognised £7.6m of losses on the swaps and incurred £55.9m of break costs included in the other gains and losses balance in the income statement. Further losses recognised in other gains and losses include a loss of £0.7m (2019: £9.2m gain) recognised in relation to foreign exchange movements on foreign denominated debt instruments offset by a £2.2m gain (2019: £59.3m gain) recognised as a result of fair value movements of swaps, principally attributable to the servicing of derivatives partially offset by changes in market yields and credit spreads.

**Financial position**

As at 31 December 2020 net liabilities for the Group were £521.5, a decrease of 63.0% from £1,408.8m in the prior year. The movement has been driven by the profit recognised on the sale of the telecoms infrastructure and subsequent deleveraging of the Group through the repayment of borrowings and exit from derivative financial instruments.

**Cash flow**

A reconciliation of the reported EBITDA to net cash inflow from operating activities is provided below:

| | Six months ended 31 December 2020 £m | Six months ended 31 December 2019 £m | Year ended 30 June 2020 £m |
|---|---|---|---|
| EBITDA | 168.7 | 265.6 | 522.4 |
| Exceptional items | (8.0) | (12.2) | (34.4) |
| Working capital | 51.2 | (53.7) | (13.3) |
| Other | (0.3) | 0.1 | 0.6 |
| **Net cash inflow from operating activities** | **211.6** | **199.8** | **475.3** |

Net cash inflow from operating activities for the six month period ended 31 December 2020 was £211.6m compared to £199.8m for the prior year period, representing a 5.9% increase. This increase is driven by the sale of the Telecoms business decreasing total EBITDA for the Group offset by working capital inflows arising from the recognition of one off additional contract liabilities.

The Group's business is not seasonal in nature. Annual staff bonus payments are made in the first half of the year. The working capital outflow for the six months to 31 December 2020 was driven by a decrease in accruals following payment of VAT deferred at 30 June 2020 as well as utilisation of cash received from customers in advance (decreasing deferred income contract liabilities) and timing of payments, typical with historical trends of the business.

Net capital expenditure in the six month period ended 31 December 2020 was £29.8m compared with £60.0m in the prior year period. The overall decrease in net capital expenditure and financial investment compared with the prior year period was principally owing to decreased expenditure on significant capital projects such as the 700MHz clearance programme as it progresses and IT refresh related to the smart metering programme that is continuing but at lower levels than the prior year period.

Operating cash flow after all capital and financial investment activities was £181.8m, compared to £140.0 in the prior year period, representing an increase of 29.9% principally driven by the change in the Groups operations following the sale of the Telecoms business offset by the working capital inflows explained above.

Total cash for the Group has increased £125.7m owing to the proceeds received from the sale of the telecoms business partially offset by the cash outflows on repayment of borrowings and exit of swap arrangements and related costs incurred on the deleveraging of the Group.

**Operational delivery**
The Group continues to deliver projects and engage with all contract stakeholders to meet future milestones. This includes:

- The Smart Metering M2M contract, achieved the final network milestone BMax (99.5% network coverage) in December;

- 700MHz Clearance. Clearance events were successfully completed in August 2020. Project completion activities continues and are expected to complete by October 2021.

Other KPIs for the Group are the level of network availability across both TV and radio infrastructure. The Group's total level of network availability across both TV and radio infrastructure was 99.98% during the six months ended 31 December 2020 (six months ended 31 December 2019: 99.96%).

**Risks and uncertainties**
There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 30 June 2020, which is available from the Group's website at www.arqiva.com.

**Investors in people**
Arqiva holds an 'Investors in People Gold Award'. This is the highest level of Investors in People recognition available. Achieving the Gold Award is an outstanding recognition of the commitment and hard work put in by many colleagues across the business. Arqiva has also been awarded the IIP Health and Wellbeing Good Practice Award, confirming our commitment to support the health and wellbeing of our colleagues.

**ISO certification and Cyber security**
Arqiva holds certification to ISO/IEC 27001:2013. ISO27001 is an internationally recognised specification for an information security management system (ISMS), a framework of policies and procedures that includes all legal, physical and technical controls involved in an organisation's information risk management processes. This allows Arqiva to compete for new business which requires it to demonstrate the robustness of its security controls. Through independent review and accreditation, supported by internal monthly audits, Arqiva can confidently demonstrate its commitment to security and its adoption of secure working practices. Arqiva has held this certification since 2013 and re-certifies every three years with re-certification last given in May 2020.

Arqiva holds and Cyber Essentials. Cyber Essentials is a government-backed, industry-supported scheme to help organisations guard against the most common cyber threats and demonstrate their commitment to cyber security. Arqiva has held this certification since 2016 and recertifies annually.

**Going concern**
The Group adopts the going concern basis in preparing these interim financial statements based on the future cash flow forecasts of the Group and available cash and facilities. The Directors are confident that the Group will have adequate resources to continue in operational existence for the foreseeable future. The Directors have also taken into account the potential implications of the current COVID-19 pandemic and have determined that given there will continue to be demand for services provided by the Group and the mixed customer base of the Group, the going concern basis remains appropriate.

**Future outlook**
The Group will continue to invest in its core infrastructure markets with a continued focus on operating these businesses more efficiently in order to deliver sustained growth in earnings. Net capital investment is anticipated to reduce in line with the phasing of expenditure on the Group's major capital programmes.

On behalf of the Board

**Frank Dangeard**
**Director**
Crawley Court
Winchester
Hampshire
SO21 2QA

22 February 2021

# Consolidated interim income statement

| | Note | Six months ended 31 December 2020 Unaudited | | | Six months ended 31 December 2019 Unaudited | | | Year ended 30 June 2020 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Continuing operations £m | Discontinued operations £m | Total £m | Continuing operations £m | Discontinued operations £m | Total £m | Continuing operations £m | Discontinued operations £m | Total £m |
| Revenue | 7 | 313.8 | 4.9 | 318.7 | 338.4 | 107.9 | 446.3 | 654.6 | 225.3 | 879.9 |
| Cost of sales | | (103.2) | (2.0) | (105.2) | (86.8) | (38.6) | (125.4) | (170.3) | (75.5) | (245.8) |
| **Gross profit** | | 210.6 | 2.9 | **213.5** | 251.6 | 69.3 | **320.9** | 484.3 | 149.8 | **634.1** |
| Depreciation | 16 | (87.2) | (0.6) | (87.8) | (94.5) | (15.8) | (110.3) | (190.8) | (16.4) | (207.2) |
| Amortisation | 15 | (5.0) | - | (5.0) | (5.6) | (0.1) | (5.7) | (10.3) | (0.1) | (10.4) |
| Exceptional operating expenses | 8 | (8.0) | - | (8.0) | (3.7) | (8.5) | (12.2) | (15.2) | (19.2) | (34.4) |
| Other operating expenses | | (44.4) | (0.4) | (44.8) | (46.0) | (9.3) | (55.2) | (93.3) | (18.4) | (111.7) |
| Total operating expenses | | (144.6) | (1.0) | (145.6) | (149.8) | (33.7) | (183.4) | (309.6) | (54.1) | (363.7) |
| Other income | | 5.8 | - | 5.8 | 4.9 | - | 4.9 | 10.5 | - | 10.5 |
| **Operating profit** | | 71.8 | 1.9 | **73.7** | 106.7 | 35.6 | **142.4** | 185.2 | 95.7 | **280.9** |

The remainder of the consolidated interim income statement continues on the next page.

| | | Six months ended 31 December 2020 Unaudited | | | Six months ended 31 December 2019 Unaudited | | | Year ended 30 June 2020 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Continuing operations £m | Discontinued operations £m | Total £m | Continuing operations £m | Discontinued operations £m | Total £m | Continuing operations £m | Discontinued operations £m | Total £m |
| **Operating profit** | | 71.8 | 1.9 | **73.7** | 106.8 | 35.6 | **142.2** | 185.2 | 95.7 | **280.9** |
| Finance income | 9 | 0.5 | - | 0.5 | 0.6 | 0.1 | 0.7 | 1.6 | 0.2 | 1.8 |
| Finance costs | 10 | (134.4) | (0.1) | (134.5) | (180.3) | (6.9) | (187.2) | (361.1) | (14.6) | (375.7) |
| Exceptional gain on disposal of discontinued operations | 13 | - | 1,035.2 | 1,035.2 | - | - | - | - | - | - |
| Other gains and losses | 11 | (62.0) | - | (62.0) | 68.5 | - | 68.5 | 114.7 | - | 114.7 |
| **(Loss) / profit before tax** | | (124.1) | 1,037.0 | **912.9** | (4.4) | 28.8 | **24.4** | (59.6) | 81.3 | **21.7** |
| Tax | 12 | (39.5) | (0.4) | (39.9) | (10.4) | (5.7) | (16.1) | 11.8 | (13.5) | (1.7) |
| **(Loss) / profit for the period** | | (163.6) | 1,036.6 | **873.0** | (14.8) | 23.1 | **8.3** | (47.8) | 67.8 | **20.0** |
| Attributable to: | | | | | | | | | | |
| Owners of the company | | | | 872.9 | | | 8.1 | | | 19.7 |
| Non-controlling interest | | | | 0.1 | | | 0.2 | | | 0.3 |
| | | | | **873.0** | | | **8.3** | | | **20.0** |

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

# Consolidated interim statement of comprehensive income

| | Note | Six months to 31 December 2020 Unaudited £m | Six months to 31 December 2019 Unaudited £m | Year ended 30 June 2020 £m |
|---|---|---|---|---|
| **Profit for the period** | | **873.0** | **8.3** | **20.0** |
| **Items that will not be reclassified subsequently to profit or loss** | | | | |
| Actuarial (loss) / gain on defined benefit pension schemes | 29 | (3.0) | 4.1 | (11.9) |
| Movement on deferred tax relating to pension schemes | | 0.6 | (0.7) | 2.3 |
| | | **(2.4)** | **3.4** | **(9.6)** |
| **Items that may be reclassified subsequently to profit or loss** | | | | |
| Exchange differences on translation of foreign operations | | 0.1 | - | - |
| | | **(2.3)** | **3.4** | **(9.6)** |
| **Total comprehensive income** | | **870.7** | **11.7** | **10.4** |
| Attributable to: | | | | |
| Owners of the Company | | 870.6 | 11.5 | 10.1 |
| Non-controlling interest | | 0.1 | 0.2 | 0.3 |
| **Total comprehensive income** | | **870.7** | **11.7** | **10.4** |

All items of other comprehensive income relate to continuing operations.

# Consolidated interim statement of financial position

| | Note | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Goodwill | 14 | 1,458.0 | 1,458.0 | 1,458.0 |
| Other intangible assets | 15 | 42.7 | 42.7 | 46.1 |
| Property, plant and equipment | 16 | 1,421.5 | 1,522.6 | 1,475.4 |
| Deferred tax | 18 | 129.0 | 152.0 | 168.1 |
| Retirement benefits | 29 | 18.6 | 31.8 | 16.1 |
| Interest in associates and joint ventures | | 0.1 | 0.1 | 0.1 |
| | | **3,069.9** | **3,207.2** | **3,163.8** |
| **Current assets** | | | | |
| Trade and other receivables | 17 | 216.8 | 182.1 | 130.0 |
| Contract assets | 17 | 39.7 | 34.6 | 36.4 |
| Cash and cash equivalents | 19 | 203.8 | 18.4 | 78.0 |
| | | **460.3** | **235.1** | **244.4** |
| Assets held for sale | 20 | - | 1,160.4 | 1,186.4 |
| | | **460.3** | **1,395.5** | **1,430.8** |
| **Total assets** | | **3,530.2** | **4,602.7** | **4,594.6** |
| **Current liabilities** | | | | |
| Borrowings | 22 | (59.5) | (606.3) | (490.0) |
| Trade and other payables | 21 | (1,576.6) | (1,454.5) | (1,570.7) |
| Contract liabilities | 21 | (103.1) | (91.5) | (90.4) |
| Provisions | 24 | (2.8) | (4.5) | (2.4) |
| | | **(1,742.0)** | **(2,156.8)** | **(2,153.5)** |
| Liabilities directly associated with the assets held for sale | 20 | - | (388.8) | (429.6) |
| | | **(1,742.0)** | **(2,545.6)** | **(2,583.1)** |
| **Net current liabilities** | | **(1,281.7)** | **(1,150.1)** | **(1,152.3)** |
| **Non-current liabilities** | | | | |
| Borrowings | 22 | (1,580.9) | (2,246.4) | (2,408.7) |
| Derivative financial instruments | 23 | (327.6) | (945.6) | (718.7) |
| Contract liabilities | 21 | (319.8) | (202.6) | (197.4) |
| Provisions | 24 | (80.8) | (71.3) | (78.3) |
| | | **(2,309.1)** | **(3,465.9)** | **(3,403.1)** |
| **Total liabilities** | | **(4,051.1)** | **(6,011.5)** | **(5,986.2)** |
| **Net liabilities** | | **(520.9)** | **(1,408.8)** | **(1,391.6)** |

| | Note | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|---|
| **Equity** | | | | |
| Share capital | | 0.1 | 0.1 | 0.1 |
| Accumulated losses | | (696.1) | (1,565.2) | (1,566.6) |
| Capital contribution reserve | | 362.8 | 344.2 | 362.8 |
| Merger reserve | | (188.5) | (188.5) | (188.5) |
| Translation reserve | | (0.5) | (0.6) | (0.6) |
| **Equity attributable to owners of the Company** | | **(522.2)** | **(1,410.0)** | **(1,392.8)** |
| Non-controlling interest | | 1.3 | 1.2 | 1.2 |
| **Total equity** | | **(520.9)** | **(1,408.8)** | **(1,391.6)** |

These condensed consolidated interim financial statements were approved by the Board of Directors on 22 February 2021 and were signed on its behalf by:

Frank Dangeard - Director

# Consolidated statement of changes in equity

| | Share capital £m | Capital contribution reserve £m | Merger reserve £m | Accumulated losses £m | Translation reserve £m | Total £m | Non-controlling interest £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2020** | **0.1** | **362.8** | **(188.5)** | **(1,566.6)** | **(0.6)** | **(1,392.8)** | **1.2** | **(1,391.6)** |
| Profit for the period | - | - | - | 872.9 | - | 872.9 | 0.1 | 873.0 |
| Other comprehensive (expense) / income | - | - | - | (2.4) | 0.1 | (2.3) | - | (2.3) |
| Total comprehensive income | - | - | - | 870.5 | 0.1 | 870.6 | 0.1 | 870.7 |
| **Balance at 31 December 2020** | **0.1** | **362.8** | **(188.5)** | **(696.1)** | **(0.5)** | **(522.2)** | **1.3** | **(520.9)** |

| | Share capital £m | Capital contribution reserve £m | Merger reserve £m | Accumulated losses £m | Translation reserve £m | Total £m | Non-controlling interest £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2019** | **0.1** | **344.2** | **(188.5)** | **(1,576.7)** | **(0.6)** | **(1,421.5)** | **1.0** | **(1,420.5)** |
| Profit for the period | - | - | - | 8.1 | - | 8.1 | 0.2 | 8.3 |
| Other comprehensive income | - | - | - | 3.4 | - | 3.4 | - | 3.4 |
| Total comprehensive income | - | - | - | 11.5 | - | 11.5 | 0.2 | 11.7 |
| **Balance at 31 December 2019** | **0.1** | **344.2** | **(188.5)** | **(1,565.2)** | **(0.6)** | **(1,410.0)** | **1.2** | **(1,408.8)** |

| | Share capital £m | Capital contribution reserve £m | Merger reserve £m | Accumulated losses £m | Translation reserve £m | Total £m | Non-controlling interest £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2019** | **0.1** | **344.2** | **(188.5)** | **(1,576.7)** | **(0.6)** | **(1,421.5)** | **1.0** | **(1,420.5)** |
| Profit for the year | - | - | - | 19.7 | - | 19.7 | 0.3 | 20.0 |
| Other comprehensive expense | - | - | - | (9.6) | - | (9.6) | - | (9.6) |
| Total comprehensive income | - | - | - | 10.1 | - | 10.1 | 0.3 | 10.4 |
| Dividends paid | - | - | - | - | - | - | (0.1) | (0.1) |
| Capital contribution | - | 18.6 | - | - | - | 18.6 | - | 18.6 |
| **Balance at 30 June 2020** | **0.1** | **362.8** | **(188.5)** | **(1,566.6)** | **(0.6)** | **(1,392.8)** | **1.2** | **(1,391.6)** |

# Consolidated interim cash flow statement

| | Note | Six months to 31 December 2020 Unaudited £m | Six months to 31 December 2019 Unaudited £m | Year ended 30 June 2020 £m |
|---|---|---|---|---|
| **Net cash inflow from operating activities** | 25 | **211.6** | **199.9** | **475.7** |
| **Investing activities** | | | | |
| Interest received | | 0.4 | 0.4 | 1.2 |
| Purchase of tangible assets | | (28.3) | (59.0) | (113.3) |
| Purchase of intangible assets | | (1.5) | (1.0) | (2.1) |
| Sale of tangible assets | | - | 0.1 | - |
| Disposal of subsidiaries net of cash disposed and deferred income generated on purchase price allocation | | 1,823.0 | - | - |
| | | **1,793.6** | **(59.5)** | **(114.2)** |
| **Financing activities** | | | | |
| New external borrowings | | - | 105.0 | 515.0 |
| Repayment of external borrowings | | (1,247.6) | (84.4) | (463.6) |
| Repayment to parent undertakings | | (21.1) | (21.1) | (42.2) |
| Movement in borrowings | | (1,268.7) | 0.5 | 9.2 |
| Payment of lease liabilities | | (9.5) | (51.8) | (71.6) |
| Interest paid | | (32.4) | (86.2) | (190.2) |
| Debt issue costs and facility arrangement fees | | - | - | (0.5) |
| Break costs | | (55.9) | - | - |
| Cash settlement of principal accretion on inflation-linked swaps | | - | - | (48.8) |
| Cash inflow on redemption of swaps | | - | 3.1 | 5.0 |
| Cash outflow on exit of swap agreements | | (513.0) | - | - |
| | | **(1,879.5)** | **(135.4)** | **(296.9)** |
| **Increase in cash and cash equivalents** | 19 | **125.7** | **5.0** | **64.6** |

# Notes to the financial statements

## 1 General information

This condensed consolidated interim financial information does not comprise statutory accounts as defined by section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 June 2020 were approved by the board of directors on 21 September 2020 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. A copy of the audited financial statements for the year ended 30 June 2020 can be obtained from the Company Secretary at Crawley Court, Winchester, Hampshire, SO21 2QA.

## 2 Directors' responsibilities

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 Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## 3 Basis of preparation

These financial statements for the six months ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards ('IFRSs'), as adopted by the United Kingdom. The condensed set of financial statements included in this interim financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the United Kingdom.

The accounting policies adopted are consistent with the statutory accounts for the year ended 30 June 2020.

## 4 Significant judgements and key estimations

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and costs. Actual results may differ from these estimates.

In preparing these financial statements, the Group's accounting policies and the significant judgements made by management in applying key estimations were the same as those that applied to the statutory accounts for the year ended 30 June 2020.

## 5 Financial risk management

The Group's operations expose it and the Company to a variety of financial risks that include purchase price risk, credit risk, liquidity risk, financing risk, interest rate risk and foreign exchange risk. The Group's risk management programme seeks to minimise potential adverse effects. A selection of the key business risks affecting the Group are set out below together with a summary of the Group's mitigating actions.

Purchase price risk

Energy is a major component of the Group's cost base. 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 in excess of 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.

Credit risk

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

Liquidity risk

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. As at 31 December 2020 the Group had £203.8m cash and short term deposits available to cover short term cash flow timing differences if required. In addition, the Group has a £140.0m working capital facility available to cover senior interest and accretion payments if required, which also remains undrawn. Details of the debt maturity profile are provided in note 22.

Financing risk

The Group will need to refinance at least part of its debt as it matures and may need additional financing to cover capital expenditure and certain other expenses to support its growth plans. The Group cannot be certain that such financing will be readily available on attractive or historically comparable terms. The Group mitigates this risk by the strength of the stable long term investment grade capital structure in place; our BBB ratings (from Standard & Poors and Fitch) which reflect our strong ability to raise cash 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 to ensure no material concentration of refinancing risk; and aiming to complete any refinancing well in advance of the required maturity date.

Breach of debt covenants and/or a downgrade in our rating could impact the availability of finance or the competitiveness of terms. In order to mitigate this, the Group maintains financial covenant monitoring and modelling, both retrospectively and prospectively and maintains regular dialogue with its lenders and credit ratings agencies.

Interest rate risk

The Group maintains a hedging policy to manage interest rate risk, ensuring the certainty of future interest cash flows and compliance with its debt covenants. It currently has hedging in place, split between interest rate swaps and inflation swaps. Interest rate swaps convert interest costs from floating to fixed rate whilst inflation swaps convert fixed rate interest costs to RPI-linked costs, which fluctuate in line with the RPI index as do a proportion of the Group's revenue contracts. Details of the interest rate profile of the Group's borrowings are provided in note 22.

Foreign exchange risk

The Group operates predominantly from UK sites and in the UK market, but has some transactions denominated in foreign currency. While some customer and supplier contracts are denominated in other currencies (mainly US Dollars and Euros), the overwhelming 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. From time to time, forward foreign exchange contracts are used to fix the exchange rate for anticipated net exposures. Cross currency swaps were used until July 2020 to fix the exchange rate in relation to US Dollar denominated private placement notes, forming an economic hedge. Details of the cross currency swaps, and the exit from the cross currency swap agreements in July 2020, are provided in note 23.

## 6 Going concern

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 financial statements.

The Group has responded to the COVID-19 pandemic by taking deferrals on VAT payments (which have now been repaid), and also offering discounts to commercial radio customers severely impacted by the virus through loss of advertising revenues. Due to the nature of Arqiva's business, and the fact many of the contracts in place are long term contracts, we do not anticipate a long lasting impact on the business as a result of the pandemic.

# 7 Revenue and segmental information

The Group derives its revenue from the rendering of services, engineering projects and the sale of communications equipment.

The following tables disaggregate revenue from contracts with customers by our major service lines and by reportable segment:

| Six months to 31 December 2020 - Unaudited | Broadcast £m | Utilities £m | Total – continuing operations £m | Discontinued operations £m | Total £m |
|---|---|---|---|---|---|
| Rendering of services | 260.5 | 34.9 | **295.4** | 4.4 | **299.8** |
| Engineering projects | 8.5 | - | **8.5** | 0.5 | **9.0** |
| Sale of goods | - | 9.9 | **9.9** | - | **9.9** |
| **Total revenue** | **269.0** | **44.8** | **313.8** | **4.9** | **318.7** |

| Six months to 31 December 2019 - Unaudited | Broadcast £m | Utilities £m | Total – continuing operations £m | Discontinued operations £m | Total £m |
|---|---|---|---|---|---|
| Rendering of services | 274.5 | 37.6 | **312.1** | 89.4 | **401.5** |
| Engineering projects | 20.3 | - | **20.3** | 18.5 | **38.8** |
| Sale of goods | - | 6.0 | **6.0** | - | **6.0** |
| **Total revenue** | **294.8** | **43.6** | **338.4** | **107.9** | **446.3** |

| Year ended 30 June 2020 | Broadcast £m | Utilities £m | Total – continuing operations £m | Discontinued operations £m | Total £m |
|---|---|---|---|---|---|
| Rendering of services | 528.4 | 76.7 | **605.1** | 190.8 | **795.9** |
| Engineering projects | 37.4 | - | **37.4** | 34.5 | **71.9** |
| Sale of goods | - | 12.1 | **12.1** | - | **12.1** |
| **Total revenue** | **565.8** | **88.8** | **654.6** | **225.3** | **879.9** |

**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 customer-facing business units, supported by central corporate functions which are non-revenue generating. The Group's reportable segments under IFRS 8 are:

- Broadcast; and
- Utilities

'Other' segment refers to our corporate support services, which is non-revenue generating and therefore its performance is not viewed in the same way by the Group's CODM.

| Six months to 31 December 2020 (Unaudited) | Broadcast | Utilities | Other | Discontinued operations | Consolidated |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Revenue** | **269.0** | **44.8** | **-** | **4.9** | **318.7** |
| **Segment result* (EBITDA)** | **167.7** | **19.1** | **(20.6)** | **2.5** | **168.7** |
| Depreciation and amortisation | | | | | (92.8) |
| Exceptional items | | | | | (8.0) |
| Other income | | | | | 5.8 |
| Operating profit from discontinued operations | | | | | (1.9) |
| **Operating profit from continuing operations** | | | | | **71.8** |
| Finance income | | | | | 0.5 |
| Finance costs | | | | | (134.4) |
| Other gains and losses | | | | | (62.0) |
| **Loss before tax from continuing operations** | | | | | **(124.1)** |

| Six months to 31 December 2019 (Unaudited) | Broadcast | Utilities | Other | Discontinued operations | Consolidated |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Revenue** | **294.8** | **43.6** | **-** | **107.9** | **446.3** |
| **Segment result* (EBITDA)** | **203.5** | **23.8** | **(21.9)** | **60.3** | **265.7** |
| Depreciation and amortisation | | | | | (116.0) |
| Exceptional items | | | | | (12.2) |
| Other income | | | | | 4.9 |
| Operating profit from discontinued operations | | | | | (35.6) |
| **Operating profit from continuing operations** | | | | | **106.8** |
| Finance income | | | | | 0.6 |
| Finance costs | | | | | (180.3) |
| Other gains and losses | | | | | 68.5 |
| **Loss before tax from continuing operations** | | | | | **(4.4)** |

| **Year ended 30 June 2020** | **Broadcast** | **Utilities** | **Other** | **Discontinued operations** | **Consolidated** |
|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | £m | **£m** |
| **Revenue** | **565.8** | **88.8** | **-** | **225.3** | **879.9** |
| **Segment result* (EBITDA)** | **389.2** | **148.7** | **(46.9)** | **131.4** | **522.4** |
| Depreciation and amortisation | | | | | (217.6) |
| Exceptional items | | | | | (34.4) |
| Other income | | | | | 10.5 |
| Operating profit from discontinued operations | | | | | (95.7) |
| **Operating profit from continuing operations** | | | | | **185.2** |
| Finance income | | | | | 1.6 |
| Finance costs | | | | | (361.1) |
| Other gains and losses | | | | | 114.7 |
| **Loss before tax from continuing operations** | | | | | **(59.6)** |

*Segment result is defined as total operating profit before exceptional operating expenses and excluding depreciation, amortisation, profit or loss on disposal of non-current assets, impairment and share of result from joint venture and associates (i.e. EBITDA).

EBITDA is a key measure of the Group's financial performance. A reconciliation of the reported EBITDA to the financial statements is provided below:

| | **Six months to 31 December 2020 Unaudited** | **Six months to 31 December 2019 Unaudited** | **Year ended 30 June 2020** |
|---|---|---|---|
| | **£m** | **£m** | **£m** |
| **Operating profit from continuing operations** | **71.8** | **106.8** | **185.2** |
| *Depreciation* | *87.8* | *110.3* | *207.2* |
| *Amortisation* | *5.0* | *5.7* | *10.4* |
| *Exceptional operating expenses* | *8.0* | *12.2* | *34.4* |
| *Profit from discontinued operations* | *1.9* | *35.6* | *95.7* |
| *Other income* | *(5.8)* | *(4.9)* | *(10.5)* |
| **EBITDA** | **168.7** | **265.7** | **522.4** |

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

| | Broadcast | Utilities | Other | **Consolidated** |
|---|---|---|---|---|
| | £m | £m | £m | **£m** |
| **Capital expenditure:** | | | | |
| For the six months ended 31 December 2020 (Unaudited) | 10.5 | 9.0 | 10.3 | **29.8** |
| For the six months ended 31 December 2019 (Unaudited) | 23.0 | 16.8 | 20.2 | **60.0** |
| For the year ended 30 June 2020 | 35.9 | 34.5 | 45.0 | **115.4** |

**Geographical information**

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.

| | Six months to 31 December 2020 Unaudited £m | Six months to 31 December 2019 Unaudited £m | Year ended 30 June 2020 £m |
|---|---|---|---|
| UK | 314.7 | 442.1 | 872.0 |
| Continental Europe | 3.2 | 3.1 | 6.1 |
| Rest of World | 0.8 | 1.1 | 1.8 |
| **Total revenue** | **318.7** | **446.3** | **879.9** |

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

| | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|
| UK | 2,920.3 | 3,021.3 | 2,977.8 |
| Continental Europe | 1.9 | 2.0 | 1.8 |
| Rest of World | 0.1 | 0.1 | - |
| **Total non-current assets** | **2,922.3** | **3,023.4** | **2,979.6** |

# 8 Exceptional items

Profit/(loss) on ordinary activities before taxation is stated after charging:

| | Six months to 31 December 2020 Unaudited £m | Six months to 31 December 2019 Unaudited £m | Year ended 30 June 2020 £m |
|---|---|---|---|
| **Operating expenses** | | | |
| Reorganisation and severance | (6.2) | (2.6) | (6.8) |
| Corporate finance activities | (1.8) | (9.6) | (27.6) |
| | **(8.0)** | **(12.2)** | **(34.4)** |
| **Other exceptional items** | | | |
| Gain on disposal of discontinued operations | 1,035.2 | - | - |
| | **1,027.2** | **(12.2)** | **(34.7)** |

Reorganisation and severance expenses include costs relating to changes in the organisational design of the business and delivery of the Group’s transformation programme. This is a one-off transformation programme that will help Arqiva streamline processes, modernise IT systems and achieve significant cost efficiencies and savings.

Corporate finance activity figures relate to costs and accruals associated with one off projects, and corporate transactions.

The gain on disposal of discontinued operations relates to the sale of the Group’s Telecoms infrastructure and related assets on 8 July 2020 as disclosed in note 13.

# 9 Finance income

| | Six months to 31 December 2020 Unaudited £m | Six months to 31 December 2019 Unaudited £m | Year ended 30 June 2020 £m |
|---|---|---|---|
| Bank deposits | - | 0.1 | 0.2 |
| Finance lease interest receivable | - | - | 0.2 |
| Other loans and interest receivable | 0.5 | 0.6 | 1.4 |
| **Total finance income** | **0.5** | **0.7** | **1.8** |

# 10 Finance costs

| | Six months to 31 December 2020 Unaudited £m | Six months to 31 December 2019 Unaudited £m | Year ended 30 June 2020 £m |
|---|---|---|---|
| Interest on bank overdrafts and loans | 9.5 | 42.6 | 85.7 |
| Other loan interest | 18.1 | 36.8 | 72.4 |
| Bank and other loan interest | **27.6** | **79.4** | **158.1** |
| Amortisation of debt issue costs | 0.8 | 1.9 | 2.7 |
| Interest on lease obligations | 3.6 | 11.9 | 23.8 |
| Interest payable to other group entities | 89.7 | 83.1 | 168.2 |
| Other interest | 10.2 | 8.7 | 16.0 |
| **Total interest payable** | **131.9** | **185.0** | **368.8** |
| Unwinding of discount on provisions (see note 24) | 2.6 | 2.2 | 6.9 |
| **Total finance costs** | **134.5** | **187.2** | **375.7** |

## 11 Other gains and losses

| | Six months to 31 December 2020 Unaudited £m | Six months to 31 December 2019 Unaudited £m | Year ended 30 June 2020 £m |
|---|---|---|---|
| Foreign exchange (loss) / gain on financing | (0.7) | 9.2 | (8.1) |
| Fair value gain on derivative financial instruments (see note 23) | 2.2 | 59.3 | 121.7 |
| Break costs | (55.9) | - | - |
| **Total other gains and losses** | **(54.4)** | **68.5** | **113.6** |
| Exceptional loss on close out of interest rate swaps | (3.7) | - | - |
| Exceptional (loss) / profit on close out of inflation linked swaps | (3.9) | - | 1.1 |
| **Exceptional other gains and losses** | **(7.6)** | **-** | **1.1** |
| **Total other (loses) / gains** | **(62.0)** | **68.5** | **114.7** |

Foreign exchange gain / (loss) on financing arises on the revaluation of the Group's US dollar denominated debt (see note 22), although until July 2020 the Group economically hedged these instruments with cross currency swaps. In July 2020 the entire cross currency swap portfolio was exited as detailed in note 23).

## 12 Tax

| | Six months to 31 December 2020 Unaudited £m | Six months to 31 December 2019 Unaudited £m | Year ended 30 June 2020 £m |
|---|---|---|---|
| UK Corporation tax: | | | |
| - Current year | 0.4 | 0.2 | (1.7) |
| Current year overseas tax | - | 0.1 | - |
| Total current tax charge / (credit) | 0.4 | 0.3 | (1.7) |
| Deferred tax (see note 18): | | | |
| - Origination and reversal of temporary differences | (11.8) | 6.1 | 29.6 |
| - Change in unrecognised deferred tax assets | 51.3 | 9.7 | - |
| - Prior period adjustment | - | - | (2.7) |
| - Impact of rate change | - | - | (23.5) |
| Total deferred tax | 39.5 | 15.8 | 3.4 |
| **Total tax charge for the period** | **39.9** | **16.1** | **1.7** |
| **Income tax expense is attributable to:** | | | |
| Loss from continuing operations | **39.5** | **10.4** | **(11.8)** |
| Profit from discontinued operations | **0.4** | **5.7** | **13.5** |
| | **39.9** | **16.1** | **1.7** |

The tax charge on ordinary activities is recognised based on management's estimate of the weighted average annual corporate income tax rate expected for the full financial year. The estimated average annual tax rate for the year to 30 June 2021 on continuing operations (excluding the profit on the gain of the discontinued operations) is 18.6% (the estimated tax rate used at 31 December 2019 was 26.8%), excluding one-off tax adjustments such as the allocation of interest expense which is not deductible. The rate is different to the statutory rate mainly due to permanent differences which are not tax deductible.

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

The main rate of UK corporation tax was 19.0% during the year. In the Finance Act 2016 it was enacted that the main rate of UK corporation tax would be further reduced to 17.0% from 1 April 2020, however this reduction was reversed in Finance Act 2020. UK deferred tax has been valued at 19.0% (31 December 2019: 17.0%) as this is the rate at which the deferred tax balances are forecast to unwind.

The current tax charge in the period ended 31 December 2020 represents payments for corporation tax in respect of the discontinued operations for which corporation tax group relief cannot be provided.

## 13 Discontinued operations

On 8 July 2020, the Group sold its Telecoms infrastructure and related assets including its 100% interest in Arqiva Services Ltd and its subsidiaries. As disclosed in note 12 the profit on the disposal of the discontinued operation is not subject to UK Corporation tax.

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

| | **Six months to 31 December 2020 Unaudited £m** |
|---|---|
| Total cash consideration received | 1,945.3 |
| Less cash disposed of | 0.1 |
| Less deferred income generated in relation to future services | 122.2 |
| **Net cash inflow on disposal of discontinued operation** | **1,823.0** |
| Net assets disposed (other than cash) | |
| Goodwill | 521.0 |
| Intangible assets | 0.9 |
| Property, plant and equipment | 601.5 |
| Trade and other receivables | 17.7 |
| Contract assets | 20.2 |
| Deferred tax | 28.5 |
| Lease liabilities | (233.5) |
| Trade and other payables | (9.6) |
| Contract liabilities | (129.6) |
| Provisions | (29.3) |
| | **787.8** |
| Pre-tax gain on disposal of discontinued operation | 1,035.2 |
| **Gain on disposal of discontinued operation** | **1,035.2** |

### Result of discontinued operations

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

## 14 Goodwill

| | £m |
|---|---|
| **Cost:** | |
| At 1 July 2020 | 1,458.4 |
| **At 31 December 2020** | **1,458.4** |
| | |
| **Accumulated impairment losses:** | |
| At 1 July 2020 | 0.4 |
| **At 31 December 2020** | **0.4** |
| | |
| **Carrying amount:** | |
| **At 31 December 2020 (Unaudited)** | **1,458.0** |
| At 31 December 2019 (Unaudited) | 1,458.0 |
| At 30 June 2020 | 1,458.0 |

## 15 Other intangible assets

| | Licences | Development costs | Access rights | Software | Total |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Cost** | | | | | |
| At 1 July 2020 | 13.7 | 22.4 | 15.4 | 101.1 | 152.6 |
| Additions | - | (0.6) | - | 1.5 | 0.9 |
| Transfers from AUC (note 16) | - | 0.2 | - | 0.5 | 0.7 |
| Disposals | (0.1) | (0.2) | - | (0.2) | (0.5) |
| **At 31 December 2020** | **13.6** | **21.8** | **15.4** | **102.9** | **153.7** |
| | | | | | |
| **Accumulated amortisation** | | | | | |
| At 1 July 2020 | 7.1 | 9.8 | 15.4 | 74.2 | 106.5 |
| Charge for the period | 0.7 | 0.7 | - | 3.6 | 5.0 |
| Disposals | - | (0.2) | - | (0.3) | (0.5) |
| **At 31 December 2020** | **7.8** | **10.3** | **15.4** | **77.5** | **111.0** |
| | | | | | |
| **Carrying amount** | | | | | |
| **At 31 December 2020 (Unaudited)** | **5.8** | **11.5** | **-** | **25.4** | **42.7** |
| At 31 December 2019 (Unaudited) | 7.2 | 11.6 | - | 23.9 | 42.7 |
| At 30 June 2020 | 6.6 | 12.6 | - | 26.9 | 46.1 |

# 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 2020 | 322.0 | 145.8 | 1,786.8 | 103.1 | 2,357.7 |
| Additions | - | 3.9 | 4.2 | 38.7 | 46.8 |
| Completion of AUC | 3.2 | 0.7 | 20.6 | (24.5) | - |
| Transfers to intangibles (Note 15) | - | - | - | (0.7) | (0.7) |
| Disposals | - | (2.4) | (22.1) | - | (24.5) |
| **At 31 December 2020** | **325.2** | **148.0** | **1,789.5** | **116.6** | **2,379.3** |
| **Accumulated depreciation** | | | | | |
| At 1 July 2020 | 57.1 | 40.9 | 784.3 | - | 882.3 |
| Charge for the period | 3.3 | 8.3 | 76.2 | - | 87.8 |
| Disposals | - | (0.6) | (11.7) | - | (12.3) |
| **At 31 December 2020** | **60.4** | **48.6** | **848.8** | **-** | **957.8** |
| **Carrying amount** | | | | | |
| **At 31 December 2020 (Unaudited)** | **264.8** | **99.4** | **940.7** | **116.6** | **1,421.5** |
| At 31 December 2019 (Unaudited) | 266.0 | 107.0 | 1,049.8 | 99.8 | 1,522.6 |
| At 30 June 2020 | 264.9 | 104.9 | 1,002.5 | 103.1 | 1,475.4 |

# 17 Trade and other receivables

| | 31 December 2020 Unaudited | 31 December 2019 Unaudited | 30 June 2020 |
|---|---|---|---|
| | £m | £m | £m |
| Trade receivables | 56.1 | 63.4 | 62.1 |
| Amounts receivable from other group entities | 130.7 | 85.8 | 39.7 |
| Other receivables | 4.2 | 2.9 | 5.3 |
| Prepayments | 25.8 | 28.5 | 22.9 |
| Amounts receivable from finance lease arrangements | - | 1.5 | - |
| | **216.8** | **182.1** | **130.0** |
| Contract assets | **39.7** | **34.6** | **36.4** |

## 18 Deferred tax

| | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|
| Deferred tax asset | **131.4** | **160.3** | **171.1** |
| Deferred tax liability | **2.4** | **8.3** | **3.0** |

The net deferred tax asset of £129.0m comprises deferred tax asset on fixed asset temporary differences of £54.1m, tax losses of £23.2m, derivative financial instruments of £46.0m, other temporary differences of £8.1m and a deferred tax liability on retirement benefits of £2.4m.

## 19 Cash and cash equivalents

| | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|
| Cash at bank | 163.8 | 7.6 | 48.0 |
| Short term deposits | 40.0 | 10.8 | 30.0 |
| **Total cash and cash equivalents** | **203.8** | **18.4** | **78.0** |

## 20 Disposal group held for sale

On 8 October 2019, management committed to a plan for the sale of its' Telecoms infrastructure and related assets. The sale was completed in July 2020 (see note 14).

**Assets and liabilities of disposal group held for sale**

| | Note | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|---|
| Goodwill | | - | 521.0 | 521.0 |
| Property, plant and equipment | | - | 563.6 | 599.8 |
| Intangible assets | | - | 1.1 | 0.9 |
| Trade and other receivables | | - | 28.4 | 15.9 |
| Contract assets | | - | 17.2 | 20.2 |
| Cash and cash equivalents | | - | - | 0.1 |
| Deferred tax | | - | 29.1 | 28.5 |
| **Assets held for sale** | | **-** | **1,160.4** | **1,186.4** |
| Lease liabilities | | - | (250.4) | (233.5) |
| Trade and other payables | | - | (38.6) | (37.2) |
| Contract liabilities | | - | (94.4) | (129.6) |
| Provisions | | - | (5.4) | (29.3) |
| **Liabilities held for sale** | | **-** | **(388.8)** | **(429.6)** |

## 21 Trade and other payables

| | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|
| **Current** | | | |
| Trade payables | 26.2 | 36.3 | 47.5 |
| Amounts payable to other group entities | 1,477.2 | 1,324.9 | 1,298.5 |
| Taxation and social security | 12.5 | 18.0 | 53.3 |
| Other payables | 4.6 | 3.4 | 5.5 |
| Accruals | 56.1 | 71.9 | 173.4 |
| **Total current trade and other payables** | **1,576.6** | **1,454.5** | **1,570.7** |
| Contract liabilities | **103.1** | **91.5** | **90.4** |
| **Non-Current** | | | |
| Contract liabilities | **319.8** | **202.6** | **197.4** |

## 22 Borrowings

| | | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|---|
| **Within current liabilities:** | | | | |
| Lease liabilities | *Sterling denominated* | 20.7 | 20.0 | 21.7 |
| Bank facility | *Sterling denominated* | - | 140.0 | 350.0 |
| Senior bonds and notes (amortising) | *Sterling denominated* | 39.5 | 415.4 | 72.7 |
| | *US dollar denominated* | - | 31.3 | 46.7 |
| Accrued interest on junior and senior financing[1] | *Sterling denominated* | (0.7) | (0.4) | (1.1) |
| **Borrowings due within one year** | | **59.5** | **606.3** | **490.0** |
| **Within non-current liabilities:** | | | | |
| Bank loans | | **261.0** | **368.8** | **369.0** |
| - *Senior debt* | *Sterling denominated* | *262.0* | *370.0* | 370.0 |
| - *Issue costs* | *Sterling denominated* | *(1.0)* | *(1.2)* | (1.0) |
| Bank facility | *Sterling denominated* | **-** | **-** | **200.0** |
| Other loans | | **732.2** | **1,275.5** | **1,241.7** |
| - *Senior bonds and notes* | *Sterling denominated* | *738.0* | *1,069.6* | 1,043.3 |
| | *US dollar denominated* | *-* | *212.2* | 204.3 |
| - *Issue costs* | *Sterling denominated* | *(5.8)* | *(6.3)* | (5.9) |
| Amounts payable to other group entities | Sterling denominated | **496.8** | **496.8** | **496.8** |
| Lease liabilities | Sterling denominated | **90.9** | **105.3** | **101.2** |
| **Borrowings due after more than one year** | | **1,580.9** | **2,246.4** | **2,408.7** |

[1] The balance at 31 December 2020 is shown net of £1.1m (31 December 2019: £1.3m; 30 June 2020 £1.8m) interest receivable under swap arrangements associated with the underlying financing.

| | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|
| Analysis of total borrowings by currency: | | | |
| Sterling | 1,640.4 | 2,609.2 | 2,647.7 |
| US Dollar | - | 243.5 | 251.0 |
| **Total borrowings** | **1,640.4** | **2,852.7** | **2,898.7** |

The majority of the balances within amounts payable to other group entities were formalised under a single subordinated loan agreement with the direct parent company which has a long-term maturity date of 2033. These loans cannot be recalled earlier than the final maturity date other than with the agreement of the borrower.

The fair value of the senior quoted bonds based upon observable market prices (fair value hierarchy level 1) was £586.0m (31 December 2019: £949.2m; 30 June 2020: £584.8m) whilst their carrying amount was £484.0m (31 December 2019: £860.7m; 30 June 2020: £497.3m). In June 2020, the Group repaid in full the 4.04% Senior Bonds issued for £350.0m.

The fair value of fixed rate privately placed senior debt determined from observable market prices for quoted instruments as a proxy measure (fair value hierarchy level 2) was £nil (31 December 2019: £411.0m; 30 June 2020: £445.6m) whilst their carrying amount was £nil (31 December 2019: £389.4m; 30 June 2020: £391.2m), as the Group fully repaid these debt arrangements in July 2020.

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

The weighted average interest rate of borrowings is 4.76% (31 December 2019: 7.28%; 30 June 2020: 6.38%).
An analysis of total borrowings (excluding issue costs and accrued interest) by maturity is as follows:

| | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|
| **Borrowings fall due within:** | | | |
| One year | 60.2 | 606.7 | 490.0 |
| One to five years | 534.3 | 1,007.4 | 1,210.2 |
| More than five years | 1,053.4 | 1,246.5 | 1,205.4 |
| **Total** | **1,647.9** | **2,860.6** | **2,905.6** |

**Bank loans** entirely comprise of **senior debt**. **Other loans** are comprised from the Group’s **senior bonds & notes**.

**Senior debt** includes an institutional term loan with £90.0m outstanding (31 December 2019: £180.0m; 30 June 2020: £180.0m) with an expected maturity date of December 2023; a loan from the European Investment Bank with £172.0m outstanding (31 December 2019: £190.0m; 30 June 2020: £190.0m) with an expected maturity date of June 2024 and capital expenditure and working capital facilities with £nil outstanding (31 December 2019: £140.0m; 30 June 2020: £550.0m) with an expected maturity date of March 2021. All of these facilities are floating rate in nature with a margin over LIBOR of between 130 and 205 bps. From the proceeds of the sale of the Group’s Telecommunications business unit, the Group repaid £90.0m of the institutional term loan, £18.0m of the European Investment Bank loan and all £550.0m of drawn capital expenditure facility balances in the period.

The Group has £390.0m (31 December 2019: £500.0m; 30 June 2020: £250.0m) of undrawn senior debt facilities available. These facilities are at floating interest rates. For further information on the Group’s liquidity risk management, see note 5.

**Senior bonds and notes** include a combination of publicly listed bonds and US private placement notes.

As at 31 December 2020, the Group has £484.0m sterling denominated bonds outstanding with fixed interest rates ranging between 4.88% and 5.34%. These bonds have scheduled amortisation between June 2021 and December 2032 and are listed on the London Stock Exchange. Arqiva Financing Plc is the issuer of all the Group’s senior listed bonds.

The remaining senior notes relate to a number of US private placement issues. The Group has £293.4m (31 December 2019: £478.5m; 30 June 2020: £478.5m) of sterling denominated floating rate US private placements that are amortising in nature with repayments due between June 2021 and December 2029. These instruments have a margin over LIBOR of between 210 and 220 bps. Prior to being fully repaid in July 2020, the Group held fixed rate US private placements (31 December 2019: £389.4m; 30 June 2020: £391.2m) in sterling and US dollar denominated notes. At the hedged rate these are valued at £nil (31 December 2019: £356.7m; 30 June 2020: £342.7m). Arqiva PP Financing Plc ('APPF') is the issuer of all of the Group's private placement notes. From the proceeds of the sale of the Group's Telecommunications business unit, the Group repaid the remaining £251.0m of fixed rate US dollar denominated notes, as well as the remaining £140.2m of fixed rate sterling denominated notes in July and August 2020, as well as a partial repayment of £172.3m of floating rate sterling notes,

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

## 23 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 31 December 2020 was 5.04% (31 December 2019: 4.53%; 30 June 2020: 4.7%). The weighted average period of funding was 7.4 years (31 December 2019: 4.6 years; 30 June 2020: 5.6 years).

Within the Group's financial liabilities were borrowings of £1,647.9m excluding issue costs and accrued interest (31 December 2019: £3,034.0m; 30 June 2020: £3,068.1m) (see note 22), which includes £555.4m (31 December 2019: £988.5m; 30 June 2020: £1,398.5m) with floating interest and the remainder with fixed interest (prior to hedging arrangements).

**Derivative financial instruments**
The Group seeks to manage the exposures of its debt payment obligations through a combination of index linked, interest rate and cross currency swaps.

At the period end, the Group held interest rate swaps with notional amounts of £444.6m which hedge the interest obligations of the Group's floating rate debt. The average fixed rate on these instruments is 0.2%. The swap contracts have termination dates that match the maturities of the underlying floating rate debt instruments (see note 22). Between July and September 2020, the Group exited or recouponed a number of interest rate swap arrangements, reducing the notional holdings of interest rate swaps by £395.1m, whilst recognising losses upon exit totalling £3.7m.

The Group has also entered into index linked swaps (notional amount of £681.8m) where it receives floating and pays fixed interest obligations to an average rate of 2.908% indexed with RPI. The notional amounts of these swaps increase with RPI and these accretion amounts are cash settled annually in June. All of these instruments have a maturity date of April 2027. These instruments were established to hedge the Group's fixed rate debt (namely fixed rate sterling) and in order to ensure that the cash flow characteristics align with these instruments, the Group has entered into £643.0m of fixed to floating rate interest rate swaps to match the cash flows on both the fixed rate debt instruments and the index linked swaps set out above. In July and August 2020, following the Group's repayment of £391.2m fixed rate US private placement sterling and US dollar denominated notes and £350m public bond maturing in June 2020, the Group exited or recouponed a number of index linked swap arrangements, reducing the notional holdings of index linked swaps by £630.7m, whilst recognising losses upon exit totalling £3.9m.

The Group previously held USD cross-currency swaps to fix the Sterling cost of future interest and capital repayment obligations relating to the US dollar denominated private placement issue at an exchange rate of 1.52. The entire cross-currency swap portfolio was exited in July 2020 with the fair value at time of disposal being £51.8m.

The fair value of the interest rate, and inflation rate swaps at 31 December 2020 excluding the inflation swap principal accretion of £5.7m (31 December 2019: £38.4m; 30 June 2020: £nil), is a liability of £321.9m (31 December 2019: £907.2m; 30 June 2020: £718.7m). This fair value is calculated using a risk-adjusted discount rate.

**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 and inflation rate swaps (as disclosed below) 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.

The following table details the fair value of financial instruments recognised on the statement of financial position within non-current liabilities:

| | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|
| Interest rate swaps | (1.0) | (255.5) | (261.5) |
| Inflation-linked interest rate swaps (including principal accretion of £5.7m; 31 December 2019: £38.4m; 30 June 2020: £nil) | (326.6) | (717.9) | (507.8) |
| Cross-currency swaps | - | 27.8 | 50.6 |
| **Total** | **(327.6)** | **(945.6)** | **(718.7)** |
| | | | |
| Change in fair value recognised in the income statement: | | | |
| - Attributable to changes in market conditions | 6.0 | 74.8 | 124.4 |
| - Attributable to changes in perceived credit risk | (3.8) | (15.5) | (2.7) |
| **Total profit recognised in the income statement** | **2.2** | **59.3** | **121.7** |
| Cash settlement of principal accretion on inflation-linked swaps | - | - | 48.8 |
| Accrued settlement on close out of inflation linked swaps | - | - | 116.5 |
| Cash outflow / (inflow) on redemption of swaps | 396.5 | (3.1) | (5.1) |
| Exceptional (loss) / gain recognised on close out of inflation linked swaps | (3.9) | - | 1.1 |
| Exceptional loss recognised on close out of interest rate swaps | (3.7) | - | - |
| **Total change in fair value** | **391.1** | **56.2** | **283.1** |

Where possible, the Group seeks to match the maturity of any derivative contracts with that of debt instruments that it has issued.

## 24 Provisions

| | Decommissioning £m | Restructuring £m | Remediation and maintenance £m | Other £m | Total £m |
|---|---|---|---|---|---|
| At 1 July 2020 | 69.4 | 1.0 | 5.1 | 5.2 | 80.7 |
| Unwind of discount (note 10) | 2.5 | - | 0.1 | - | 2.6 |
| Utilised | - | (0.6) | (0.1) | - | (0.7) |
| Released to income statement | - | - | - | (4.3) | (4.3) |
| Charged to income statement | - | 1.0 | - | 4.3 | 5.3 |
| **At 31 December 2020 (Unaudited)** | **71.9** | **1.4** | **5.1** | **5.2** | **83.6** |
| At 31 December 2019 (Unaudited) | 65.1 | 3.1 | 5.2 | 2.4 | 75.8 |
| At 30 June 2020 | 69.4 | 1.0 | 5.1 | 5.2 | 80.7 |

| | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|
| **Analysed as:** | | | |
| Current | 2.8 | 4.5 | 2.4 |
| Non-current | 80.8 | 71.3 | 78.3 |
| | **83.6** | **75.8** | **80.7** |

## 25 Notes to the cash flow statement

Reconciliation from operating profit to net cash from operating activities:

| | Six months to 31 December 2020 Unaudited £m | Six months to 31 December 2019 Unaudited £m | Year ended 30 June 2020 £m |
|---|---|---|---|
| Operating profit | 73.7 | 142.4 | 280.9 |
| Adjustments: | | | |
| Depreciation of property, plant and equipment | 87.8 | 110.3 | 207.2 |
| Amortisation of intangible assets | 5.0 | 5.7 | 10.4 |
| Loss on disposal of property, plant and equipment | - | - | 0.8 |
| Other income | (5.8) | (4.9) | (10.5) |
| Operating cash flows before movements in working capital | **160.7** | **253.5** | **488.8** |
| Decrease / (Increase) in receivables | 4.9 | (25.9) | (6.4) |
| Increase / (decrease) in payables | 46.3 | (27.0) | (6.6) |
| Increase / (decrease) in provisions | 0.2 | (0.8) | - |
| **Cash generated from operating activities** | **212.1** | **199.8** | **475.8** |
| Taxes paid | (0.5) | 0.1 | 0.1 |
| **Net cash inflow from operating activities** | **211.6** | **199.9** | **475.7** |

Analysis of changes in financial liabilities:

| | At 1 July 2020 £m | Changes in financing cash flows (Cash) £m | Changes in foreign exchange (Non-cash) £m | Changes in fair value (Non-cash) £m | Other changes including accrued interest (Non-cash) £m | At 31 December 2020 £m |
|---|---|---|---|---|---|---|
| Current borrowings (Note 22) | 491.1 | (479.5) | - | - | 48.6 | 60.2 |
| Non-current borrowings (Note 22) | 2,408.7 | (798.7) | 0.7 | - | (29.8) | 1,580.9 |
| Accrued interest on borrowings (Note 22) | (1.1) | (32.4) | - | - | 32.8 | (0.7) |
| Derivative financial instrument Liabilities (Note 23) | 718.7 | (513.0) | - | (2.2) | 124.1 | 327.6 |
| **Total** | **3,617.4** | **(1,823.6)** | **0.7** | **(2.2)** | **175.7** | **1,968.0** |

## 26 Financial commitments and contingent liabilities

**Financing commitments**
Under the terms of the Groups 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:

| | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|
| Within one year | 16.5 | 18.5 | 15.1 |
| Within two to five years | - | - | 0.5 |
| **Total capital commitments** | **16.5** | **18.5** | **15.6** |

There are no capital commitments payable in more than five years.

## 27 Leases

**<u>Leases as lessee (IFRS 16)</u>**

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

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

| | Leasehold buildings £m | Plant and equipment £m | Total £m |
|---|---|---|---|
| Balance at 1 July 2020 | 68.3 | 51.0 | 119.3 |
| Depreciation charge for the year | (5.7) | (7.1) | (12.8) |
| Additions to right of use assets | 3.8 | 4.2 | 8.0 |
| Derecognition of right of use assets | (2.3) | (8.4) | (10.7) |
| **Balance at 31 December 2020** | **64.1** | **39.7** | **103.8** |

**Amounts recognised in the Income Statement**

| Leases under IFRS 16 | Six months to 31 December 2020 Unaudited £m | Six months to 31 December 2019 Unaudited £m | Year ended 30 June 2020 £m |
|---|---|---|---|
| Interest on lease liabilities | 3.6 | 11.5 | 23.8 |
| Expenses relating to variable lease payments not included in the measurement of lease liabilities | 5.1 | - | 11.2 |

**Amounts recognised in the cashflow statement**

| | Six months to 31 December 2020 Unaudited £m | Six months to 31 December 2019 Unaudited £m | Year ended 30 June 2020 £m |
|---|---|---|---|
| Total cash outflow for leases | 13.1 | 51.8 | 95.4 |

## 28 Related party transactions

Balances and transactions between Group entities, 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 29.

The disclosure of transactions with related parties reflects the periods in which the related party relationships exist. The disclosure of amounts outstanding to/from related parties at the reporting date reflects related party relationships at that date. 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 | | |
|---|---|---|---|---|---|---|
| | Six months to 31 December 2020 £m | Six months to 31 December 2019 £m | Year ended 30 June 2020 £m | Six months to 31 December 2020 £m | Six months to 31 December 2019 £m | Year ended 30 June 2020 £m |
| Associates | - | - | - | 3.2 | 3.2 | 5.6 |
| Joint ventures | 2.0 | 2.1 | 4.3 | 1.4 | 1.3 | 2.5 |
| Entities under common influence | 1.2 | - | 1.1 | 1.0 | - | - |
| Other group entities | 25.9 | 27.5 | 55.3 | - | - | - |
| | **29.1** | **29.6** | **60.7** | **5.6** | **4.5** | **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.

As at 31 December 2020, the amount payable to joint ventures was £nil (31 December 2019: £nil; 30 June 2020: £0.9m).

As at 31 December 2020, the amount receivable from associates was £0.4m (31 December 2019: £nil; 30 June 2020: £0.5m) and the amount payable to associates was £nil (31 December 2019: £nil; 30 June 2020: £0.4m).

As at 31 December 2020, the amount receivable from entities under common influence was £0.8m (31 December 2019: £nil; 30 June 2020: £1.8m).

Details of the balances the Group held with its immediate parent and other subsidiaries within the largest Group in which the Company and its subsidiaries consolidate (see note 30) are set out in notes 17, 21 and 22.

## 29 Retirement benefits

**Defined benefit scheme**
In the period to 31 December 2020, the Group operated one defined benefit plan ('the 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 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 18 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 2017 by an independent firm of consulting actuaries. The triennial valuation due as at 30 June 2020 has commenced but is not expected to be completed until later in 2021. 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 from the triennial valuation figures.

Amounts recognised in the income statement in respect of the defined benefit plan were as follows:

| | Six months to 31 December 2020 Unaudited £m | Six months to 31 December 2019 Unaudited £m | Year ended 30 June 2020 £m |
|---|---|---|---|
| Components of defined benefit finance income recognised in profit or loss | (0.1) | (0.3) | (0.6) |
| | **(0.1)** | **(0.3)** | **(0.6)** |

The net interest item has been included within finance income (see note 9). 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:

| | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|
| Return on Plan assets excluding Interest Income | 14.7 | 2.5 | 18.9 |
| Experience gains arising on the Plan's liabilities | - | - | 2.2 |
| Actuarial (losses) / gains arising from changes in financial assumptions | (17.7) | 1.6 | (32.2) |
| Actuarial losses arising from changes in demographic assumptions | - | - | (0.8) |
| | **(3.0)** | **4.1** | **(11.9)** |

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:

| | 31 December 2020 Unaudited £m | 31 December 2019 Unaudited £m | 30 June 2020 £m |
|---|---|---|---|
| Fair value of Plan assets | 301.5 | 266.1 | 282.9 |
| Present value of Plan liabilities | (282.9) | (234.3) | (266.8) |
| **Surplus** | **18.6** | **31.8** | **16.1** |

## 30 Controlling parties

The Company's immediate parent undertaking is Arqiva Broadcast Intermediate Ltd ('ABPL'). Arqiva Group Limited ('AGL') is the ultimate UK parent undertaking and is the largest Group in which these financials are consolidated.

AGL is owned by a consortium of shareholders comprising Canada Pension Plan Investment Board, Macquarie European Infrastructure Fund II plus other Macquarie managed funds, Health Super Investments, IFM Investors Global Infrastructure Fund and the Motor Trades Association of Australia.