Arqiva Limited

Registered number 02487597

Annual Report and Financial Statements

For the year ended 30 June 2021

Corporate Information

As at the date of this report (18 October 2021):

Company Board of Directors

Mark Braithwaite	
Mike Darcey	
Sally Davis	
Paul Donovan	(Chief Executive Officer)
Neil King	
Peter Adams (alternate)	
Nathan Luckey	
Batiste Ogier	
Mike Parton	
Christian Seymour	
Max Fieguth (alternate)	
Sean West	(Chief Financial Officer)

Company Secretary
Jeremy Mavor

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SO21 2QA

Independent Auditors
PricewaterhouseCoopers LLP,
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London
WC2N 6RH
United Kingdom

Company Registration Number
02487597

Cautionary Statement

This annual report contains various forward-looking statements regarding events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of the Company to differ materially from the information presented herein. When used in this report, the words “estimate”, “project”, “intend”, “anticipate”, “believe”, “expect”, “should” and similar expressions, as they relate to the Company, 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 Company 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 Company operates, which may impact the ability of the Company 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 Company operates;
- the ability of the Company 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 Company to develop, expand and maintain its broadcast and machine-to-machine infrastructure;
- the ability of the Company to obtain external financing or maintain sufficient capital to fund its existing and future investments and projects;
- the Company’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.

Guidance note to the annual report:

In this document, references to ‘Arqiva’ and ‘the Group’ refer to Arqiva Group Limited (‘AGL’) and its subsidiaries (i.e. the ultimate parent group) and markets as the context may require. Arqiva Limited is the largest trading entity within the Group therefore any references to the Group are considered relevant for the Company. Where figures relating to financial position and performance are stated, they relate specifically to Arqiva Limited (‘AL’) (i.e. the Company). References to the ‘Company’ refer to the results and performance of Arqiva Limited as a standalone entity.

Arqiva Smart Metering Limited (‘ASML’) is the legal entity that won the contract for smart metering and sits within the ultimate parent group. ASML has contracts with Arqiva Limited (the Company) for the provision of the core network, sites and spectrum that will support the delivery of this contract. The procurement and financing of the communications hubs (which allow information to be sent to and from the network) will be performed by ASML. Accordingly, the Company is expected to benefit from the substantial majority, but not all, of the smart metering contract revenue through charges levied to ASML.

A reference to a year expressed as 2021 is to the financial year ended 30 June 2021. This convention applies similarly to any reference to a previous or subsequent financial year. Additionally, references to ‘current year’, ‘this year’ and ‘the year’ are in respect of the financial year ended 30 June 2021. References to the ‘prior year’ and ‘last year’ are to the financial year ended 30 June 2020.

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Arqiva in 2021

ENABLING A SWITCHED-ON WORLD TO FLOW

Who we are

Arqiva is a leading UK communications infrastructure business. We are behind the scenes delivering millions of vital connections to enable millions of people, businesses, and machines to connect wherever they are through TV, radio and machine-to-machine data services, enabling a switched-on world to flow.

Our Infrastructure

c. 1,450 broadcast transmission sites in the UK	**1,150 TV transmissions sites**
98.5% of the UK population reached through our TV services	**275 channels** delivered into the UK and Ireland
Market leader for commercial DTT[1] spectrum owning two of the three main national commercial multiplexes	**1,100 TV channels** delivered internationally via satellite to **5 continents**
99.5% targeted network coverage across the North of England and Scotland on our smart energy networks	**c.80 satellite dishes** accessing **30+ satellites**
12 million premises can connect to our smart meter networks	**50 million data points** delivered every day on our smart metering networks

[1] Refers to Digital Terrestrial Television best known for supporting Freeview

How we operate

During 2021, following the sale of the Telecoms business, Arqiva has implemented a new single business organisation structure, moving away from the traditional business units and to an integrated structure that will help better serve our customers, their delivery requirements and the products and services that we provide across our Media Distribution and Smart Utilities Networks markets

Key Strategic ambitions

Undisputed leader in UK TV and radio broadcast

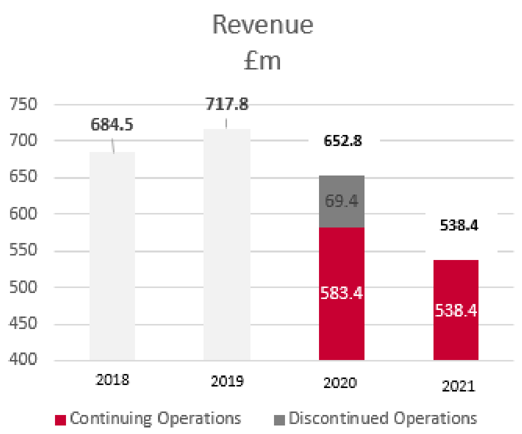
Transition global media to cloud solutions

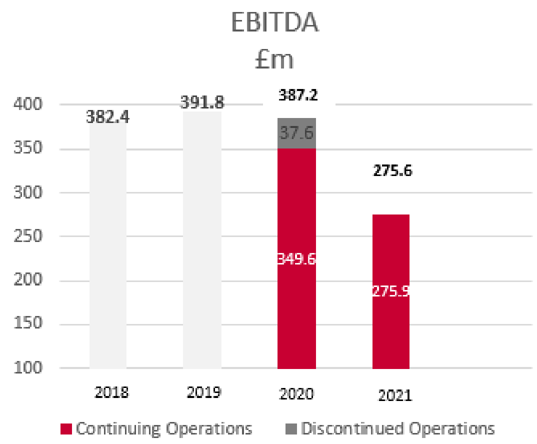
UK's leading smart utilities platform

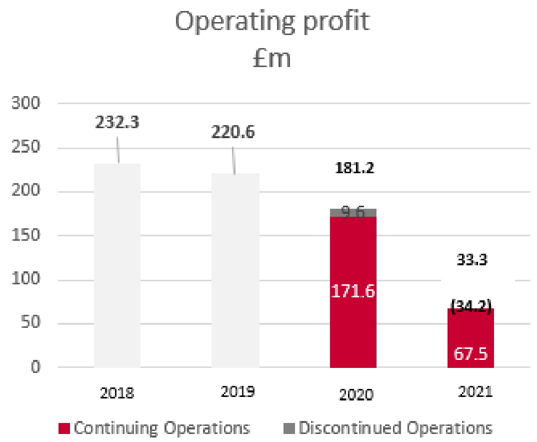
Innovator of scalable solutions for new connectivity sectors

Highlights

Following the sale of the Telecoms business at the beginning of the year, 2021 has continued to see a period of change for Arqiva with expected lower activity on certain major programmes as they reach completion. Whilst core media distribution and smart utilities networks products have remained strong the Company has had decreases on DTT multiplexes and has also seen the planned reduction in project levels related to the completion of the 700 MHz Clearance programme. The Company is now also adapting to focus on key new products for the future sustainability of the business.







Key financials in the year:

- Revenue decrease of 17.5% (7.7% from continuing operations) and EBITDA decrease of 28.8% (21.1% from continuing operations)
- Managed reductions in revenue and EBITDA from the 700MHz clearance programme as the major works on the programme successfully completed in August 2020;
- New revenues and EBITDA generated from utilisation of broadcast sites for telecommunications equipment and transitional services following Telecoms sale;
- Continuing the delivery of the core smart energy metering contracts with max network coverage of 99.5% now reached;
- Increase in revenue from ramp up of activity on smart water metering networks and device sales following contract wins in the prior year;
- Completion of the sale of the Telecoms business. The Telecoms business line is presented as a discontinued operation throughout the financials for the Company. Profit on disposal of the business is not recognised in the Company financials.

Strategic Report

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Business Overview

Enabling a switched-on world to flow

At the heart of media distribution and smart utilities networks in the UK and abroad, Arqiva provides critical data, network, and communications services.

Arqiva works in partnership with our customers, in the UK and around the world, building and operating the complex ecosystems and infrastructures through which data and content can move effectively, securely, and sustainably at scale – whether that's through broadcasting and transmission services, or smart networks for energy and water.

Arqiva is the only national provider of terrestrial television and radio broadcasting and provides machine-to-machine connectivity for smart metering within the utilities sector. Arqiva has invested significantly allowing it to develop its communications infrastructure and technology as markets evolve.

Arqiva earns network access and transmission service revenues from its customers, as well as fees for engineering services and new projects. Arqiva's services tend to be mission-critical for its customers, as well as providing the network coverage necessary for the fulfilment of the universal service obligations ('USOs') for terrestrial broadcast customers as set out in their operating licences from the UK government.

Whilst we have a small overseas presence, Arqiva's assets, operations and markets are predominantly within the UK and our business is driven from this region; therefore, we have minimal exposure to international markets, Brexit impacts or foreign exchange.

Arqiva has invested significantly into our capital infrastructure and has £1.4bn of property, plant, and equipment at 30 June 2021. We are financed through a mixture of equity and long-term debt, with an average maturity debt profile of over 4 years. The Group's senior debt has an investment grade (BBB) rating from Standard and Poor's and Fitch and a junior debt rating of B-B1 from Fitch and Moody's.

Attractive UK communications infrastructure market

DTT (Freeview) is the most popular TV platform in the UK covering 98.5% of the population

Smart networks deliver around 50 million data points every day

A market leader

Sole provider of terrestrial television network access (Freeview)

Owner of 2 of the 3 main national commercial multiplexes via Arqiva Muxco Limited

Pre-eminent role in radio broadcasting both locally and nationally

High barriers to entry

Owner of critical national UK infrastructure that enables Public Service Broadcasters (PSB's) to meet their government mandated universal coverage obligations

Significant investment would be required to replicate the infrastructure, including planning permissions to erect new masts

Long established relationships with its customers spanning more than 80 years

Our history

Since 1922, Arqiva has been enabling a switched-on world to flow.

We delivered the world's first TV broadcast for the BBC from the tower at London's Alexandra Palace in 1936.

We also developed satellite TV in the 1970's, Teletext, and launched the UK's national DAB radio and digital television networks in the 2000s.

There's no resting on our laurels though. We were the first company in Europe to trial 5G fixed wireless access technology in 2017, and we are currently working with our media distribution partners to develop new ways to reach their viewers and listeners via the Cloud.

Plus, we have moved into new sectors, like Utilities. We won our first contract to deliver gas and electricity metering in the north of England and Scotland in 2013 and followed that in 2015 with a partnership with Thames Water to set up and run the world's largest smart water metering network. More recently we have launched our dual band communications device for further improved connection capabilities.

Arqiva's technology and infrastructure, combined with our history and experience, enable us to work with everyone from major broadcasters (such as the BBC, ITV, Sky, Turner and Canal+) to independent radio groups and utility companies (such as Thames Water and Anglian Water) to the Data Communications Company (DCC).

Business model

The demand for information, content and entertainment is greater than ever. We all want to be connected 24/7. This is the challenge that our customers are facing, delivering more content on more devices than ever before.

At Arqiva we are enablers, applying our knowledge and expertise to technologies in order to unlock new opportunities for our customers. We work in partnership, building and operating the infrastructure through which data and content can flow effectively, securely, and sustainably.

Arqiva seeks to maximise shareholder value by investing in our considerable site portfolio to not just maintain reliability, but also to maximise its potential. Our infrastructure and commercial operations cover the following key sectors:

- Media Distribution
- Smart Utilities Networks

Sale of Telecoms

On 8 July 2020, the Arqiva Group successfully completed the sale of our Telecoms business to Cellnex in a circa £2.0bn deal. The transaction comprised 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 subsidiary entities, the largest being Arqiva Services Limited.

Following this disposal, Arqiva entered a period of evolution launching a new purpose and strategy. There has been a change in the organisational structure of the Group, moving away from the traditional business units and adopting an integrated operating model in order to better serve our customers with their requirements for our products and services.

Media Distribution

The UKs only supplier of national terrestrial television and radio broadcasting services

7 out of 10 UK households receive content for their main TV service through our Satellite and DTT network

Our radio infrastructure supports a range of services across the UK with 300 stations on DAB and 380 stations across FM, AM, and MW

Sector Snapshot

Media distribution services remain incredibly important for viewers and listeners in the UK. Even as viewing habits change, Ofcom reports 85% of people continue to watch broadcast content every week. And 9 out of 10 UK adults listen to over 20 hours of radio each week.

In an intensely competitive world, large media companies are increasingly focused on monetising content that is distributed multi-market, multi-platform and multi-device. This means increased complexity in reaching their audiences, whilst also trying to reduce costs. To achieve a truly global reach, a shift of focus is needed to IP-based delivery through the cloud and we are well positioned as the UK media hub to do this.

Media Distribution at Arqiva

The media distribution infrastructure includes sites for the transmission of terrestrial TV and radio, operates the Group's licensed multiplexes, owns and operates teleports at key locations in the UK, as well as international terrestrial fibre distribution network, media facilities, leased satellite capacity and delivers related engineering projects.

Arqiva utilises a network of 1,150 TV sites to carry Freeview into circa 24 million households every day, making it the UK's most popular TV platform. Arqiva's critical national infrastructure provides coverage to 98.5% of the

UK's population. Within the sector, Arqiva holds a regulated position as the sole provider of network access for terrestrial television broadcasting.

Arqiva is a market leader in commercial DTT spectrum, owning the licences for two of the three main national commercial DTT multiplexes, via Arqiva Muxco Limited, enabling leading broadcasters such as Sky, UKTV, CBS and Turner to deliver broadcasting content using our channel capacity.

Arqiva also owns the HD-enabled DTT multiplex licences that provide services to Freeview and other DTT-related platforms. Additionally, Arqiva operates more than 1,500 transmission sites for TV and radio, providing coverage to the circa 90% of the UK population that listen to the radio. Arqiva is a shareholder in, and operator for both commercial national DAB radio multiplexes and it is the service provider for the BBC national DAB radio multiplex.

During the year Arqiva has successfully completed the programme to clear the 700MHz frequency range of television signals.

The Group is also the UK's leading independent owner and operator of teleports and media management facilities, serving many of the world's largest multi-channel broadcast and sports-right organisations, as well as providing data connectivity to the utilities and natural resources sectors.

Arqiva manages the distribution of more than 1,100 international TV channels for high profile customers including Al Jazeera, Discovery, BT Sport, Sky, NBCU, Sony and Turner including coverage of high-profile sporting events. Arqiva's operation of reliable and secure VSAT (Very Small Aperture Terminal) communications networks across the globe utilises a world class satellite and fibre network, providing real-time critical communications to remote locations. Arqiva uses our expertise and experience to enable us to keep pace with rapidly changing dynamics and technology advancements, thereby underpinning the longevity and success of the product base. Arqiva's satellite network delivers content to the UK's major Direct-to-Home (DTH) platforms including Sky and Freesat as well as the increasingly popular IPTV, mobile and web TV platforms. We have also recently engaged with the Low Earth Orbit satellite sector.

Media distribution contributes significant and stable cash flows to the Group with a long-term contracted, substantially RPI-linked order book of £3.6bn (2020: £3.3bn) for the AGL Group which includes major contracts running as far as 2050.

Smart Utilities Networks

Advanced networks support the critical flow of data and content from connected TVs and smart meters for water, gas, and electricity in the utilities sector.

Sector snapshot

Ambitious environmental and sustainability agendas from regulators are driving change across utility sectors, providing huge opportunity for growth. Today less than 10% of UK premises have a smart water meter, and less than 30% have a smart energy meter. With 20% of water lost through leaks, water authorities are focused on reducing them, and eliminating pollution caused by sewer flooding. Smart meters are providing an opportunity to meet sustainability targets through reducing the UK's overall greenhouse gas emissions.

Smart Utilities Networks at Arqiva

Arqiva generates revenues with respect to the build and operation of the smart 'machine-to-machine' networks and other data transmission services applications. With a continuing focus on innovation and market opportunities, Arqiva is embracing the fast-developing machine-to-machine sector, particularly for utilities, for which we utilise our Flex-net network across our smart metering contracts with utility and water companies. The Group has invested in building M2M networks, which support major energy metering contracts spanning 15 years and covering more than 9 million premises, and water metering contracts which will cover 3 million homes.

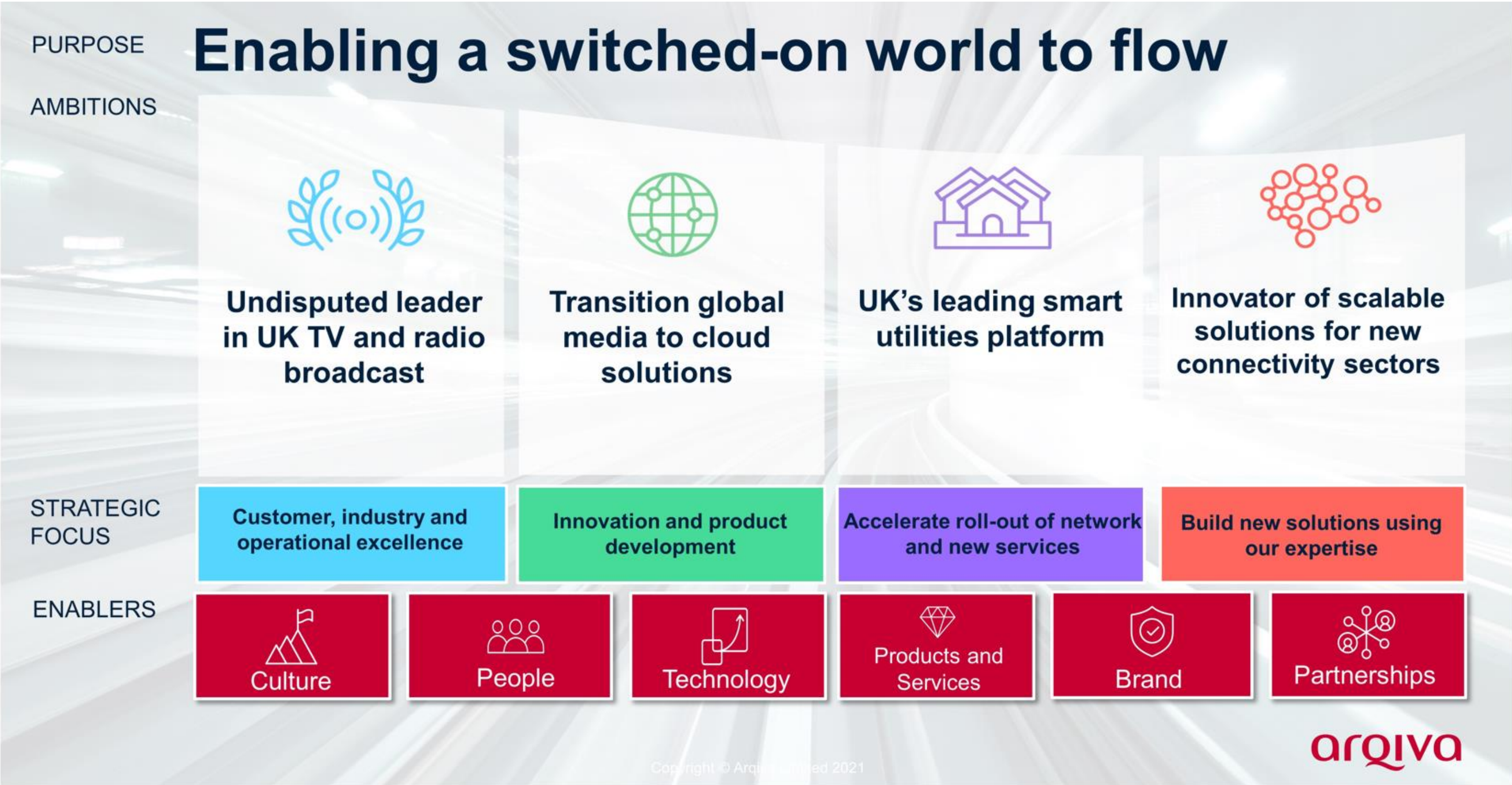
Arqiva has invested substantially in infrastructure as a result of these contracts which now result in recurring cash flows during the long-term operational phases of the network delivery. The utilities business remains a key part of the Arqiva business and is a key strategic priority for growth with potential to become the UKs leading smart utilities platform.

The smart utilities network has an order book of £0.6bn (2020: £0.7bn) across the AGL Group, with contracts running as far as 2035.

Corporate

Corporate functions at Arqiva comprise Finance, Legal & Regulatory, Information Technology and People and Culture.

Strategic Overview



Our four strategic ambitions will guide the key focus of the business. Our priorities in how we aim to achieve these ambitions are set out below:

To be the undisputed leader in UK TV and radio broadcast

- Deliver sustainable TV and Radio broadcast, focusing on customer and operational excellence and managing capacity and margins
- Leverage our scale and the cloud, enabling industry efficiency
- Expand services and drive renewals delivering greater value by selling across our portfolio of services, creating long term partnerships while also developing value-added services in new areas

To transition global media to cloud based solutions

- Scaling IP and cloud-based services; investing in building broadcast quality cloud processing and extending our footprint in live and events content
- Becoming the go-to choice for our partners in cloud distribution so they can better manage their global content flows across all formats
- Growing multiplex service, using our infrastructure to provide virtual, cost-effective, and scalable services to TV cable operators outside of the UK

To be the UK's leading smart utilities platform provider

- Leading in connecting UK smart meters, maintaining market leadership, and scaling our operations to drive and accelerate the roll-out of domestic smart meters
- Broadening our product offering, developing new value-added data-driven services in monitoring and control, that reduce energy use, water wastage and pollution
- Diversifying through forging partnerships and widening technology choice, to deliver new hybrid connectivity solutions and real time network monitoring

To be an innovator of scalable solutions for new, high connectivity sectors

- Working with partners, building new solutions for new and emerging sectors that have growing and more complex connectivity needs including those that make the most of our infrastructure, spectrum, and satellite expertise

Business Update

Media Distribution

700 MHz Clearance and DTT spectrum
The final stage auction results of the 700MHz and 3.6-3.8GHz spectrum was announced by Ofcom on 27 April 2021. Ofcom showed the four major operators BT/EE, Three, Telefonica UK (O2) and Vodafone acquired all of the 200MHz available across the 700MHz and 3.6-3.8GHz bands. Subject to the 3 months notice period being triggered by the acquirors, Arqiva will continue to have the right to remain in this spectrum with our DVB-T2 multiplex until June 2022. EE has been awarded the spectrum and stated in its press release that it secured it for long-term strategic reasons and that it acknowledged that there were no handsets currently in the market to support the band.

This will not affect Arqiva's main national multiplexes.

The main substantive works on the 700MHz Clearance project completed in August 2020. The final project completion activities continue with a project team until around October 2021. Principal site works include completion of permanent antenna works at Emley Moor, scheduled for Autumn 2021, and the removal of the temporary mast at Emley Moor in 2022. The team size continues to reduce as the project ramps down in accordance with the agreed plan, with efforts focused on commercial and financial close-out.

DTT Multiplexes
During the year the Group signed and renewed a number of contracts which included new contracts with GB News, Sky Arts and UKTV, and renewals with Dave, Yesterday and Dave Ja Vu. These contracts mature/extend – The majority of these contracts have been extended to 2026. DTT multiplex channel utilisation has remained high finishing the year at 97%.

TV viewing on the DTT/Freeview platform has remained strong during the pandemic period as more people stayed 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. TV advertising, an important driver for DTT has also been showing positive trends. Media markets have been recovering and some industry sources expect TV advertising to grow in excess of 10% this year. In May, ITV reported that TV advertising trends have been positive since March and that it forecasts over 20% increase in advertising revenues for the 2021 calendar year compared to 2020.

Government (DCMS) updates
In August 2021 the DCMS published the outcome of its consultation on DTT Multiplex licences. It has allowed all national multiplexes to renew for a further period until 2034 and provides Ofcom with the powers to renew the licences until this date. The decision included a provision for Ofcom to revoke the licences on spectrum management grounds subject to 5 years notice but that this could not come into effect until 2030 at the earliest. The decision and statement demonstrate strong long-term Government support for the DTT platform.

Separately, the Government continues its ongoing strategic review of public service broadcasting. There are a number of strands to this. In June 2021 the DCMS outlined plans to consult on the sale of Channel 4 with the consultation opening in June and running until September 2021. It also announced plans to review the regulation of video on demand platforms. In July 2021 Ofcom published a set of recommendations to the Government on the future of Public Service Media (PSM) as part of its 'Small Screen: Big Debate' review. Ofcom's report makes clear the ongoing importance of public service media and the importance of continuing to reach the widest possible audience and deliver universality. The Government is now considering these recommendations and plans to publish a white paper later this year.

Radio
Arqiva continues to play an active part in shaping the outcome of the DCMS led Radio and Audio review. It was expected that the final report would be published before Parliament's summer recess but that has now been

delayed until the start of the autumn. The review will support the need to protect spectrum for Radio until at least 2030 and states there will be no analogue switch-off within this period. This is consistent with our long-term planning assumptions.

On 22 July 2021 the DCMS published their consultation for National commercial DAB licencing. Arqiva holds an interest in both of the national commercial multiplexes: D1 licence (Arqiva 100% ownership) expiring in November 2023 and SDL (Arqiva has 40% ownership) expiring in March 2028. Arqiva will lobby to secure an automatic licence renewal to 2035.

The pandemic has underlined the public service role of both commercial radio and the BBC. Arqiva continues to deliver the levels of availability and consistency that our broadcast partners expect. The company's role in supporting the radio sector financially during the year has been recognised by Government and key stakeholders.

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%) a 21st station, Boom Radio, launched in March bringing Sound Digital up to 100% occupancy. On Digital One (the national multiplex wholly owned by Arqiva) some capacity was released by a data service and, following a competitive tender, GB News has announced the launch of a radio station which will run in parallel with its new TV channel. As a result, Digital One also continues to operate at full capacity.

Advertising revenues in both the local and national sectors have continued to improve following the easing of restrictions. With the current trajectory suggesting there will be no more lockdowns and our customer's revenues returning, the right decision was made in March to cease any lockdown discounts and return more to normal business. In addition to this we have launched national station Boom radio and are set to launch another one shortly leaving our national muxes at full capacity again.

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 SpaceX, Blue Origin and the recent UK Government investment in OneWeb plus established satellite operators such as Telesat and ViaSat. This opportunity requires groundstations and therefore Arqiva has the capability to serve this market. The Group has now secured two customers.

<u>Smart Utilities Networks</u>

New proof of concepts
Arqiva has engaged with utility customers and industry suppliers as we look to expand our 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 proof of concepts (PoCs). This includes a trial of "hybrid connectivity" services by utilising our satellite, cellular and private radio solutions. This trial with SGN is on-going. We are also continuing water product trials demonstrating both sewer level monitoring and leakage monitoring as a service. The PoCs will give our utility customers the opportunity to improve the management of their operational networks and achieve their regulatory targets.

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 2020 which was less than one month from contract signature and as at 30 June we were providing services to over 225,000 installed meters.

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 30 June 2021, there were over 540,000 meters installed and well over 12 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. Recently we have installed network in the Haslemere, Guildford area which is Thames' first smart meter deployment outside London.

In April 2021 Thames Water announced this development and that by using the smart metering data it has helped to detect and prevent leaks on 28,000 customers' private supply pipes which has saved 43 million litres per day. Smart meters have helped Thames Water achieve what it described as the water industry's "biggest reduction in leakage this century" and also having hit its regulatory target.

Northumbrian Water
Following a public competitive procurement, Arqiva has been selected by Northumbrian Water Group to deliver an initial roll-out of a smart metering network in Essex, where it operates as Essex & Suffolk Water. The project will support Northumbrian Water in its commitment to deliver smart metering to customers within the current Asset Management Plan (AMP 2020-2025), as well as meeting the company's target to ensure all domestic meters are smart by 2035.

The five-year contract will see Arqiva build and monitor the fixed-network infrastructure, delivering connectivity to up to 11,000 domestic meters, replacing both meters already installed and installing new meters for un-metered supplies in empty meter chambers which have been identified. Meters are provided by Arqiva's metering partner Sensus, a Xylem brand. The network went live and installations began in May 2021.

Lessons learned from this initial implementation will be used to guide the subsequent smart-meter roll-out over the rest of Northumbrian Water Group's operating regions.

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 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.

In May 2021, with Final Determinations announced mid July 2021, under the Government special Green Economic Recovery funding programme, OfWat has allowed significant spend for additional Smart Water Metering Programmes to be completed by April 2025. These awards have been made to Thames Water, Severn Trent Water and South West Water.

Smart energy metering rollout
The Group's smart metering communication network in the North of England and Scotland now covers 99.5% of premises. There are currently over 1 million communications hubs operating on the network representing 20% of the total UK communication hub installations. 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 periods.

The Group continues to support the DCC and their users ahead of meter rollout programmes. DCC has reported that there are now c.8.5 million SMETS2 meters on the national network.

<u>Corporate updates</u>

COVID 19
As lockdown eases Arqiva continues to provide essential communications infrastructure for our media distribution and smart utilities networks 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 still 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 and encouraging all employees to order their own rapid flow antigen tests;
- 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;
- Considering risks to cyber security, which we have reviewed and further strengthened;
- Financial liquidity, which we review continually to ensure a robust position. We benefitted from the Government's VAT deferral scheme but repaid the full amount in December 2020; and
- Following the change in government guidance on 19 July 2021 the measures implemented across workplaces have been relaxed whilst seeking to ensure the safety of employees and contractors.

Management changes
On 1 March 2021, Adrian Twyning joined Arqiva as Chief of Operations. Adrian comes with significant experience of leading large-scale operations, designing systems and leading sizeable business change. Most recently Adrian was Director of Transformation at Dixons Carphone, where he implemented new IT platforms, launched a new service proposition and oversaw a programme of retail rationalisation. Previously Adrian was at British Gas where he led a 4,000 strong Field Operations team and led changes to culture, process and technology. He replaces Neil Taplin, who left the company at the end of March 2021.

Transformation update
The Transformation Programme continues to deliver to plan with several releases to the business successfully implemented in March, May and July 2021. These deliveries have provided the business with industry-leading applications and integrations across Service Management (Service Now), OSS, Asset Management (Siterra) and Financial Management (ERP) capabilities. In turn, this prepares Arqiva to be more responsive, agile and efficient in its existing day-to-day operations as well as in any future markets where it intends to compete.

Over the remainder of the 2021 calendar year, Transformation continues to deliver incremental enhancements to these applications alongside the conclusion of the Cellnex TSA Exit obligations. Whilst the original 'big 4' components should conclude delivery in the 2021 calendar year, there are further deliveries currently underway within the Utilities and Site management spaces. These are likely to spill over into the first calendar quarter of 2022.

Sale of telecoms business
The sale of the Telecoms business to Cellnex completed in July 2020 and the Group's operational and asset separation has now largely been completed. Operationally, Arqiva has been supporting Cellnex's UK business via Transitional Services Agreements (TSA) originally planned for a period of up to 18 months from the deal completion date. The majority of the TSAs have now completed, we expect the remainder to complete on or before scheduled end dates across the various areas.

Financial review

Financial Performance

For the year ended 30 June 2021, revenue for the Company was £538.4m, a decrease of 17.5% from £652.8m in the prior year on a total reported basis. Revenue from continuing operations for the year of £538.4m is a decrease of 7.8% year on year from £583.4m in 2020. This decrease year on year is reflective of a period of change for the Company and the markets in which we operate.

Revenue	Year ended **30 June 2021** **£m**	Year ended **30 June 2020** **£m**	**Variance %**
Total continuing operations	**538.4**	**583.4**	**(7.7)%**
Telecoms Discontinued operations	-	69.4	(100.0)%
Total Revenue	**538.4**	**652.8**	**(17.5)%**

Revenue from discontinued operations relates to the telecoms infrastructure business and related assets which were sold by the Group on 8 July 2020.

Within the Media Distribution market our core broadcast TV and radio distribution products have remained strong and stable during the year with inflationary increases due to RPI linked long term contracts. This area has been marginally impacted by the COVID-19 pandemic with discounts provided to our independent commercial radio customers to support them through this period.

These increases have however been offset by a decrease in revenue from the 700MHz Clearance programme. This multi-year engineering programme saw completion of major works in August 2020 and expected lower activity levels throughout FY21 as a result. Project completion activities are continuing and are expected to fully complete in 2022.

Also included within Media Distribution is £26m of new revenues related to the utilisation of broadcast sites for telecommunications equipment and transitional services provided following the sale of the telecom's towers business to Cellnex.

Revenues from Smart Utilities Networks have increased due to the ramp up of activity on water metering contracts that were won in the prior year, primarily with higher revenue from sale of devices. The core energy metering contracts have increased revenues, although have seen slight decreases in project revenues due to incremental change requests activities which continue but at a lower level than the previous years which benefitted from additional testing services provided to the DCC.

Gross profit was £337.8m, representing a 27.9% decrease from £468.3m in the prior year. Gross profit from continuing operations decreased by 20.0% year on year from £422.5m to £337.8m. The decrease in gross margin is driven by the reductions in revenues described above, particularly the expected reduction from the 700MHz Clearance programme. There have been increases in cost of sales as a result of power and site costs on broadcast sites together with changes in product mix with higher volumes of lower margin device sales within the Smart utilities networks area which has caused the gross profit on continuing operations to decline more than revenues.

Other administrative expenses from the continuing business were £61.9m, down 15.1% from £72.9m in the prior year (total Company 2021: £61.9m; 2020: £81.1m). This decrease in operating expenses is largely driven by lower labour costs following the sale of the Telecoms business and the initial savings from the subsequent restructuring of the business. This has been partially offset by increases in other areas such as IT licence and maintenance due to new systems established as part of the digital transformation that has progressed in the year.

EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation' and includes add-backs for certain items charged to operating profit that are not considered to reflect the underlying performance of the business. A reconciliation of EBITDA to operating profit is presented below.

EBITDA	Year ended **30 June 2021 £m**	Year ended **30 June 2020 £m**	**Variance %**
Total continuing operations	**275.9**	**349.6**	**(21.1)%**
Telecoms discontinued operations	-	37.6	(100.0)%
Total EBITDA	**275.9**	**387.2**	**(28.8)%**

Total EBITDA was £275.9m, a 28.8% decrease from the prior year of £387.2m and a 21.1% reduction in the continuing business. The decrease in EBITDA from continuing operations has been driven by the reductions in revenue as well as changes in product mix with increases in lower margin areas and increased site costs.

Depreciation has decreased £14.6m in total (2021: £158.8m; 2020: £173.4m) and £5.9m from the continuing business (2021: £158.8m; 2020: £164.7m). Amortisation has decreased £0.6m in total and £0.5m from continuing operations (2021: £9.6m; 2020: £10.1m). The collective decrease of depreciation and amortisation of 3.8% from continuing operations is driven by a reduction in accelerated depreciation from the prior year period, particularly in connection with assets replaced under the 700MHz clearance programme due to the lower activity in this area as the programme winds down. Accelerated depreciation is expected to further decrease in subsequent years as these programmes and the Company's transformation programme progress.

Exceptional items charged to operating profit were £23.5m, increased from £7.4m in 2020 in relation to the continuing business. Exceptional costs in the current year predominantly relate to the implementation of changes in the organisational design and structure of the business and transformation costs.

Operating profit has decreased 81.6% (2021: £33.3m; 2020: £181.2m) across the Company and 60.7% in relation to continuing operations (2021: £67.5m; 2020: £171.6m). This decrease is primarily driven by the impacts from the trading performance of the business and increased exceptional expenditure due to projects undertaken in the year, partially offset by the savings in depreciation due to managed lower activity levels on major capital programmes and operating costs savings.

A reconciliation between operating profit and EBITDA is presented below:

	Year ended **30 June 2021 £m**	Year ended **30 June 2020 £m**
Operating profit	33.3	181.2
Exceptional items charged to operating profit	57.7	26.6
Depreciation	158.8	173.4
Amortisation	9.6	10.2
Impairment	21.2	-
Other Income	(4.7)	(4.2)
Total EBITDA	**275.9**	**387.2**
EBITDA from discontinued operations	**-**	***37.6***
EBITDA from continuing operations	***275.9***	***349.6***

Finance income (net of finance costs) were £157.9m, a decrease of 23.7% from £207.0m in 2020. This decrease is primarily due to a decrease in interest on outstanding amounts owed by group undertakings and a decrease in finance lease costs on lease liabilities following the sale of Telecoms infrastructure.

Profit before tax for the Company was £191.2m, a decrease from a profit of £388.2m in the prior year. From continuing operations, the profit before tax has decreased from £378.5m in 2020 to £225.4m in the current year. The profit before tax is reported after non-cash charges of £195.1m (2020: £187.9m) as shown below:

Reconciliation between loss/profit before tax and non-cash charges	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Profit before tax	191.2	388.2
Depreciation	*158.8*	*173.4*
Amortisation	*9.6*	*10.2*
Impairment	*21.2*	*-*
Other non-cash financing costs[2]	*5.5*	*4.3*
Total non-cash charges	***195.1***	***187.9***
Adjusted profit before tax and non-cash charges	**386.3**	**576.1**

Financial Position

Net assets were £2,740.0m, representing an increase of 7.8% from £2,542.0m in the prior year. The increase principally arises from trading profits and increased amounts receivable from other group entities.

Going Concern

The Company meets our day-to-day working capital and financing requirements through the net cash generated from our operations. The Company performs a review of going concern through a review of forecasting including cash flow forecasts and considering the requirements of capital expenditure and debt repayments. The Company has sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund our current operations, including our contractual and commercial commitments both in terms of capital programmes and financing. For this reason, the Directors are confident that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing this financial information.

The Directors have also taken into account the potential implication of the current COVID-19 situation and have determined that given there will continue to be demand for services provided by the Company and the Company has a mixed customer base, the going concern basis remains appropriate.

[2] Includes unwinding of discount on provisions and imputed interest.

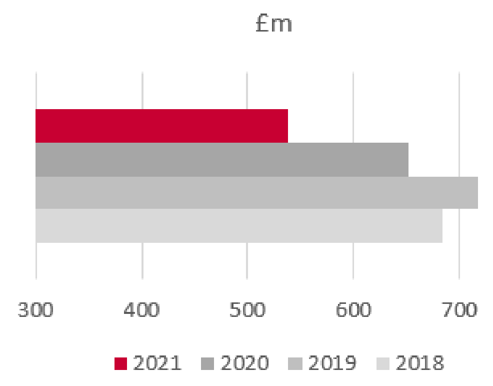
Key Performance Indicators

The Company uses a combination of financial and non-financial key performance indicators ('KPIs') to measure against our strategic ambitions.

See page 13 for further information on our strategic ambitions:

Financial KPIs

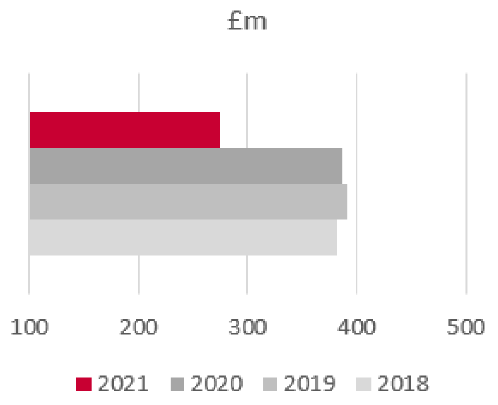
Revenue



Definition – Revenue is presented as per the financial statements, and in accordance with IFRS 15

Revenue has decreased 17.5% from the prior year for total revenue (2021: £538.4m; 2020: £652.8m) and 7.8% on a continuing operations basis (2021: £538.4m; 2020: £583.4m). Despite revenue growth in the broadcast TV and radio distribution business due to inflation linked contracts, the overall decrease for the year has been driven by the expected reduction throughout the year due to the successful completion of major works on the 700MHz Clearance programme. This has been partially offset by new revenues related to use of broadcast sites for telecommunications equipment and the ramp up of activity on water metering contracts won in the prior year mainly due to the sale of devices.

EBITDA



Definition – EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation' and includes add-backs for certain items charged to operating profit that do not reflect the underlying business performance. See page 20 for its reconciliation to operating profit.

Total EBITDA has reduced 28.8% (2021: £275.9m; 2020: £387.2m) and 21.1% from continuing operations (2021: £275.6m; 2020: £349.6m). The reduction in the year has been driven by the decrease in revenues explained above particularly around the 700MHz clearance programme and the product mix with revenue increases driven in lower margin areas. A reduction in corporate costs due to a focus on cost management and transformation including lower staff costs have partially offset the decrease.

Non-financial KPIs

700 MHz Clearance Programme

The major activities on the Clearance programme have successfully completed following the completion of the last two clearance events by August 2020

Utilities

The final network milestone for the Smart energy metering contract, BMax (99.5% network coverage), was achieved in December 2020

Network availability

	Own TV Multiplex Availability	Combined Network Availability
2021	99.99%	99.99%
2020	99.99%	99.98%
2019	99.99%	99.99%
2018	99.99%	99.99%

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

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

Making Arqiva a great place to work

	Investors in people award
2020	Gold
2019	Gold
2018	Gold
2017	Silver

Definition – Arqiva takes part in the 'Investors in People' accreditation for which more than 16,000 UK businesses take part.

Result – Arqiva holds an Investor in People Gold award. This is the highest level in the Investors in People Recognition available. The achievement of the Gold award is an outstanding recognition reflecting the commitment and hard work put in by colleagues across the business and commitment to our values, clear focus on individual and team objectives and team objectives aligned with business goals and focus on continuous improvement.
Arqiva has also been awarded an Investors in People 'Health and Wellbeing Good Practice Award' demonstrating our investment in the health and wellbeing of colleagues across the business.

Corporate Responsibility

Doing business the right way and sustainably is vital to Arqiva. Arqiva endeavours to conduct its business in a way that benefits all our stakeholders including customers, suppliers, employees, shareholders and communities in which we operates as well as creating a sustainable future for the business

Our ethics, values and behaviours are weaved through every aspect of what we do.

Charity

Arqiva continues to be a proud supporter of Cancer Research UK (CRUK) recognising them as our national corporate charity. Activities are organised by Charity Champions across our sites with colleagues getting involved in a variety of ways including:

- Participating in an Arqiva organised event
- Matched funding if employees participate in any CRUK event
- Taking on a personal challenge

Since the partnership began in 2019, Arqiva and our employees have raised over £60,000 for CRUK. Our partnership also extends beyond just fundraising – it is also about ensuring our colleagues are equipped with the support they may need should they, or their family, be affected by cancer.

Our major corporate sites also provide support to a range of chosen charities in their local communities. These include organisations supporting adults with learning difficulties, homeless people, veterans and local food banks.

We also understand that supporting a charity can be a very personal decision, so our matched funding scheme enables colleagues to fundraise for their chosen local and national charities, from Diabetes UK and the NSPCC to local community projects, children's clubs and sports teams.

Our colleagues are also able to provide support to a charity of their choosing through the 'Give As You Earn' scheme, working in partnership with the Charities Aid Foundation, for which we retained our Bronze Award in 2021. This allows colleagues to get tax relief on donations and the amount provided to charities through this scheme has reached over £100,000 over the past three years.

People – living our purpose

We aim to create a workplace where people feel engaged, energised and respected, where they can do their best, and look after their personal wellbeing, both in and out of work.

Wellbeing

Arqiva has an ongoing commitment to the health and emotional wellbeing of our people. Arqiva runs an annual event focusing on both organisational and personal resilience, which includes wellbeing sessions and training courses. We also have a network of mental health first-aiders, who are equipped to listen without judgement, reassure and respond to colleagues, even in a crisis.

This activity is supplemented by further focused activity aligned with national weeks around mental health and wellness. As well as these specific activities, our colleagues have access to a wealth of support through our Employee Assistance Programme and our partnership with Cancer Research UK.

Health and Safety

Health and safety of individuals is vital, whether in the office or repairing an antenna on a 1,000ft mast. We are committed to complying with applicable health and safety legislation, and to continual improvement in achieving a high standard of health, safety, and welfare in its operations and for all those in the organisation and others who may be affected by its activities. Arqiva operates a robust integrated management system that is certified to ISO14001, ISO45001, ISO90001 and ISO270001 as well as offering training programmes covering specific skills and general awareness. We have been a driving force in developing the Mast and Tower Safety Group, run our own accredited IOSH Working Safely training scheme for our engineers and we collaborate with the union BECTU on our annual employee safety conference.

Diversity and Inclusion

Valuing diversity and being inclusive is key. Our diversity and inclusion programme ensures we continually focus on what's needed for everyone to feel included and able to perform. We have moved beyond building awareness around unconscious bias and are now supporting colleagues to understand the difference between intent and impact.

Our Diversity Ambassadors have been instrumental in encouraging and engaging other workplace communities. We now have an active Women at Arqiva network, a Working Families group, and a Neurodiversity network, so we can listen, support and take opportunities to make lasting, tangible changes so our working practices are even more inclusive.

Environment

We continue to be aware of the impact our activities and our infrastructure may have on local communities. We always strive to minimise the impact we make on sites across the country, especially at remote locations with protected wildlife; and we work closely with planning authorities and local communities to find the best acceptable solution for locations of masts and other infrastructure essential to keeping both rural and urban communities connected.

Energy

Given the nature of the Arqiva's activities, Energy consumption is a key area of interest both economically and environmentally. Our energy policy reflects the company's commitments to improving energy efficiency by:

- Reducing energy consumption
- Investing in energy efficient technology; and
- Monitoring carbon emissions

We are always looking at new and innovative ways of driving down our carbon footprint. Responsible management of energy has a key role in minimising environmental impacts and is embedded within Arqiva. We investigate how emerging technologies and ingenious ways of working can help us and our customers become environmentally friendly.

See page 49 in the Directors report for details on our annual emissions.

Waste Management

The nature of our business means that we also have certain responsibilities particular to our industry. For example, as new technologies emerge and legacy equipment is replaced, we look for the most environmentally friendly ways to dispose of redundant hardware. We also consider the environmental risk of every investment made.

Information Security

Due to the critical importance of our sites and systems to Arqiva, our customers and, in some cases, as Critical National Infrastructure, we take information security very seriously.

We hold 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 us to compete for new business which requires us to demonstrate the robustness of our security controls.

Through independent review and accreditation, supported by internal monthly audits, we continue to confidently demonstrate our commitment to security and secure working practices. We have held this certification since 2013 and recertify every three years with recertification last given in May 2020.

We also hold Cyber Essentials certification. Cyber Essentials is a government-backed, industry-supported scheme to help organisations guard against the most common cyber threats and demonstrate their commitment to security. We have held this certification since 2016 and recertify annually.

Employees

The average number of persons employed by the Company during the year was 1,505 (2020: 1,839). Arqiva recognises the significant contribution of our employees and makes every effort to create a rewarding and engaging work environment.

Our policy is to provide equal opportunities for all employees, irrespective of race, nationality, gender, sexual orientation, marital status, religion or political beliefs, disability or age. Like many engineering-based businesses we recognise that Arqiva has a higher proportion of men than women and we are working to address this with the Employers Network for Equality and Inclusion through our diversity and inclusion programme.

The table below provides a breakdown of the gender of Directors and employees as at 30 June 2021:

	Female Number / %	Male Number / %
Board of Directors	1 / 8%	11 / 92%
Executive Committee	1 / 14%	6 / 86%
Company Employees	316 / 21%	1,189 / 79%

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

The Arqiva Employee Board ('AEB') has continued throughout the year. The AEB is a democratically elected Board that acts as a voice for employees across Arqiva and provides a clear and direct link between the Arqiva's employees and the Executive Committee. The AEB continues to meet on a monthly basis to discuss key matters such as performance management, or efficiencies and process to develop responsive action plans. Furthermore, the AEB (as well as the Executive Committee) interacts with representatives of BECTU (the Broadcasting, Entertainment, Cinematograph and Theatre Union) regarding employee matters.

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

Significant emphasis is placed on employee communication. Arqiva's intranet, 'The Hub', makes information available to employees on all matters including performance, growth, and issues affecting the industry. The embedded values "Ingenious, Straightforward, and Collaborative", continue to form the fundamental basis of all Arqiva business conduct and communication.

Arqiva wants all our employees to benefit from our success and growth as a business. The annual bonus scheme recognises the importance of high performance and is designed to reward employees for achieving targets and continuous improvement in overall performance, in line with our values and strategy. The scheme takes into account the targets that have been set by the AGL Group. The AGL Group must achieve a minimum EBITDA and operating cash performance before a bonus becomes payable which is then calculated based on these financial KPIs. The bonus payment for the 2021 financial year is expected to be made in October 2021. In addition, certain members of our senior management participate in a long-term incentive plan which is typically 3 years in duration and is designed to recognise the value of strategic initiatives being undertaken by the Group during the longer-term. As with the annual bonus scheme, the AGL Group must achieve a minimum threshold of financial performance before a bonus becomes payable under the long-term incentive plan which is then calculated based upon the 3-year Group financial KPIs of EBITDA and operating cash performance. All such arrangements are cash-based incentive schemes which operate against documented performance targets and are reviewed at least annually by the Remuneration Committee (which comprises members of the Board of Directors).

Gender Pay Gap

The full annual gender pay gap report is available on the company website. The latest report has shown a mixed picture for the gender pay gap for the reporting period with an improvement in the main but an increase in the median pay gap and includes details on why we have a pay gap, the reasons for the increase in the year and the actions we are taking to address the issue.

Modern Slavery Act

Arqiva is committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. The supplier Code of Conduct reflects the commitment to acting ethically and with integrity in all business relationships and to implement and enforce effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains. The full statement is included on page 30 and is also available on the company website at www.arqiva.com.

Anti-Bribery and Anti-Corruption

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

Taxation

Arqiva's approach to tax is to ensure compliance with all legal and statutory obligations. Arqiva is committed to maintaining a transparent and constructive working relationship with HM Revenue & Customs and with local tax authorities in the jurisdictions in which we operate. The total contribution to UK tax receipts including business rates and NI paid by both Arqiva and employees, totalled £65.4m for the financial year (2020: £92.6m).

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

This report was approved by the Board on 22 October 2021 and signed on its behalf by:

Mike Parton

22 October 2021

Corporate Governance Statement

The Companies (Miscellaneous Reporting) Regulations 2018 (the "Regulations"), requires companies that meet certain thresholds to report on the Directors' application of their section 172 duty to promote the success of the Company, as set out in the Companies Act 2006, along with stakeholder and employee engagement.

Section 172 Statement

The Companies Act 2006 sets out a set of general duties owed by directors to a company, including a list of matters to which directors must have regard, which are set out in s.172(1)(a) to (f). During FY21, in continuing to exercise their duties, the Directors have had regard for these matters, as well as other factors, in considering proposals from the Executive Committee and continuing to govern the Company on behalf of our shareholders.

Section 172 Factor	Key Examples	Page
Consequence of any decision in the long-term	Strategic overview	13-14
Interests of employees	Employee Engagement People – living our purpose Employees	29 24 (Corporate Responsibility) 26
Fostering relationship with suppliers, customers and others	Stakeholder Engagement Business Update	Below 15-18
Impact of operations on the community and the environment	Environment Energy Consumption and Waste management Charity	25 25 24
Maintaining high standard of business conduct	Governance Health & Safety Modern Slavery Act, Anti-Bribery & Corruption	33-37 24 30
Acting fairly between members	Stakeholder Engagement Accountability	Below 46

Stakeholder Engagement Statement

Throughout the year, the Board has continued to ensure engagement with relevant stakeholders both in day to day business and as part of key developments this year such as COVID-19. Examples of the way in which this engagement has taken place are set out in the table below.

Section 172 Factor	Key examples
Employees	Please see our Employee Engagement Statement below and Corporate Responsibility statement (pages 24-27) for full details
Regulatory Bodies	We have good relationships with representatives in all relevant regulatory bodies and engage regularly with Ofcom; the Department for Culture, Media and Sport (DCMS); the Department for Business Enterprise and Industrial Strategy (BEIS), as well as monitoring relevant developments with Ofwat and Ofgem as regulators of customers of our Utilities business, We participate in consultations and consult with government departments and regulators when setting strategy and making decisions that affect industry generally; during the 2021 financial year this has included working closely with regulators during the COVID-19 pandemic.
Investors	Quarterly reports to investors are published on our website and available to all; an annual investor call is held, in which we review our annual results and invite questions from investors. We worked closely with our investors in relation to the sale of our Telecoms business to secure their ongoing positions.
Customers	Our relationships with our customers are very important to us, and we maintain regular contact through account managers; Executive Committee members; and

	where appropriate our Chairman. As part of COVID-19 we have sought to understand and support customers who have been affected and ensure continued delivery of services.
Suppliers	Our Procurement team oversees supplier relationship management, with a category management structure so that employees have relevant expertise for each supplier. We work closely to ensure positive relationships, seeking to agree fair terms and conditions and ensure timely payment, through adherence to and reporting on the Prompt Payment Code.
Shareholders	Shareholder Representatives on the Board report back to shareholders on the business and take their interests into account when making decisions, while operating in accordance with their Companies Act duties. The Group's corporate governance specifies a number of categories of decision which are Shareholder Reserved Matters, ensuring that the decisions affecting shareholders are subject to necessary regulations of all shareholders. This governance was followed when agreeing and implementing the sale of the Telecoms business and associated investment decisions.
Stakeholders	As part of our infrastructure projects, we engage with planning authorities and local communities to foster positive relationships. Arqiva's charitable engagement also seeks to support communities local to the areas in which it operates.

Employee Engagement Statement

1. *Information*
   Regular all company updates are provided to all employees via Arqiva's Hub (intranet) and email updates; Management have conducted company-wide live broadcasts through the year to update employees on performance, strategy and other key developments; with opportunities for employees to ask questions in real time.

2. *Consultation*
   Arqiva has active union representations through the Broadcasting Entertainment Communications and Theatre Union (BECTU); strategic decisions which may affect employees (including business change; pay; and terms and conditions) are discussed with BECTI representatives in advance of action being taken. Similar engagement also takes place with the Arqiva Employee Board (AEB), which is elected by employees, and their feedback and views are taken into account when making decisions affecting the workforce, (for example in setting timescales and the content of communications).

3. *Involvement*
   Employees participate in annual bonus schemes which are based upon performance of the business throughout the year, encouraging employees to contribute to the success of the business. The Group's values of Ingenious and Collaborative encourage new ideas and fostering strong relationships across the organisation, supporting overall performance of the business.

4. *Common Awareness*
   Financial and economic factors affecting the business are described to employees throughout the year during Management broadcasts; regular email communications with business updates and through the Arqiva Hub.

Modern Slavery Act: Slavery and Human Trafficking Statement

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

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

During the financial year ended 30 June 2021, Arqiva Limited and its subsidiaries, Arqiva Muxco Limited and Arqiva Smart Metering Limited were part of the Arqiva Group with head offices in the UK and over 1,300 employees. We operate in the UK, Europe, Asia and the USA.

Arqiva Limited (including its subsidiaries), Arqiva Muxco Limited and Arqiva Smart Metering Limited each have an annual turnover of in excess of £36 million.

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

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

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

Our Policies on Slavery and Human Trafficking
We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part our business. Suppliers are required to comply with our Supplier Code of Conduct, which reflects our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains.

Due Diligence Process for Slavery and Human Trafficking
As part of our initiative to identify and mitigate risk we:

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

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

Our Procurement team, reporting into our CFO, is responsible for promoting and ensuring compliance with the Modern Slavery Act 2015 as part of our supplier relationships.

Training
To ensure a high level of understanding of the risks of modern slavery and human trafficking in our supply chains and our business, all Directors and members of the Executive Committee have been briefed on the subject and we continue to assess training needs for all relevant members or our staff.

Our Effectiveness in combating Slavery and Human Trafficking
We will use the following key performance indicators (KPIs) to measure how effective we have been to ensure that slavery and human trafficking is not taking place in any part of our business or supply chains:

- Use of robust supplier selection process including supplier questionnaires and compliance with Arqiva's Supplier Code of Conduct; and
- Use of our payroll systems to ensure that purchase orders and payments to suppliers are limited to those who comply with our standards.

Steps taken during the financial year to 30 June 2021
In the past financial year, we have taken the following steps to ensure that slavery and human trafficking is not taking place in our supply chains, and in any part of our own business:

a) We have continued to implement a qualification process for all of our suppliers, using our e-procurement system. This process includes background checks and either (a) confirmation of acceptance of the Arqiva Supplier Code of Conduct (which covers modern slavery and human trafficking); or (b) demonstration that the Supplier has its own equivalent policies covering modern slavery and human trafficking. Purchase Orders cannot be placed with new suppliers before the confirmation has been given;
b) The migration to a new version of Oracle financial systems has presented an opportunity to further reduce our number of trading suppliers, and we are working to a pool of approximately 600 suppliers on go-live of the upgraded systems (this figure has reduced from >2,300 in 2018);
c) We have introduced a new e-learning system for colleagues, using LinkedIn Learning, which includes content on modern slavery;
d) We have refreshed our "Speak Up" reporting website and telephone line to enable people to notify concerns. These are overseen by the Internal Audit function and regular updates given to the Group's Audit & Risk Committee.

Statement
This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes Arqiva Limited, Arqiva Muxco Limited and Arqiva Smart Metering Limited's slavery and human trafficking statement for the financial year ending 30 June 2021.

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

Governance

Board of Directors and Executive Committee

Ownership

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

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

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

Arqiva Board of Directors

The Group's Board of Directors is comprised of ten Directors representing our shareholder consortium as well as two members of the Executive Committee. The following Board members were in office during the year and up to the date of the signing of the annual report and financial statements.

Board Committee Membership

A – Audit and Risk Committee
G – Governance and Nomination Committee
R – Remuneration Committee
O – Operational Resilience
Bold – Committee Chair

Mike Parton, Chairman, Governance and Nomination Committee Chair and Audit and Risk Committee Chair

Mike brings a wealth of experience from his background in the telecoms and technology industry. Mike started his career as a Chartered Management Accountant, working for a number of UK technology companies including ICL, GEC, STC and Marconi, Mike has held the roles of CEP of Marconi plc. Chairman of Damovo Group and Chairman of Tele2 AB.

In addition to his role at Arqiva, Mike is currently also Chairman of TDC Group and a trustee of a young people's charity, Grit.

A G R

Paul Donovan, Chief Executive Officer

Prior to his appointment to Chief Executive Officer, Paul acted as a non-executive director on the Arqiva Board.

Paul has over 20 years' experience in senior executive roles across the technology, media and telecommunications sectors. Between 2014 and 2016 Paul led the transformation of Europe's leading cinema operator, Odeon and UCI Cinemas Group, ahead of its successful sale to AMC Theatres. Paul's leadership led to innovations in pricing, digital marketing and guest experience which laid the foundations for improvements in business performance and public perception.

Prior to this Paul was CEO of Irish Telecoms Group eir. His background also includes senior executive appointments with a number of significant global organisations including Vodafone, Cable & Wireless, One2One and Optus as well as senior commercial roles at BT, Apple Computers, Coca-Cola and Schweppes Beverages and Mars Inc.

Sean West, Chief Financial Officer

Sean was appointed Chief Financial Officer in September 2019, having joined Arqiva in 2015 as Director of Treasury and Corporate Finance and appointed Interim Chief Financial Officer in May 2019.

Sean has a background in all areas of corporate finance and financing, and as Director of Treasury and Corporate Finance was responsible for all aspects of the Group's capital structure.

Prior to joining Arqiva, Sean held senior corporate finance and treasury positions at the Immediate Capital Group (ICG) and LandSec and brings a wealth of experience across a range of industries and financial markets.

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

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

Sally is also a Non-Executive Director on the Board of Telenor and is Chairman of Leonard Cheshire.

R

Appointed by Frequency Infrastructure Communications Assets Limited

Mike Darcey, Director and Operational Resilience Chair
Mike has over 25 years' experience in the technology, media and telecommunications industry with numerous positions held ranging from CEO of News International to COO of British Sky Broadcasting Group. He has also provided strategic advisory services to a range of clients in the media industry.

Mike has served or is currently serving on Boards including Dennis Publishing (UK) Ltd (Chairman), M247 (Chairman), Home Retail Group (Senior Independent Director) and Sky New Zealand (Director). He is also Chairman of British Gymnastics and Senior Expert Advisor to MTM Consulting.

O G

Batiste Ogier, Director
Batiste is a Senior Principal in the Portfolio Value Creation at CPP Investments. He has responsibility for oversight of CPP Investments' global Infrastructure and Power & Renewables portfolios including helping establish each investment's asset management priorities. In his role, Batiste is also a Director on the Board of Renewable Power Capital, a renewable energy investment platform he helped found in 2020 and is Board representative for CPP Investments at Anglian Water. Prior to joining CPP Investments, he was a Director in the Infrastructure team at First State Investments, during which time he was a member of the Supervisory Board of the Coriance Group and a Board representative for FSI at Anglian Water.

Neil King, Director
Neil runs the European infrastructure business at CPP Investment Board. He has over twenty-five years of experience in the infrastructure market, including ten years at 3i as a founding partner in its infrastructure investment business before joining CPPIB in 2015.

Neil is also a Non-Executive director at Interparking S.A., a European car parking business which is in CPPIB's infrastructure investment portfolio.
G R

Peter Adams, Director (alternate)
Peter is a Principal in the Infrastructure group at CPP Investment Board, based in London.

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

Appointed by Macquarie European Infrastructure Fund II

Nathan Luckey
Nathan was reappointed to the Board on 1 July 2021.

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

Mark Braithwaite, Director
Mark is a Senior Managing Director in Macquarie Infrastructure and Real Assets. Mark was previously Chief Financial Officer of Thames Water, the UK's largest water and wastewater services company. Prior to joining Thames Water, Mark was Finance Director of the customer and energy divisions at EDF Energy plc, and before that held a number of senior Finance positions at Seboard plc.

Mark has other non-executive directorship roles for companies within MIRA's investment portfolio and is also a trustee of Leadership through Sport & Business, a UK social mobility and employability charity.
A G R

Appointed by IFM Investors

Christian Seymour, Director
Christian is Head of Infrastructure at IFM Global Infrastructure Fund, responsible for the business expansion in Europe and oversight of IFM's existing European asset portfolio, of which Codan Trust is an investment vehicle.
A G R O

Max Fieguth, Director (alternate)
Max is responsible for asset management of existing investments for IFM Global Infrastructure Fund, as well as supporting the execution of infrastructure transactions. Prior to joining IFM Investors, Max worked as a Consultant in the Operations Practice at McKinsey and prior to that at Bechtel on a number of infrastructure projects. He holds a Masters in Mechanical Engineering from Imperial College London, an MBA from INSEAD and is a Chartered Engineer with the Institution of Mechanical Engineers in the UK.

Independent Board Advisor

Frank Dangeard, Independent Board Advisor

Frank Dangeard resigned as a Director on 1 July 2021. He still attends Board and Audit and Risk Committee meetings as an Independent advisor to the Board.

In the telecom, media and technology sector, Frank has held various positions at Thomson S.A., including Chairman & CEO, and was Deputy CEO of France Telecom. He served on the boards of SonaeCom and Orange, and was Deputy Chairman of Telenor. He is currently of NortonLifeLock (ex-Symantec, US) and is on the board of HIS (Cayman). In the financial sector, he was a Managing Director of SG Warburg and Chairman of SG Warburg France. He served on the boards of Crédit Agricole CIB and Home Credit. He is currently on the board of NatWest Group (UK), and Chairman of NatWest Markets (UK). Frank also held board positions at EDF, RPX and various listed and non-listed companies in Europe, the US, India and the Middle-East.

A O

Executive Committee

(also includes the Chief Executive Officer and the Chief Financial Officer on pages 34)

Shuja Kahn
Chief Commercial Officer

- Joined **Arqiva** in January 2020 as Chief Operating Officer, moving to Chief Commercial Officer role in July 2020.
- 20 years in leadership roles within telecoms, media and broadcasting. Most recently Chief Commercial Officer at **Cable and Wireless**
- Other senior positions at **Liberty Global.**

Vivian Leinster
Chief People Officer

- Joined **Arqiva** in June 2020
- Extensive experience in people, organisation and cultural changes.
- Previous positions including Chief People Officer at **MS Amlin** and **Bupa UK.**

Alex Pannell
Executive Director, Commercial Broadcast and Utilities

- Joined **Arqiva in** 2012, appointed to the Executive Committee in 2018 within the Satellite and Media business.
- Previously Director in **BT Wholesale.**
- Other previous positions at **Concert Communications.**

Adrian Twyning
Chief of Operations

- Joined **Arqiva** in March 2021 with experience in energy, retail, health construction and professional services.
- Previously Director of Transformation at **Dixons Carphone**
- Other senior positions at **British Gas** and **Brighton and Sussex Hospitals NHS Trust**

Clive White
Chief Technology and Transformation Officer

- Joined **Arqiva** in April 2018.
- Previous transformation positions at **RSA, Lloyds Banking Group, Accenture, AT&T Global Network** and **BSkyB.**

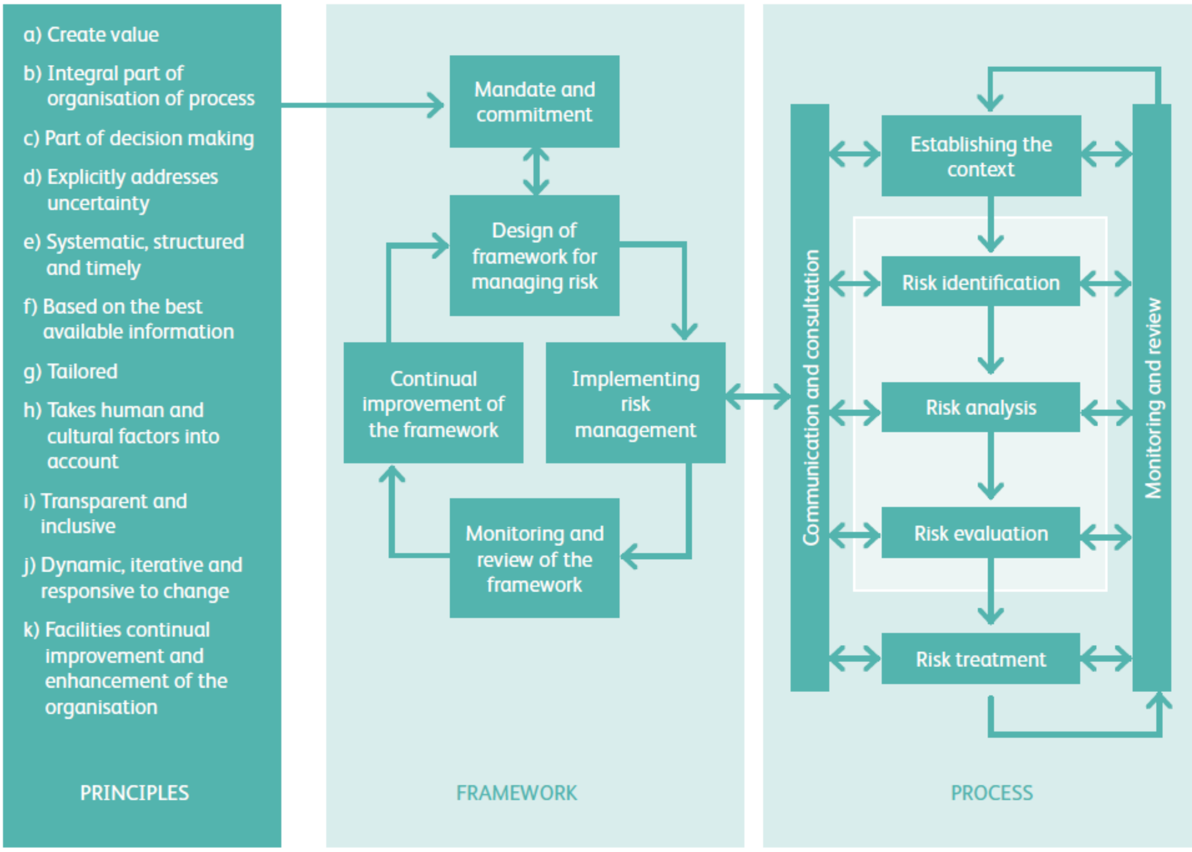
Principal Risks and Uncertainties

Arqiva's approach to risk management is as follows:

- Arqiva recognises that the effective management of risk is essential to achieve our business objectives
- Arqiva adopts an Enterprise Risk Management ('ERM') approach, which is recognised as 'best practice' for top performing companies
- Managing risk is a core responsibility of management at all levels and is a key component of governance and compliance
- Arqiva aims to embed risk management principles into the culture of the organisation

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

Arqiva has adopted ISO31000 as its Enterprise Risk Management standard and ISO Guide 73 terminology. Arqiva has also adopted the ISO 27000 series for Information Security including ISO/IEC 27005 for Security Risk Management which operates within the Arqiva ERM Framework. Our statements and principles are linked to our process through our risk management framework.



The Executive Committee has responsibility for maintaining and updating their line of business risk register which includes utilising the standardised approach to risk assessment and risk monitoring. Arqiva's centralised Internal Audit and Risk function provides training and support to ensure risks are captured effectively and on a timely basis. The Audit and Risk function works with the Chief Executive Officer to review and consolidate the most significant business risks into a corporate risk register for scrutiny at quarterly Executive Committee and Audit and Risk Committee meetings. The Executive Committee takes recommendations for ensuring the risk management framework remains effective going forward.

Management has identified the following risks as the most significant business risks affecting the Group, presented together with identified mitigating actions.

Risk Type	Description of risk / uncertainty	Management of risk / uncertainty	Recent developments
Demand, Health and Financial	The COVID 19 health pandemic is a risk to demand and operational capabilities	Arqiva maintains regular dialogue with customers and other stakeholders with regard to impact of the pandemic.	Discounts to local commercial radio customers have been extended during the year to continue to support these customers through the COVID-19 pandemic.
		Management continue to review the working capital and liquidity facilities available to the Group . Arqiva maintains an operational Resilience team who monitor latest restrictions and guidelines from the Government.	Financial liquidity is continually monitored and reviewed with regard to available facilities for the Group. Post year end in July 2021, the Group has renegotiated our available facilities with a new £100.0m facility available until 2025.
		Business Continuity Plans are established for each key site and business area.	Business Continuity Plans have continued to be enacted with sites adhering to government COVID secure guidelines. Alternative working arrangements and technology to support these arrangements have been enacted to enable the continued provisions of the Group's services and safe working conditions for employees.
Reputational	Bad publicity damages Arqiva's reputation and customer and business partner confidence and its	Arqiva carefully engages with our customers to ensure that project milestones are carefully managed and management	Arqiva has continued to achieve our target result for 'network availability', achieving over 99%.

	ability to do business as a result of: - A major event or incident impacting ours services; - Untimely delivery on major projects; - Repeated unexpected service outages; - Security breach or cyber attack on networks; or - Major network or equipment failure or obsolescence or inability to configure to comply with information security standards	regularly reviews the progress of all projects. Through continuous measurement of operational KPIs and addressing shortfalls in performance through process excellence the risk around service reliability is carefully managed. Arqiva has in place a crisis management plan for public relations and external communications to provide support should there be any major events. This is regularly monitored and reviewed. Cyber-attacks and trends in this area are continually monitored. Arqiva continues to invest in our infrastructure.	Arqiva has completed the main activities on the 700MHz programme during the year ahead of schedule. The Group maintains ISO27001 certification regarding information security and holds periodic reviews of the security environment and training to employees. The Business Continuity Group continues to meet regularly and will test and roll out the Disaster Recovery Plan. There has been continued capital expenditure in the year to improve infrastructure. Arqiva has continued with our digital transformation programme with Finance transformation and implementation of a new Oracle ERP system and IT service portal during the year.
Health	Risk of incident causing death or serious injury during site works or engineering. Risk of mental health issues as a result of significant organisational changes	Training and rescue skills courses are required on an annual basis for field employees, and rescue kits are provided. Arqiva maintains and regularly reviews our policy on workplace safety and site security.	Arqiva has maintained compliance with OHSA518001 regarding safety management. Mental health and wellness continue to be of focus. Arqiva runs annual events focusing on personal resilience including wellbeing sessions and training courses. Arqiva also has a network of mental health first aiders across the organisation.
Technological	Developments in alternative broadcast technologies, which compete against the DTT transmission business; or the evolution of DAB against Arqiva's existing analogue radio transmission business. Technical refresh in machine-to-machine markets impacting potential obsolescence of legacy systems.	DTT retains the largest share of broadcast transmission in the UK, and IPTV remains constrained by limited high speed broadband uptake and variable reliability levels. In addition, Arqiva has mitigated some of this risk by investing in YouView TV Limited, a joint venture formed to develop and promote the DTT platform together with involvement in Freeview Play.	Arqiva remains in dialogue with relevant stakeholders for the review into timeframes for full analogue switchover. Upgrades to our DAB network in recent years mean Arqiva continues to be in a strong position to support future switchover. The new strategic priorities of Arqiva for the next 10 years put a focus on the sustainable future of the business including the development of solutions for new and emerging sectors to make the most of our infrastructure and expertise.

Political	Change in government plans, policy or priorities could lead to unforeseen changes in scope on major engineering programmes and licencing.	Arqiva maintains regular dialogue with our stakeholders to ensure the delivery of our programmes are efficient, timely and to specification. Where specification changes occur, Arqiva provides a detailed assessment of the potential costs of the scope change and seeks an informed recovery of these costs through mechanisms in our contracts. Arqiva's assets and operations remain predominantly in the UK and therefore our business has minimal exposure to the changing relationships with international markets. Additionally, we expect the infrastructure Arqiva provides to continue to be demanded and that these services evolve as markets and consumer tastes evolve.	Arqiva has successfully agreed scope and change requests on our smart energy metering programme with our customer demonstrating the customer's continued focus on network roll out. Arqiva has continued engagement with Ofcom regarding licensing arrangements. Debt markets have continued to be monitored for accessibility and open dialogue maintained with ratings agencies. Evolving commercial negotiations are closely monitored.
Operational	Information, networks and systems infrastructure may be subjected to cyber security threats leading to a loss or corruption of data, penalties and impacting the operational capacity of Arqiva. Critical transmission structures or IT infrastructure supporting key operational processes could fail leading to operational outages.	Arqiva maintains an ISO270001 certification regarding information security, which includes Cloud Security Services. Employee training on information security is mandatory and quarterly reviews are undertaken by external consultants to examine the robustness of the security environment. Arqiva ensures data is regularly backed up and Business Continuity Plans have been established for each key site and each business area. A Business Recovery Working Group meets regularly to stress test these plans and continually review the Arqiva's approach to disaster recovery and operational resilience.	Arqiva has implemented detection and prevention solutions on networks. Arqiva has continued to pass our quarterly security reviews and has consequently retained ISO certification. Communication and training have been maintained with employees to ensure awareness of potential cyber security threats. Site inspections are completed with a focus on older sites and structural maintenance plans have been implemented. Business Continuity Plans have been enacted through the COVID-19 pandemic with keyworks on sites able to continue the seamless delivery of our operational services whilst adhering to COVID secure workplace guidelines.
	The scale and complexity of Arqiva's major programmes bear an inherent risk of unforeseen delays through the supply chain and therefore challenges to delivery.	Arqiva maintains a robust oversight of the delivery of our major programmes. This includes identifying the key personnel and resources required for delivery and working closely with its suppliers and customers to ensure that these requirements are sufficiently available.	Arqiva has completed the 700MHz Clearance programme during the year in line with contractual milestones. The Group's smart metering communication network in the North of England and Scotland now covers 99.5% of premises.

			Arqiva continues to support the DCC on the meter roll out programme.
	Customer relationships operations and project delivery could be damaged if there were significant loss of people with critical skills and knowledge unique to Arqiva's competitive position.	Arqiva recognises the importance of our people and seeks to make Arqiva a rewarding and enjoyable place to work. The Group operates a competitive annual bonus plan for all employees and a long-term incentive plan for our leadership team. Additionally, the Group operates formal retention and succession planning in knowledge-critical areas of the business.	Arqiva has continued to focus on supporting individuals with increased support and training for new managers and emerging talent. Regular meetings are held to identify critical issues and ensure timely intervention. Retention plans have continued to be implemented for key individuals particularly through significant organisational changes that have taken place across the workforce in the year.
Financial	Details of the financial risks and details of mitigating factors are set out in the Directors' report on page 51.		

Directors' Report

The Directors of Arqiva Limited ("AL"), registered company number 02487597, ("the Company") submit the annual report and audited financial statements ("the financial statements") in respect of the year ended 30 June 2021.

The Company is a significant trading component of the AGL Group, which owns and operates a portfolio of communications infrastructure including TV and radio transmission services, smart utilities networks and media services in the UK.

Wates Corporate Governance Statement

For the year ended 30 June 2021, under The Companies (Miscellaneous Reporting) Regulations 2018, Arqiva has applied the Wates Corporate Governance Principles for Large Private Companies (as published by the Financial Reporting Council (FRC) in December 2018 and available on the FRC website).

Companies are able to adopt the Wates principles as an appropriate framework when making a disclosure regarding corporate governance arrangements. We have adopted the disclosure in our 2021 Annual Report and Financial Statements and we set out below how the principles have been applied over the past year.

PRINCIPLE ONE - PURPOSE AND LEADERSHIP *– An effective board promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.*

Purpose/focus and activities during the year.
The divestment of the Group's Telecoms business was successfully completed in early July 2020. Subsequently, the focus of the Board and Executive Committee during the year has been to lead Arqiva through an uncertain Covid 19 period and to re-set the business' purpose with a particular emphasis on its core broadcast, media networks and utilities businesses and its customers. The following items were the key areas of focus during the year:

Item	Summary
Headline purpose and strategy matters	The development of a new and updated purpose for Arqiva – which is "***Enabling a switched-on world to flow***" - and also the Vision 2031 work which has brought our purpose, our vision and our strategy together has been the focus for building a sustainable future for Arqiva. The Board has overseen these matters alongside the development and adoption of a detailed and robust long-term plan for the business with appropriate cost and investment assumptions which now underpin the business. This was the first long-term plan for the 'new' business, following the divestment of the Telecoms business to Cellnex which was completed in July 2020.
Capital structure	Following the divestment of the Telecoms business, the Board has overseen a restructuring of its capital structure through the repayment of a significant portion of its external debt and also the rationalisation of its derivatives positions associated with that debt. An indicative credit upgrade was confirmed by the rating agencies at the end of the year.
Customers	Arqiva is a smaller and less complex business post the Telecoms divestment, and the Board has sought to ensure senior engagement with key customers and stakeholders to cement working relationships, share Arqiva's new purpose and to open up further opportunities for collaboration. In addition, a significant customer engagement survey was carried out in May 2021. This provided valuable insights in to Arqiva's performance, what it needs to do to maintain its position in certain areas, and what it needs to do to prepare for the future.

Integrated organisation	The Board has overseen the implementation of an integrated organisational design whose purpose is to more directly and effectively serve our customers and ensure alignment across our functions with the business' purpose and direction.
People & Culture	A particular focus has been on ensuring the right levels of skills and experience amongst our employees which was important to deliver Arqiva's new purpose in the new organisational design. The Board has overseen a company wide restructuring and redundancy programme which was carried out during the year. This resulted in a significant number of changes in the employee mix – with a number of individuals leaving the business, others being successful in being appointed to new roles, and also a significant recruitment exercise to fill vacant roles. A new senior leadership group was formed in the summer of 2020. This group has benefitted from significant investment through personal and leadership development activities throughout the year. The leadership group has been key to certain Culture transformation initiatives over the course of the year and bringing to fruition a target culture blueprint for the business. In addition, the implementation of our post-pandemic "Work. Life. Smarter." practices has started and will continue to be rolled out. The intention is to enable a migration to a hybrid home/office working model for our people.
Operational performance	The operational performance of the business has been closely monitored by the Board as part of the regular Board meeting agendas. In particular, the impact of Covid 19 on the performance of the business has been considered on a more frequent basis, and the relevant operational risks associated with Covid 19 continue to be carefully managed. In addition, the global component shortage has had an impact on meter supply schedules and this has been frequently considered by the Board and senior management.
Governance	A number of appointments/changes have been made to the Group's executive committee during the year. In addition to the business' new integrated organisational design, a number of improvements and updates have been made to the business' internal governance structures and delegated authorities.
Covid 19	The principal aims of the Board in its response to the ongoing Covid 19 pandemic were to ensure the safety of its employees and assist individuals with the evolving lockdown situations and 'working from home' realities, and also maintain operational capability and delivery to the Group's customers. In addition, the Board continued to oversee the Group's engagement with its most affected and key customers.
Transformation	The Board has continued to oversee the programme to upgrade the Group's IT, systems and processes to enhance operational capability and bring efficiencies to the Group's operations.

Values and culture
Arqiva's values are embedded throughout the organisation, and adherence to them forms part of employees' performance reviews and reward structure. Independent surveys of both employee and customer engagement are undertaken. Engagement with BECTU is described under Principle 6 (Stakeholders) below. The Group's People & Culture team monitors absenteeism rates and processes are also in place to encourage and monitor exit interviews. These form part of matters reported upon to the Operational Resilience Committee, which reports in to the Board.

PRINCIPLE TWO - BOARD COMPOSITION - *Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.*

Chair
The Group's corporate governance structure creates a clear separation between the role of the Chair and that of the Chief Executive Officer.

The Chair (who is independent of the Group's Shareholders) is a highly experienced business executive having held many senior executive roles in the technology and telecoms sectors. The Chair has actively encouraged open debate and discussion in the appropriate forums including main Board meetings which are scheduled to take place at least six times per year, and also at Board sub-committee meetings (those committees being the Audit & Risk Committee, Nominations & Governance Committee, Operational Resilience Committee, Capital Structure Committee and the Remuneration Committee).

Balance and diversity
The Board has deep and relevant experience which has provided invaluable external industry input to assist more effective decision-making in relation to a number of key matters brought before the Board. The Group operates in a number of diverse and complex markets which require the Board to have a detailed understanding of the relevant sector in order to arrive at informed decisions.

Arqiva is actively working with Inclusive Employers in relation to diversity and inclusion. The Group recognises that there is further work to do in this area and continues to promote relevant initiatives. Page 26 of the Annual Report provides a breakdown of the gender of Directors and employees.

Size and structure
The size and structure of the Board remains under periodic review so that it is best organised to meet the needs and challenges of the Group. In terms of Board size, a balance has been struck between ensuring Shareholders are adequately represented via their nominated Directors but also identifying directors with relevant industry experience to be appointed together with the Group's CEO and CFO (see pages 33-37 of the Annual Report for full details of the composition of the Board of Directors and Senior Executive Management). Whilst Frank Dangeard, Mike Darcey and Sally Davis all originally joined Arqiva as independent non-executive directors, each of them were also Shareholder directors representing Macquarie, CPPIB and MTAA/IFM respectively in the year to 30 June 2021.

We acknowledge that there is a relative lack of diversity on the Board. As part of the new appointments to the Senior Leadership groups, improvements have been made to broaden diversity and this will continue in the future.

Effectiveness
The Group undertook an extensive Board effectiveness/evaluation exercise in December 2020 using an external online platform together with relevant diagnostics, and the results of the exercise were considered and discussed at a meeting of the Nominations & Governance Committee and the Board of directors in February 2021. The key action recommendations from the exercise included the following:

- Arqiva's sustainability activities should be an increasing priority that form part of the company's value creation and strategic objectives.
- Diversity & inclusion and sustainability matters will be a more prominent agenda item at relevant committee meetings and also at the Board twice a year from FY22 onwards.
- Succession planning and talent review matters will be regular agenda items for the Nominations & Governance Committee.
- The composition of the Board (and/or the potential for a Board observer or external advisor) would be kept under review to ensure the right breadth of experience and input at the Board.
- An increased focus by the Audit & Risk Committee in appraising strategic risk factors and whistleblowing matters.

PRINCIPLE THREE - DIRECTOR RESPONSIBILITIES – *A board should have a clear understanding of its accountability and terms of reference. Its policies and procedures should support effective decision-making and independent challenge.*

The Board has a programme of six principal meetings every year, with additional meetings arranged for key projects, strategic matters or circumstances such as Covid 19, as may be required.

Accountability
Decisions which are within the remit of the Board or Shareholders are set out in a Shareholders' Agreement (as Board Reserved Matters and Shareholder Reserved Matters). There is a comprehensive Delegation of Authority policy which sets out the responsibilities that are delegated to the Executive and those decisions which must be made at Board or Shareholder level. This policy was updated and a revised policy brought to the June 2021 Board meeting for approval. Typically, Board or Shareholder Reserved Matters are raised at regular Board meetings and written resolutions are obtained where otherwise required.

A Conflicts of Interest paper is maintained and regularly updated with details of Board or Shareholder conflicts. Any conflicts which may compromise independent decision making would be raised by the Company Secretary at the relevant Board meeting; a Director having a conflict is not entitled to discuss or vote on the relevant matter, or to count in the quorum.

Committees
Five Board sub-Committees have been instituted. Pages 33-37 of the Annual Report provides an overview and description of each of the Board sub-Committees comprising: Audit & Risk, Remuneration Committee, Nominations & Governance and Operational Resilience. The Capital Structure Committee was established in summer 2020, principally to oversee and recommend the activities associated with the restructuring of Arqiva's capital structure through the repayment of a significant portion of its external debt and also the rationalisation of its derivatives positions associated with that debt. The Capital Structure remains in place, its core focus being the consideration and optimisation of Arqiva's capital structure. The Board sub-Committees promote effective decision making and greater accountability and focus in relation to each of the areas covered by the respective Board sub-Committees.

Integrity of information
The Board receives regular reports from the Executive and Senior Management on key matters for which the Board has responsibility, including strategic projects; comprehensive financial reporting; key customer and regulatory matters; updates on operational resilience (including physical and cyber security as well as health and safety and environmental issues); details of major bids and performance of key contracts and market issues faced by the Group as well as developments in technology and regulation.

The Group uploads papers to a board portal for ease of review and administration. Other than in exceptional cases papers are submitted in advance and taken as read at Board meetings, allowing any presentations to focus on highlighting key issues, discussion and dealing with questions. The Chairs of each of the Board Committees are aware of the importance of their position and during FY20 they have each met (virtually) with key employees of the Group to build relationships and gain direct access to those dealing with the day to day business of the Group.

PRINCIPLE FOUR - OPPORTUNITY AND RISK – *A Board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.*

Opportunity
The Group's Board maintains a focus on how the Group creates and preserves value over the long-term which is principally achieved through a well-developed strategic and long-term planning process. The Board keeps its strategy under review which provides a forum to present future business opportunities. Appropriate governance mechanisms are in place to ensure that new business opportunities above a certain value are considered and approved by the Board.

Risk
The Group has a well-developed risk management process in place and continues to utilise its an online risk assessment tool, which is used throughout the business (which is described on pages 38-39 of the Annual report). The Group's Audit and Risk function works with the Chief Executive Officer to review and consolidate the most significant business risks into a corporate risk register for scrutiny at quarterly Executive Committee and Audit & Risk Committee meetings.

Arqiva's key operational risks and mitigations are outlined in detail on pages 39-42 of the Annual Report.

Responsibilities
The Group has adopted the Enterprise Risk Management approach to managing its risk which has been approved by the Group's Audit & Risk Committee. This incorporates an internal control framework clearly defining roles and responsibilities of those involved. Responsibilities include the following:

- The Group's Executive Committee takes recommendations for ensuring the risk management framework remains effective going forward;
- Processes are in place for managing the principal risks and uncertainties;
- The internal control framework (described on pages 48 - 52 of the Group's annual report) confirms that there is a monitoring and review process in place to evaluate risks at both business unit and Board level.

PRINCIPLE FIVE - REMUNERATION - *A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.*

Remuneration
A consistent approach has been adopted in setting the level and structure of remuneration in relation to each member of the Executive Committee to secure appropriate and fair levels of remuneration. Benchmarking and advice from external remuneration consultants is obtained. Remuneration comprises of a number of elements including base salary, an annual bonus and a long-term incentive plan.

Page 26 of the annual report provides more detail and explains how remuneration is structured to recognise high performance reward for achieving targets in line with the Group's sustainable success and values. This aligns with remuneration arrangements for the remainder of the organisation where every employee's remuneration is made up of a combination of base salary and annual bonus (which, again, is linked to personal performance and achieving financial targets in line with the Group's objectives). Following a review of the Group's remuneration structures by the new Chief People Officer, initiatives in the year to 30 June 2021 have included new approaches to reward and incentives that underpin future cost savings while ensuring transparency and alignment with shareholder objectives.

Policies
The Group has delegated remuneration matters to the Remuneration Committee (which is a committee of the Board). The Remuneration Committee operates in accordance with documented terms of reference. The Remuneration Committee is committed to take into account the pay and employment conditions of the Group's wider workforce when making recommendations in relation to Executive pay.
The Group's bonus and long-term incentive plans are documented in writing and reviewed at least annually by the Remuneration Committee and any payments made operate against documented performance targets.
In addition, the Remuneration Committee considers the company wide annual pay increase on an annual basis. As part of this process, the Remuneration Committee will assess increases against certain criteria including taking into account other comparative pay metrics in the industry, discussions held with BECTU, the existing and future financial capacity of the business, and also aligning with the long term sustainable success of the company. In the year to 30 June 2021, annual pay negotiations were concluded with BECTU with agreement to go to a ballot of its members. This occurred in early July 2021 and agreement was reached on the business' proposals.

PRINCIPLE SIX - STAKEHOLDERS *– A board has a responsibility to oversee meaningful engagement with material stakeholders, including the workforce, and have regard to that discussion when taking decisions. The board has a responsibility to foster good stakeholder relationships based on the company's purpose.*

Stakeholders
The Group's key Stakeholders include its employees; customers; suppliers; debt investors; Shareholders; pensions trustees; and regulatory and government bodies including Ofcom, DCMS and BEIS. Senior Management and the Strategy and Regulatory team work closely with industry and lobby groups and representatives of the various regulatory bodies, and the Board is regularly briefed informally and formally on developments. The value of good relationships with local communities, in the context of planning requirements for example, is understood and focus is given to fostering these relationships. The Group provides reports to investors and creditors as part of its listed debt obligations and conducts regular investor calls which give the opportunity for debt investors to raise questions with the Group. The Group's procurement operations function actively undertakes reviews of its supplier base and to enhance its best practice in this field.

Workforce
Arqiva communicates to its employees through regular email newsletters, updates over email directly from the CEO and local messaging from the Executive Management. The CEO and Executive Management have also conducted small listening groups in person where possible. However, due to the Covid 19 pandemic, the use of live broadcasts and presentations streamed online (rather than roadshows) has continued and this has been well received by employees. This has been done alongside interactive question functionality which enables a live dialogue with the workforce. Individual video interviews with members of the Executive Management have also been published on the Arqiva intranet. During the Covid 19 pandemic in particular, the Executive Management team has been the principal conduit through which the Board has been able to assess workforce considerations and related views for the purposes of their decision making processes.

The Group has active union representation from BECTU, as well as an elected Employee Board, and employee forums throughout the different functions. The People & Culture team work closely with each of these bodies, consulting on any proposed changes to terms; policies and processes; as well as seeking feedback on workplace morale, culture and issues of concern or interest to the workforce. In the year to 30 June 2021, due to the company wide restructuring and redundancy programme, the interaction between Arqiva, its Employee Board and BECTU has been heightened. A constructive and pro-active dialogue was swiftly established between the parties and a constructive relationship has been cemented as a result.

External impacts
The Group's Corporate Responsibility statement sets out, on pages 24-27 of the Directors' Report, a description of the Group's focus areas used to ensure that it acts responsibly, ethically and safely, from a Corporate; Community; Employee; and Business perspective. The statement also includes a summary of the Group's approach to environmental factors.

Streamlined Energy and Carbon Reporting (SECR)

UK Greenhouse gas emissions and energy use data for the period 1 July 2020 to 30 June 2021	**Year ended 30 June 2021**	**Year ended 30 June 2020 (Restated)***
Energy consumption used to calculate emissions (kWh)	222,357,758	290,282,567
Energy consumption break down (kWh):		
Gas	2,055,282	2,207,196
Electricity	215,261,826	279,439,417
Transport fuel	5,040,650	8,635,954
Scope 1 emissions in metric tonnes TCO2e		
Gas consumption	376	406
Owned transport (fleet)	1,120	1,557
Total Scope 1	1,496	1,963
Scope 2 emissions in metric tonnes TCO2e		
Purchased electricity		
Market Based	639	-
Location Based	46,471	65,148
Scope 3 emissions in metric tonnes TCO2e		
Business travel in employee owned vehicles / hire	129	387
Total gross emissions in metric tonnes TCO2e		
Market Based	2,264	-
Location Based	48,096	67,498

Intensity Ratio

	Year ended 30 June 2021	**Year ended 30 June 2020**
Intensity ratio of Total TCO2e / £m revenue – market-based method	3.49	-
Intensity ratio of Total TCO2e / £m revenue – location-based method	74.31	74.76

* *Prior year balances have been restated to take into account bills received for the 2020 financial year after the signing date of the prior year financial statements.*

Energy Efficiency Action taken

Video conferencing capability has been vastly improved through the introduction of more stable software and efficient technology enabling the opportunity from working from the home environment a more sustainable option negating the need for business travel and personal commuting.

LED lighting has continued to be deployed in both office and meeting room refurbishments across the corporate and technical estate.

A significant proportion of the reduction in electricity consumption is attributable to the sale of the telecoms division to Cellnex, however a number of energy efficiencies were identified during the COVID -19 pandemic in particular reducing office heating, lighting and maintenance obligations across the estate reducing business travel.

Arqiva continue to purchase over 99% of its energy consumed in the transmission networks and buildings (office and technical) from renewable energy supplies supported by REGO certification

Quantification and Reporting Methodology

Our electricity consumption data for the financial year is taken from billing data received plus an estimate has been made for bills still to be received in respect of the 2021 financial year as at the date of these financial statements.

Emissions figures include costs that are passed through to customers but are not disclosed separately within these financial statements.

Our Carbon accounting methodology is based on the following guidance:

- Greenhouse Gas Protocol Corporate Standard – World Resources Institute
- 2021 UK Government's Conversion Factors for Company Reporting.
- Environmental reporting Guidelines 2019 (including streamlined energy and carbon reporting guidance) March 2019

Directors Report

Financial Risk Management

The principal risks and uncertainties of the Group and Company have been outlined previously in this report (see pages 38-42). As a result of these, as well as the on-going business activities and strategy of the Company, Arqiva is exposed to variety of financial risks that include financing risk, purchase price risk, credit risk, liquidity risk, interest rate risk and foreign exchange risk.

The key financial risks affecting Arqiva are set out below, together with a summary of how these risks are managed.

Risk Type	Description of risk / uncertainty	Management of risk / uncertainty
Financing risk	The Group will need to refinance at least part of our 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 reflect our string ability to service and repay debt from our cash flows over a reasonable period of time, maintaining debt with a variety of medium and long term maturities, so that over time we do not have a significant concentration of debt due for refinancing in any given year, and aiming to refinance debt well in advance of the maturity date.
	Breach of debt covenants and/or a downgrade in our rating could impact the availability of finance or the comparability of terms.	With regards to covenants the Group maintains financial covenant monitoring and modelling, both retrospectively and prospectively and maintains regular dialogue with credit ratings agencies.
Purchase price risk	Energy is a major component of the Company's cost base and is subject to price volatility.	A large proportion of this risk is managed via pass-through arrangements to customers. The Company's residual exposure to fluctuations in the electricity price is managed by forward purchasing the majority of power requirements. Key revenue and cost milestones are set on larger projects to ensure the financial risks of volatile market pricing are mitigated.
Credit risk	The Company is exposed to credit risk on customer receivables.	Credit risk is managed through appropriate credit checking procedures prior to taking on new customers; and higher risk customers paying in advance of services being provided. Performance is closely monitored to ensure agreed service levels are maintained reducing the level of queried payments and mitigating the risk of uncollectible debts.
	The Group is exposed to counterparty risks in its financing operations.	The Group carefully manages the credit risk on liquid funds and derivative financial instruments with balances currently spread across a range of major financial institutions which have satisfactory credit ratings assigned by international credit ratings agencies. The levels of credit risk are monitored through the Group's on-going risk management processes, which include a regular review of the credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.

Liquidity risk	Ensuring the Group has sufficient available funds for working capital requirements and planned growth and funding for the Defined Benefit pension scheme.	The Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. As at 30 June 2021 the Company had £88.6m cash available and £250.0m of liquidity facilities available to cover senior interest payment if required. This facility was refinanced to a £150m facility shortly after the reporting date together with a £100m working capital facility. These facilities are held by other group companies in the AGL Group and can be on-lent if required. The Board considers the availability and adequacy of working capital funding requirements in conjunction with forming its long-term financial plan for the business.
Interest rate risk	Exposure to interest rate risk due to borrowing variable rate bank debt.	The AGL Group uses derivative contracts to hedge its exposure to rising interest rates. The Group maintains a hedging policy to manage interest rate risk and to ensure the certainty of future interest cash flows and compliance with debt covenants. The derivative contracts held are fixed rate hedging, split between interest rates and inflation-linked swaps. The Group has, however, elected not to apply hedge accounting meaning gains and losses are recognised through the income statement as fair values fluctuate. Interest rate swaps convert variable rate interest costs to fixed rate interest costs while inflation-linked swaps convert fixed or floating rate interest costs to RPI-linked costs, which fluctuate in line with the RPI index as do a significant proportion of the Group's revenue contracts. Debt and hedging instruments are not held by the Company but by other companies within the AGL Group.
Foreign exchange risk	The Company operates from UK sites and predominantly in the UK market. While some customer and supplier contracts are denominated in other currencies (mainly US Dollars and Euros), the majority of the Company's revenues and costs are sterling based, and accordingly exposure to foreign exchange is limited.	Management regularly monitors the impact of foreign exchange risks and assess the need to put any mitigating financial instruments in place. During the year the AGL Group fully repaid its US Dollar denominated private placements notes and closed out the related cross currency swaps. No foreign currency denominated debt was held at 30 June 2021.

Internal control over financial reporting

The Board of Directors review the effectiveness of the Arqiva's systems of internal control, including risk management systems and financial and operational controls (see page 39 - 42).

Audit and Risk Committee

The Audit and Risk Committee includes representation from the Board of Directors. Frank Dangeard stood down as a non-executive director of Arqiva Group Limited and relevant group companies, including Arqiva Limited, with effect from 1 July 2021. Frank also stood down from Board committee memberships, including his role as chair of the Audit & Risk Committee. Since 1 July, Frank has been appointed as a board observer and has also conducted oversight responsibilities of the Audit & Risk Committee. The proposal is that this role will continue for an interim period and will be kept under review by the Chair and the Board of Directors. Mike Parton will chair Audit & Risk Committee meetings (or another committee member may be appointed to chair the meetings as required). The Audit & Risk Committee continues to have representation from the Board of Directors.

In addition, it has responsibilities of oversight of risk management procedures, monitoring compliance and regulatory issues (including whistleblowing arrangements) and reviewing the effectiveness of the Arqiva's internal controls and internal audit function.

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

Meetings of the Committee are attended, at the invitation of the Chairman of the Committee, by the external auditors, the Chief Executive Officer, the Chief Financial Officer and representatives from the business as required.

Internal Audit

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

External Audit

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

PwC were re-appointed as external auditor in 2016 following a competitive tender process.

The auditors have provided certain non-audit services, principally in relation to non-audit assurance. The Audit and Risk Committee considers the acceptability of all non-audit services with the auditors in advance of commencement of work to confirm acceptability and ensures that appropriate safeguards of audit independence are established and applied, such as partner rotation.

Remuneration Committee

The Remuneration Committee, chaired by Sally Davis, is established to make recommendations to the Board regarding executive remunerations, including pension rights and to recommend and monitor the level and structure of remuneration for each member of the Executive Committee. Additional oversight is extended to setting and monitoring reward and incentive policies, including the Group-wide annual bonus scheme, and reviewing and making recommendations in relation to wider reward policies.

Governance and Nomination Committee

The Governance and Nomination Committee, chaired by Mike Parton, is established to give oversight to the size, structure and composition (including skills, experience, independence, knowledge and diversity) of the Board to ensure that the continued leadership ability is sufficient to allow the business to compete effectively in the market. This also includes oversight of the succession planning for directors (and other senior executives where appropriate).

Operational Resilience Committee

The Operational Resilience Committee, chaired by Mike Darcey, has oversight of the adequacy and effectiveness of the operational resilience strategies and procedures of the Group (including principles, policies and practices adopted in complying with all statutory, and sub-statutory, standards and regulatory requirements in respect of safety, health and environment ('SHE') matters affecting the activities of the Group). This includes consideration and risk management of areas of significant and individual cyber security, physical security, business continuity and SHE risk.

Equal Opportunities policy

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with Arqiva continues and the appropriate training arranged. It is the policy of Arqiva that the training, career development and promotion of a disabled person, should, as far as possible, be identical to that of a person who does not have a disability. Further information on how Arqiva supports its employees can be found on page 26.

Political Donations

No political donations were made during the year (2020: none).

Charitable donations

The Company has made £0.1m (2020: £0.1m) of charitable donations in the year.

Research and development

Arqiva performs research and development into new products and technology, the costs of which are capitalised where they meet the criteria for capitalisation in accordance with the Company's accounting policy. The research costs expensed in the year were £2.0m (2020: £5.2m). In addition, the Company carries out research and development as part of its contract bid processes and these costs are expensed as part of the bid costs unless the development expenditure can be capitalised. The bid costs expensed during the year total £1.3m (2020: £4.1m).

Development costs incurred as part of capital expenditure projects, which support customers contracts, are included with the total project spend within property, plant and equipment. The Company's capital expenditure in the year was £104.4m (2020: £247.0m) and includes capitalised labour of £34.4m (2020: £39.3m). Other development costs are capitalised within intangible assets. In the year, new development costs capitalised total £0.3m (2020: £2.7m) with amortisation of £1.6m (2020: £1.6m) charged against such capitalised development costs.

Overseas branches

The Group has trading branches based in the Isle of Mann, the Channel Islands and France.

Events after the reporting date

On 10 August 2021 a fire broke out at our Bilsdale transmitter site. Our engineers have worked on a four-stage recovery plan to reinstate services present on the mast. Through phases 1 and 2 of our recovery plan, around 500,000 households have now been returned to a coverage area through utilisation of other sites and radio services (FM and DAB) have also been restored for many. Works have been completed for the improvement of TV coverage from our Eston Nab site and an additional 15metre mast has been installed at a site in Arncliffe Wood in order to extend coverage from this site to achieve this. Phase 3 of the recovery plan involved the erection of an 80 metre temporary mast at the Bilsdale site which is expected to restore signals to over 90% of affected households. Works on the temporary mast completed in October with the mast switched on on 13 October. Phase 4 of the recovery plan will be to complete the enduring solution. Management are still assessing the financial impact of the incident and the assets damaged by the fire, and have engaged with the Company's insurers.

Dividends and transfers to reserves

The Directors' of the Company have not recommended a dividend in the year (2020: nil).

The profit for the year of £178.2m (2020: profit of £317.7m) was transferred to reserves.

Going Concern

The Strategic report includes information on the structure of the business, the business environment, financial review for the year and uncertainties facing the Company. Notes 18 and 20 of the financial statements include information on the Company's cash and borrowings respectively; and financial risk management information presented within this report.

The Company meets our day-to-day working capital and financing requirements through the net cash generated from our operations. The Company performs a review of going concern through a review of forecasting including cash flow forecasts and considering the requirements of capital expenditure and debt repayments. The Company has sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund our current operations, including our contractual and commercial commitments both in terms of capital programmes and financing. For this reason, the Directors are confident that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing this financial information.

The Directors have also taken into account the potential implication of the current COVID-19 situation and have determined that given there will continue to be demand for services provided by the Company and the Company has a mixed customer base, the going concern basis remains appropriate.

Future Developments

The Company plans to continue in its commercial and operational business in accordance with its strategy. Further detail is contained within the Strategic report on pages 13-14.

Ownership and Directors

A description of the ownership of the ultimate parent company of the AGL Group and the Board of Directors holding office during the year and up to the date of signing of the financial statements can be found on page 33.

At 30 June 2021, Mike Parton was the Group's independent Chairman.

Jeremy Mavor was reappointed as the Company Secretary on 1 July 2021 (previously Rachael Whitaker between 31 March 2021 and 1 July 2021, and Jeremy Mavor prior to 31 March 2021).

For details on the background of the Board of Directors and the Executive Committee please refer to pages 33 - 37.

Details of the statutory directors of the Company are shown below:

- Mike Parton
- Mark Braithwaite
- Christian Seymour
- Peter Adams (alternate)
- Sally Davis
- Paul Donovan (Chief Executive Officer)
- Neil King
- Martin Healey (resigned 12 January 2021)
- Frank Dangeard (resigned 1 July 2021)
- Michael Darcey
- Maximilian Fieguth (alternate)
- Batiste Ogier (appointed 12 January 2021)
- Nathan Luckey (appointed 1 July 2021)
- Sean West (Chief Financial Officer)

Directors Indemnities

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

Disclosure of information to the Independent Auditors

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

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

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements and the financial statements in accordance with applicable law and regulation.

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also 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 enable them to ensure that the financial statements comply with the Companies Act 2006.

On behalf of the Board

Mike Parton

Director
22 October 2021

Financial Statements

Financial Statements

Independent Auditors' report to the Members of Arqiva Limited

Report on the audit of the financial statements

Opinion

In our opinion, Arqiva Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 30 June 2021; the Income Statement, the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June

2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Communications Act 2003 and UK Tax law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and Directors, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenging assumptions and judgements made by management and considering risk of management bias in their significant accounting estimates as disclosed in Note 5 of the financial statements;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or journals posted by unexpected users;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statement disclosures made by management in their significant accounting estimates and judgements as disclosed in Note 5 of the financial statements;
- As required by ISA 240, incorporating an element of unpredictability into our audit testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements.

Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Nigel Comello (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 October 2021

Income Statement

	Note	Year ended 30 June 2021			Year ended 30 June 2020		
		Continuing operations £m	Discontinued operations £m	**Total £m**	Continuing operations £m	Discontinued operations £m	**Total £m**
Revenue	6	538.4	-	538.4	583.4	69.4	652.8
Cost of sales		(200.6)	-	(200.6)	(160.9)	(23.6)	(184.5)
Gross profit		**337.8**	**-**	**337.8**	**422.5**	**45.8**	**468.3**
Depreciation	15	*(158.8)*	-	*(158.8)*	*(164.7)*	*(8.7)*	*(173.4)*
Amortisation	14	*(9.6)*	-	*(9.6)*	*(10.1)*	*(0.1)*	*(10.2)*
Exceptional operating expenses[1]	*8*	*(23.5)*	*(34.2)*	*(57.7)*	*(7.4)*	*(19.2)*	*(26.6)*
Other administrative expenses		*(61.9)*	-	*(61.9)*	*(72.9)*	*(8.2)*	*(81.1)*
Impairment		*(21.2)*	-	*(21.2)*	-	-	-
Total operating expenses		**(275.0)**	**(34.2)**	**(309.2)**	**(255.1)**	**(36.2)**	**(291.3)**
Other income		4.7	-	4.7	4.2	-	4.2
Operating profit	7	**67.5**	**(34.2)**	**33.3**	**171.6**	**9.6**	**181.2**
Finance income	10	187.3	-	187.3	233.6	0.1	233.7
Finance costs	11	(29.4)	-	(29.4)	(26.7)	-	(26.7)
Profit before tax		**225.4**	**(34.2)**	**191.2**	**378.5**	**9.7**	**388.2**
Tax	12	(13.0)	-	(13.0)	(67.5)	(3.0)	(70.5)
Profit for the year		**212.4**	**(34.2)**	**178.2**	**311.0**	**6.7**	**317.7**

Further comments on Income Statement line items are presented in the notes to the financial statements.

[1] Exceptional items are presented to assist with the understanding of the Company's performance. See note 8 for further information.

Statement of comprehensive income

	Note	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Profit for the year		178.2	317.7
Items that will not be reclassified to profit or loss			
Actuarial gains / (losses) on pension schemes	25	26.4	(11.9)
Movement on deferred tax relating to pension schemes		(6.6)	2.3
Other comprehensive income / (expense) for the year		**19.8**	**(9.6)**
Total comprehensive income		**198.0**	**308.1**

All items of other comprehensive income relate to continuing operations.

Statement of financial position

	Note	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Non-current assets			
Goodwill	13	43.5	43.5
Intangible assets	14	39.8	45.6
Property, plant and equipment	15	1,194.9	1,266.8
Deferred tax	24	156.9	77.5
Retirement benefits	25	47.1	16.1
Investments in subsidiaries	16	66.3	87.5
Other receivables	17	2,979.3	-
		4,527.8	**1,537.0**
Current assets			
Trade and other receivables	17	159.1	2,895.0
Contract assets	17	12.6	14.0
Cash and cash equivalents	18	88.6	44.7
		260.3	**2,953.7**
Total assets		**4,788.1**	**4,490.7**
Current liabilities			
Borrowings	20	(18.4)	(17.4)
Trade and other payables	19	(1,471.3)	(1,501.4)
Contract liabilities	19	(75.4)	(73.4)
Provisions	23	(3.3)	(2.5)
		(1,568.4)	**(1,594.7)**
Net current (liabilities) / assets		**(1,308.1)**	**1,359.0**
Non-current liabilities			
Borrowings	20	(81.6)	(91.7)
Contract liabilities	19	(312.5)	(184.0)
Provisions	23	(85.6)	(78.3)
		(479.7)	**(354.0)**
Total Liabilities		**(2,048.1)**	**(1,948.7)**
Net assets		**2,740.0**	**2,542.0**
Equity			
Share capital	26	30.0	30.0
Share premium	27	90.8	90.8
Retained earnings		2,610.3	2,412.3
Other reserve		(4.5)	(4.5)
Capital Reserve		13.4	13.4
Total equity		**2,740.0**	**2,542.0**

The notes on pages 66 to 94 form part of these financial statements.

The financial statements on pages 62 to 94 were approved by the Board of Directors on 22 October 2021 and were signed on its behalf by:

Mike Parton - Director

Statement of changes in equity

	Share capital £m	Share premium £m	Retained earnings £m	Other reserve	Capital reserve £m	Total equity £m
Balance at 1 July 2019	**30.0**	**90.8**	**2,104.2**	**(4.5)**	**13.4**	**2,233.9**
Profit for the year	-	-	317.7	-	-	317.7
Other comprehensive expense	-	-	(9.6)	-	-	(9.6)
Total comprehensive income	-	-	308.1	-	-	308.1
Balance at 30 June 2020	**30.0**	**90.8**	**2,412.3**	**(4.5)**	**13.4**	**2,542.0**
Profit for the year	-	-	178.2	-	-	178.2
Other comprehensive income	-	-	19.8	-	-	19.8
Total comprehensive income	-	-	198.0	-	-	198.0
Balance at 30 June 2021	**30.0**	**90.8**	**2,610.3**	**(4.5)**	**13.4**	**2,740.0**

Notes to the financial statements

1 General Information

Arqiva Limited ("the Company") is a private Company limited by shares and incorporated in England, United Kingdom ("UK") under the Companies Act under registration number 02487597. The address of the registered office is Crawley Court, Winchester, Hampshire, SO21 2QA.

The nature of the Company's operations and its principal activities are set out in the Strategic report on page 8.

2 Basis of preparation and statement of compliance

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared on a going concern basis under the historical cost convention other than where set out in the accounting policies, and in accordance with the Companies Act 2006. The Group's consolidated financial statements are available online at www.arqiva.com.

The requirements have been applied in accordance with the requirements of the Companies Act 2006.

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

UK-adopted IFRS	Relevant disclosure exemptions
IAS 1 *Presentation of financial statements*	The requirements of paragraph 38; comparative information in respect of: (i) paragraph 79(a)(iv) of IAS 1; (ii) paragraph 73(e) of IAS 16 Property, plant and equipment (iii) paragraph 118(e) of IAS 38 Intangible assets.
IAS 1 *Presentation of financial statements*	The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B to D, 40A to D, 111 and 134 to136.
IAS 7 *Statement of Cash Flows*	All disclosure requirements.
IAS 8 *Accounting policies, changes in accounting estimates and errors*	The requirements of paragraphs 30 and 31.
IAS 24 *Related Party Disclosures*	The requirements of paragraph 17; the requirement to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary party to the transaction is wholly owned by such a member and key management personnel.
IAS 36 *Impairment of Assets*	The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e).
IFRS 13 *Fair Value Measurement*	The requirements of paragraphs 91 to 99.
IFRS 15 *Revenue from Contracts with Customers*	The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129.
IFRS 7 *Financial Instruments: Disclosures*	All disclosure requirements.

3 Adoption of new and revised Standards

New and revised Standards

The following new and revised Standards and Interpretations have also been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements.

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IFRS 16	Covid-19 Related Rent Concessions
Annual Improvements to IFRS Standards 2018 – 2020 Cycle	Various standards

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not applicable for these financial statements:

Amendments to IAS1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	Reference to the Conceptual Framework 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use
Amendments to IAS 37 Annual	Onerous Contracts – Cost of Fulfilling a Contract
Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

4 Principal accounting policies

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

Exemption from consolidation

The Company is a wholly owned subsidiary of Arqiva Holdings Limited and of its ultimate parent, Arqiva Group Limited ('AGL'). It is included in the consolidated financial statements of AGL which are publicly available. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are separate individual Company financial statements.

Going concern

The Company adopts the going concern basis in preparing its financial statements based upon the support from its ultimate parent undertaking and the future profit, cash flows and available resources of the Company which lead the Directors of the Company to be confident that the Company will have adequate resources to continue in operational existence for the foreseeable future.

The Company responded to the COVID-19 pandemic by taking deferrals on VAT payments which have since been repaid in full during December 2020, and also by offering discounts to commercial radio customers severely impacted by the economic implications of the pandemic 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.

Revenue recognition

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

On inception of a contract, performance obligations are identified for each of the distinct goods or services that have promised to be provided to the customer. The consideration specified in the contract is allocated to each performance obligation identified based on their relative standalone selling prices and is recognised as revenue as they are satisfied. Determining the standalone selling price often requires judgement and may be derived from regulated prices, list prices, a cost-plus derived price, or the price of similar products when sold on a standalone basis by Arqiva or a competitor. In some cases it may be appropriate to use the contract price when this represents a bespoke price that would be the same for a similar customer in a similar circumstance.

Cash received, or invoices raised in advance are taken to deferred income and recognised as contract liabilities, and subsequently recognised as revenue when the services are provided. Where consideration received in advance is discounted, reflecting a significant financing component, it is reflected within revenue and interest payable and similar charges on a gross basis. Revenue recognised in advance of cash being received or an invoice being raised is recognised as accrued income within contract assets and subsequently reclassified to receivables once an invoice is raised. Invoices are issued in line with contract terms.

The Company recognises deferred income within contract liabilities which relates to cash received in relation to future services for TSAs and the utilisation of broadcast sites for telecommunications equipment as a result of the sale of the Telecoms business. This contract liability is expected to be released over the next 35 years.

The Company does not have any material obligations in respect of returns, refunds or warranties.

The following summarises the performance obligations we have identified and provides information on the timing of when they are satisfied and the related revenue recognition policy.

Rendering of services

Performance obligations under contracts for the rendering of services are identified for each distinct service or deliverable for which the customer has contracted and are considered to be satisfied over the time period that the services or deliverables are delivered. Revenue is recognised over time in line with the service provision over the contractual period and appropriately reflects the pattern by which the performance obligation is satisfied. Such revenues include television and radio transmission services, media services, and machine-to-machine connectivity.

For long-term services contracts revenue is recognised on a straight-line basis over the term of the contract. However, if the performance pattern is other than straight line, revenue is recognised as services are provided, usually on an output or network coverage basis. Such revenues include smart metering network build and service operation.

Pre-contract costs incurred in the initial set up phase of a contract are deferred. These costs are then recognised in the Income Statement on a straight-line basis over the remaining contractual term, unless the pattern of service delivery indicates a different profile is appropriate. These costs are directly attributable to specific contracts, relate to future activity, will generate future economic benefits and are assessed for recoverability on a regular basis. Costs related to delivering services under long-term contractual arrangements are expensed as incurred.

Delivery of engineering projects

The Company provides support to its customers by undertaking various engineering projects. Contracts for the delivery of engineering projects are split into specific performance obligations. Performance obligations relating to services are satisfied over the time period that services are delivered, performance obligations relating to the provision of assets are satisfied at the point in time that control passes to the customer. Revenue from such projects, which are long-term (greater than 12 months) contractual arrangements, is recognised based on satisfaction of the identified performance obligations using the percentage of completion method. The stage of completion is based on portion of costs incurred as a percentage of total costs. Profit is recognised, if the final outcome can be assessed with reasonable certainty, by including revenue and related costs in the Income Statement as contract activity progresses.

A loss on a fixed price contract is recognised immediately when it becomes probable that the contract cost will exceed the total contract revenue.

Sale of communications equipment

Performance obligations from the sale of communications equipment provided as part of customer contracts are satisfied and revenue is recognised at the point in time that control passes to the customer, which is typically upon delivery and acceptance by the customer. In some cases payment is not received in full at the time of the sale, and a contract asset is recognised for the amount due from the customer that will be recovered over the contract period. Revenue to be recognised is calculated by reference to the relative standalone selling price of the equipment.

Leases

The Company as lessee

When the Company enters into a lease a 'right-of-use asset' is recognised for the leased item and a lease liability is recognised for any future lease payments due at the lease commencement date. The right-of-use asset is initially measured at cost, being the present value of the lease payments paid or payable, plus any initial direct costs incurred in entering the lease.

Right-of-use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. The lease term is the non-cancellable period of the lease plus any periods for which the Company is 'reasonably certain' to exercise any extension options.

The useful life of the asset is determined in a manner consistent to that for owned property, plant and equipment. If right-of-use assets are considered to be impaired, the carrying value is reduced accordingly.

Lease liabilities are initially measured at the value of the lease payments that are not paid at the commencement date and are usually discounted using the incremental borrowing rates of the applicable Company entity. Lease payments included in the lease liability include both fixed payments and in-substance fixed payments during the term of the lease.

After initial recognition, the lease liability is recorded at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate (e.g. an inflation related increase), a renegotiation of the lease terms or if the Company's assessment of the lease term changes; any change in the lease liability as a result of these changes also results in a corresponding change in the recorded right-of-use asset.

Foreign currency translation

The financial statements of the Company are presented in 'Pounds Sterling' (£), which is also the entity's functional currency. Foreign currency transactions are translated into the functional currency using the rate of exchange prevailing on the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the re-translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

Retirement benefits

The Company operates various post-employment schemes, including both defined benefit and defined contribution plans.

Defined contribution schemes

For defined contribution schemes, the amount charged to the Income Statement in respect of pension costs and other post-retirement benefits is the contribution payable in the year. Differences between contributions payable for the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Defined benefit schemes

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and terms to the scheme liabilities. Any defined benefit asset or liability is presented separately on the face of the statement of financial position and net of deferred tax.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment are stated at historic purchase cost (which includes costs directly attributable to bringing the assets into working condition), less accumulated depreciation and any provision for impairment. Or, where this is not considered to be the fair value of the assets acquired, an allocated fair value is calculated using alternative valuation methods.

Assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. The cost of self-constructed assets includes the cost of materials and direct labour.

The Company manages all assets under construction on behalf of the Group. These assets are not depreciated until construction is complete and the asset is capable of operating in the manner intended by the Group. Upon completion, such assets are transferred to other Group companies where appropriate.

General and specific borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalised where assets take a significant period of time to become ready for use.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Freehold land is not depreciated.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement.

Intangible assets

Recognition and measurement

Intangible assets are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to the Income Statement on a straight line basis over the estimated useful life of the asset, on the following bases:

Asset Description	Estimated Useful Life
Licences	Length of the licence period (no more than 20 years)
Software	5 - 10 years

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Acquired goodwill

The amount initially recognised for acquired goodwill is the historic purchase cost incurred or deemed cost. Subsequently the acquired goodwill is reported at cost less accumulated impairment losses, on the same basis as other intangible assets acquired separately stated at original purchase cost less any provision for impairment. Goodwill is considered to have an indefinite useful life.

De-recognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of non-financial assets

At each reporting period date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the impairment relates to goodwill, in which case it cannot be reversed.

Investments in subsidiaries and joint ventures

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

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

When the probability that the Company will be required to settle an obligation or a reliable estimate cannot be made of the amount of the obligation the Company discloses a contingent liability in the notes to the financial statements.

Trade and other receivables

Trade and other receivables are amounts due from customers for services performed or equipment sold in the ordinary course of business. These balances do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Impairment of irrecoverable amounts is based on an expected credit loss model.

In addition to the expected credit loss model, the Company's policy is to also consider specific provisions for trade receivables outstanding for more than 30 days beyond the agreed terms, or where the business environment indicates a specific risk. Management makes an assessment of the level of provision required and adjustments to the calculated level of provision are made accordingly.

Trade and other payables

Trade and other payables are obligations to pay for goods or services acquired in the ordinary course of business from suppliers. They are not interest bearing and are stated at their nominal value.

Cash and cash equivalents

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

Interest

Interest income and expense are accounted for on an accruals basis and comprise amounts receivable and payable on deposits, finance leases and intercompany balances respectively, plus any unwinding of discount on provisions.

Exceptional items

Exceptional items are those that are considered to be one-off, non-recurring in nature or so material that the Directors believe that they require separate disclosure to avoid the distortion of underlying performance. Underlying performance is the reported performance excluding significant one-off and non-recurring events that more fairly represents the on-going trading performance of the business. These items are presented separately on the face of the Income Statement.

Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is

part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Income Statement.

5 Critical accounting estimates and judgements

In the application of the Company's accounting policies, which are described in note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The judgements, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The judgements, estimates and underlying assumptions are reviewed on an on-going basis. Revisions are recognised in the period in which the estimate is revised.

Critical judgements and key sources of estimation uncertainty in applying the Company's accounting policies

The following are the critical judgements, and those involving estimations, that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Revenue recognition

Critical accounting judgements:

In applying the Company's revenue recognition policy, as set out in note 4, judgements are made in respect of certain areas including:

- determination of distinct contract components and performance obligations;
- the recognition of a significant financing component.

The aforementioned judgements are consistently applied across similar contracts.

Critical estimations:

In applying the Company's revenue recognition policy, as set out in note 4, estimations are made in respect of certain areas including:

- measurement of variable consideration;
- in the application of the percentage of completion approach to long-term contractual arrangements which relies on estimates of total expected contract revenues and costs, as well as reliable measurement of the progress made towards completion.

Critical estimates are regularly monitored throughout the relevant contractual periods with reference to the stage of completion and any applicable customer milestone acceptance. This is particularly relevant to the approach for significant engineering projects, such as the 700MHz clearance programme, which typically contain a programme build phase and a long-term operational phase. See note 6 for the total engineering revenue. The impact of a change in estimate related to engineering projects is considered to not be material.

Useful lives for property, plant and equipment and intangibles

Critical estimations:

Depreciation or amortisation is charged to the Income Statement based upon the useful lives selected. This assessment requires estimation of the period over which the Company will derive benefit from these assets.

Management monitor and assess the appropriateness of useful economic lives, such lives may also be impacted by external market changes. In the event that such a change were to result in a revision of useful economic lives this could result in a change to the annual depreciation charge going forwards. In the theoretical scenario whereby medium and long term useful economic lives of property, plant and equipment were to be reduced by one year the estimated impact on the depreciation charge for the year is approximately £12.1m (2020: approximately £16.0m), with a reduction in depreciation in later years.

The Company manages its property, plant and equipment on a portfolio basis through a central estates team. This team contains qualified surveyors who have a wealth of experience working for the Company and within the industry as a whole.

The carrying values of intangibles are disclosed in note 14, and those for property, plant and equipment are disclosed in note 15.

Provisions and contingent liabilities

Critical accounting judgements:

As disclosed in note 23, the Company's provisions principally relate to obligations arising from contractual obligations, restructuring and property remediation plans and decommissioning obligations.

The identification of such obligations in the context of daily operations which require provisions to be made requires judgement.

Judgement is also required to distinguish between provisions and contingent liabilities.

Critical estimations:

Estimates have been made in respect of the probable future obligations of the Company. These estimates are reviewed annually to reflect current economic conditions and strategic plans.

The decommissioning provisions are reviewed annually and are calculated based upon expected costs and past costs incurred on similar sites as determined by site and project management, as well as assessments made by internal experts (see note 23).

Management have estimated the impact of reducing the decommissioning timetable by one year to be £0.2m (2020: £0.1m) in relation to the unwinding of provision discounting or, if all site decommissioning was recognised in line with potential earlier expiration dates, a sensitivity of up to £10-15m. Such movement in any one financial year is therefore not considered likely.

Management also exercises judgement in measuring the exposures to contingent liabilities (see note 28) through assessing the likelihood that a potential claim or liability will arise, and in quantifying the possible range of financial outcomes.

Impairment of goodwill

Critical accounting judgements:

The carrying amount of the Company's goodwill is reviewed at each Statement of financial position date to determine whether there is any indication of impairment, in compliance with the Company's accounting policies.

Judgement is used to identify indicators of impairment and their impact upon the goodwill balances.

Critical estimations:

Deciding the recoverable amount of a line of business to which goodwill is attributed involves management estimates. The recoverable amount is the higher of the fair value less costs to sell, and the value in use.

The Company determines these values using methods based on discounted cash flows. These discounted cash flows are founded on five-year projections built on financial plans approved by the Board. The cash flow projections take account of past experience, and are based on management's best estimates of future developments based on contracted growth and necessary expenditure to maintain the assets required to generate that expected revenue. Cash flows beyond the planning period are extrapolated using an expected terminal growth rate.

The key assumptions underlying the changes in value in use involve estimates of the discount rate (with reference to weighted average costs of capital), projected cash flows and terminal growth rate.

The carrying amount of goodwill at the statement of financial position date is disclosed in note 13.

Leases

For most contracts there is limited judgement in determining whether an agreement contains a lease. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the lessee. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

Judgement is sometimes required to determine whether the Company controls the asset and has a lease under IFRS 16.

Critical accounting judgements:

Some lease contracts include elements of consideration which are fixed and variable. For these contracts judgement is required to determine to what extent any of the variable consideration is in substance fixed consideration according to IFRS 16. Where variable consideration is in substance fixed consideration it is accounted for in the valuation of the lease liability and right-of-use asset.

Lease terms under IFRS 16 may exceed the minimum lease period and include optional lease periods where it is reasonably certain that an extension option (or other contractual rights) will be exercised or that a termination option will not be exercised by the Company.

Significant judgement is required in determining whether optional periods should be included in the lease term taking into account the leased asset's nature, purpose and potential for replacement and any plans that the Company has in place for future use of the asset.

The lease terms for land and buildings, subject to the non-cancellable period and rights and options in each individual contract, are generally judged to be the longer of the minimum lease term and between 2 and 10 years, with terms at the top end of this range if the lease relates to assets that are critical to the delivery of major customer contracts.

Actuarial assumptions used to determine the carrying amount of the Company's defined benefit plan liabilities

Critical accounting judgements:

The Company's defined benefit plan liabilities are discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. The Company selects these assumptions in consultation with an external qualified actuary.

Critical estimations:

Estimates are used in determining the present value of the scheme liabilities, which depend on such factors as the life expectancy of the members, the salary progression of our current employees and price inflation.

Management has considered the estimated impact of adjusting the assumptions used to determine the present value of the scheme liabilities, which are summarised in note 25.

6 Revenue

The Company derives its revenue from the rendering of services, engineering projects and the sale of communications equipment. See note 4 for the accounting policies adopted.

The following revenue was generated by the Company:

Year ended 30 June 2021	Total continuing operations £m	Total discontinued operations[1] £m	Total £m
Rendering of services	504.3	-	504.3
Engineering projects	11.2	-	11.2
Sale of goods	22.9	-	22.9
Revenue	**538.4**	-	**538.4**

Year ended 30 June 2020	Total continuing operations £m	Total discontinued operations[1] £m	Total £m
Rendering of services	526.2	62.5	588.7
Engineering projects	45.1	6.9	52.0
Sale of goods	12.1	-	12.1
Revenue	**583.4**	**69.4**	**652.8**

All revenue relates to sales originating in the UK.

[1] Discontinued operations arise solely from the Telecoms business sold in the year.

Contract assets and liabilities

The Company has recognised the following assets and liabilities in relation to contracts with customers:

	30 June 2021 £m	30 June 2020 £m
Contract assets		
Current	12.6	14.0
Contract liabilities		
Current	75.4	73.4
Non-current	312.5	184.0
	387.9	**257.4**

£75.5m of the contract liability recognised at 30 June 2021 was recognised as revenue during the year (2020: £156.8m). Impairment losses of £0.1m were recognised on contract assets during the year (2020: £0.1m).

Other than business-as-usual movements there were no significant changes in contract asset and liability balances during the year.

In addition to the contract balances disclosed above, the Company has also recognised an asset in relation to the prepayment of costs to fulfil a contract. This is presented within other receivables in the Statement of financial position and totalled £1.0m (2020: £2.0m). Amortisation recognised as a cost of providing services during the year were £0.1m (2020: £0.2m).

7 Operating profit

Operating profit is stated after charging / (crediting):

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Wages and salaries	98.9	107.3
Social security costs	9.3	11.7
Other pension costs	6.8	8.3
Employee costs	**115.0**	**127.3**
Own work capitalised	(33.9)	(39.3)
Income statement expense	**81.1**	**88.0**
Depreciation of property, plant and equipment	158.8	173.4
Amortisation of intangible assets	9.6	10.2
Management recharge to fellow Group company	(16.4)	(30.4)
Impairment of investments	21.2	-

The Company has levied a management recharge, in respect of various staff costs and central facilities and support costs, to other trading entities within the Group. The management recharge to the Group companies is included within the Income Statement.

Services provided by the Company's Auditors and network firms

The Company's audit fee for the year was £95,000 (2020: £89,660). Fees paid to the Company's Auditors for services other than the statutory audit of the Company totalled £156,000 (2020; £269,000), comprised of £106,000 (2020: £96,000) for other audit services, £nil (2020: £nil) relating to taxation services and £50,000 (2020: £173,000) for other assurance services.

8 Exceptional items

The Company recognises exceptional items which are considered to be one-off and non-recurring in nature or material items which require disclosure by virtue of their size or incidence for the financial statements to give a true and fair view. Further information is disclosed in note 4.

Profit before tax is stated after charging:

	Year ended 30 June 2021 Continuing operations £m	Year ended 30 June 2021 Discontinued operations £m	**Year ended 30 June 2021 Total £m**	Year ended 30 June 2020 Continuing operations £m	Year ended 30 June 2020 Discontinued operations £m	**Year ended 30 June 2020 Total £m**
Operating expenses:						
Reorganisation and severance	21.6	-	21.6	6.6	-	6.6
Corporate finance activities	1.9	-	1.9	0.8	19.2	20.0
Transaction costs	-	34.2	34.2	-	-	-
Total exceptional items	**23.5**	**34.2**	**57.7**	**7.4**	**19.2**	**26.6**

Reorganisation and severance expenses include costs relating to changes in the organisational design and restructuring of the business and delivery of the Company's transformation programme, as well as losses on curtailments in relation to the defined benefit pension plan.

This is a one-off multi-year transformation programme that will help Arqiva streamline processes, modernise IT systems and achieve significant cost efficiencies and savings.

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

Transaction costs relates to transaction expenses incurred completing the sale of the Group's Telecoms infrastructure and related assets on 8 July 2020 as disclosed in note 22.

The amounts included within exceptional items for Continuing operations identified above are deductible for the purpose of taxation.

9 Employees and Directors

Employees

The average monthly number of persons (expressed as 'full-time equivalents') employed by the Company during the year was as follows:

	Year ended 30 June 2021 Number	Year ended 30 June 2020 Number
Media Distribution	910	1,009
Smart Utilities Networks	150	395
Corporate	445	435
Total employees	**1,505**	**1,839**

Directors

The aggregate of the amounts paid to Directors in respect of their services as a Director of the Company are set out below:

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Aggregate remuneration	2.7	2.7
Amounts due under long term incentive plans - accrued	1.0	0.7
Amounts due under long term incentive plans - reversed	(0.9)	(2.7)
Amounts due under long term incentive plans - total	0.1	(2.0)
Termination benefits	-	2.1
Total remuneration	**2.8**	**2.8**

Certain Directors were representatives of the ultimate parent company's shareholders and their individual remuneration reflects the services they provide to the Company and other Group companies.

Highest paid Director

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

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Aggregate remuneration	1.6	1.4
Amounts due under long term incentive plans - accrued	0.2	-
Amounts due under long term incentive plans - reversed	-	(1.3)
Total remuneration	**1.8**	**0.1**

10 Finance income

	Year ended 30 June 2021 Continuing operations £m	Year ended 30 June 2021 Discontinued operations £m	**Year ended 30 June 2021 Total £m**	Year ended 30 June 2020 Continuing operations £m	Year ended 30 June 2020 Discontinued operations £m	**Year ended 30 June 2020 Total £m**
Bank deposits	0.1	-	0.1	0.3	-	0.3
Interest receivable from Group entities	186.1	-	186.1	231.8	0.1	231.9
Other loans and receivables	1.1	-	1.1	1.5	-	1.5
Total finance income	187.3	-	**187.3**	233.6	0.1	**233.7**

Other loans and receivables include £0.3m (2020: £0.6m) in relation to net finance income on the defined benefit pension scheme.

11 Finance costs

	Year ended 30 June 2021 £m	**Year ended 30 June 2020 £m**
Bank charges	0.1	0.2
Other loan interest payable	17.0	8.7
Interest on lease obligations	6.8	13.5
Total interest expense	**23.9**	**22.4**
Unwinding of discount on provisions (see note 23)	5.5	4.3
Total finance costs	**29.4**	**26.7**

12 Tax

	Year ended 30 June 2021 £m	**Year ended 30 June 2020 £m**
Current tax:		
UK corporation tax		
- Current year	94.7	102.6
- Prior period adjustment	4.4	(5.0)
	99.1	**97.6**
Deferred tax:		
Origination and reversal of timing differences	(47.3)	(25.9)
Impact of change in tax rates	(33.5)	(5.2)
Prior period adjustment	(5.3)	4.0
	(86.1)	**(27.1)**
Tax charge for the year	**13.0**	**70.5**

UK Corporation tax is calculated at the rate of 19.0% (2020: 19.0%) of the taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the profit in the income statement as follows.

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Profit before tax	212.4	388.2
Tax at the UK Corporation tax rate of 19.0% (2020: 19.0%)	40.4	73.8
Tax effect of expenses not deductible for tax purposes	7.1	2.9
Impact of change in tax rates	(33.6)	(5.2)
Prior period adjustment	(0.9)	(1.0)
Total tax charge for the year	**13.0**	**70.5**
Income tax expense is attributable to:		
Profit from continuing operations	13.0	67.5
Profit from discontinued operations	-	3.0
Total tax charge for the year	13.0	70.5

The current year UK corporation tax charge (2020: charge) represents the payment made to (2020: payments made to) other Group companies for the provision of tax losses by way of group relief.

The main rate of UK corporation tax was 19.0% during the year. In the Finance Act 2021 it was enacted that the main rate of UK corporation tax would be increased to 25.0% from 1 April 2023. UK deferred tax has been valued at either 19.0% or 25.0% (30 June 2020: 19.0%) depending on the period it is forecast to unwind as this is the rate substantively enacted for these periods.

Tax in Statement of Comprehensive Income

There is a tax charge of £6.6m (2020: credit of £2.3m) in respect of the actuarial movement of £26.4m (2020: £11.9m) in the Statement of Comprehensive Income.

13 Goodwill

	£m
Cost	
At 1 July 2020 and 30 June 2021	**43.5**
Carrying amount:	
At 30 June 2021	**43.5**
At 30 June 2020	43.5

14 Other intangible assets

	Licences	Development costs	Access rights	Software	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2020	11.4	18.9	7.0	108.0	145.3
Additions	-	0.3	-	-	0.3
Transfers from AUC (note 15)	-	-	-	3.5	3.5
Disposals	-	(0.2)	-	(0.3)	(0.5)
At 30 June 2021	**11.4**	**19.0**	**7.0**	**111.2**	**148.6**
Accumulated amortisation and impairment					
At 1 July 2020	5.2	9.0	7.0	78.5	99.7
Amortisation	1.0	1.6	-	7.0	9.6
Disposals	-	(0.2)	-	(0.3)	(0.5)
At 30 June 2021	**6.2**	**10.4**	**7.0**	**85.2**	**108.8**
Carrying amount					
At 30 June 2021	**5.2**	**8.6**	**-**	**26.0**	**39.8**
At 30 June 2020	6.2	9.9	-	29.5	45.6

Development costs in respect of products and services that are being developed by the Company are being capitalised in accordance with IAS 38. These are amortised over their expected useful life once the product or service has been commercially launched. Other intangible assets are recognised at cost and are amortised over their estimated useful lives.

15 Property, plant and equipment

	Freehold land and buildings	Leasehold land and buildings	Plant and equipment	Assets under the course of construction (AUC)	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2020	184.7	142.5	1,771.9	103.2	2,202.3
Additions	0.1	10.4	9.5	80.6	100.6
Completion of AUC	4.5	0.6	46.7	(51.8)	-
Transfers to other intangibles (note 14)	-	-	-	(3.5)	(3.5)
Disposals	-	(4.7)	(24.5)	-	(29.2)
At 30 June 2021	**189.3**	**148.8**	**1,803.6**	**128.5**	**2,270.2**
Accumulated depreciation and impairment					
At 1 July 2020	28.8	49.7	857.0	-	935.5
Depreciation	5.2	12.8	140.8	-	158.8
Disposals	-	(0.6)	(18.4)	-	(19.0)
At 30 June 2021	**34.0**	**61.9**	**979.4**	**-**	**1,075.3**
Carrying amount					
At 30 June 2021	**155.3**	**86.9**	**824.2**	**128.5**	**1,194.9**
At 30 June 2020	155.9	92.8	914.9	103.2	1,266.8

Freehold land included above but not depreciated amounts to £70.9m (2020: £69.9m).

The Company's current and non-current assets have been pledged as security under the terms of the Group's external debt facilities (see note 28). In addition, the Company's lease obligations (see note 20) are secured by the lessors' title of the leased assets, which have a carrying amount of £5.1m (2020: £5.9m).

The cost of capitalised interest included within property, plant and equipment was £17.1m (2020: £17.3m).

At 30 June 2021, the Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £23.1m (2020: £13.4m) – see note 28 for further details.

16 Investments in subsidiaries

	Investments in subsidiaries £m
Cost	
At 1 July 2019	101.4
Additions	21.1
At 30 June 2020	122.5
At 30 June 2021	**122.5**
Provision for impairment	
At 1 July 2019 and 30 June 2020	35.0
Impairment	21.2
30 June 2021	**56.2**
Net book value	
At 30 June 2021	**66.3**
At 30 June 2020	87.5

The Directors consider the carrying value of the Company's investments in its subsidiaries and joint ventures on an annual basis, or more frequently should indicators arise, and believe that the carrying values of the investments are supported by the underlying trade and net assets.

Impairments recognised in the year relate to investments held by the Company in other Group entities which are now dormant.

The impairments were identified following an assessment of recoverability by management when considering future cashflows and the value of assets held in subsidiaries.

The addition of £21.1m in the prior year related to an investment in Arqiva Mobile TV Limited, which became a subsidiary of Arqiva Limited following a restructure of the Arqiva Group in May 2020.

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

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
ABHL Multiplex Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Arqiva (Scotland) Limited	United Kingdom	Transmission services	30-Jun	100% (held directly)
Arqiva Communications Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Defined Benefit Pension Plan Trustees Limited	United Kingdom	Pension company	30-Jun	100% (held directly)
Arqiva Inc.	USA	Satellite transmission services	30-Jun	100% (held directly)
Arqiva Limited	Ireland	Transmission services	30-Jun	100% (held directly)
Arqiva Media Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 10 Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Arqiva No. 11 Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Arqiva Pte Limited	Singapore	Satellite transmission services	30-Jun	100% (held directly)
Arqiva SAS	France	Satellite transmission services	30-Jun	100% (held directly)
Arqiva SRL	Italy	Satellite transmission services	30-Jun	100% (held directly)
Arqiva Broadcast Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Arqiva Digital Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Arqiva Finance Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Arqiva Mobile Broadcast Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile TV Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Public Safety Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Satellite Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Transmission Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Wireless Limited	United Kingdom	Dormant company	30-Jun	100%
Capablue Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Cast Communications Limited	United Kingdom	Dormant company	30-Jun	100%
Connect TV (Scotland) Limited	United Kingdom	Dormant company	30-Jun	100%
Connect TV Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Inmedia Communications (Holdings) Limited	United Kingdom	Dormant company	30-Jun	100%
Inmedia Communications Group Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Inmedia Communications Limited	United Kingdom	Dormant company	30-Jun	100%
J F M G Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Macropolitan Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
NWP Spectrum Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Scanners (Europe) Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Scanners Television Outside Broadcasts Limited	United Kingdom	Dormant company	30-Jun	100%
Selective Media Limited	United Kingdom	Dormant company	30-Jun	100%
Spectrum Interactive (UK) Limited	United Kingdom	Dormant company	30-Jun	100%
Spectrum Interactive GmbH	Germany	Dormant company	30-Jun	100%
Spectrum Interactive Limited	United Kingdom	Holding company	30-Jun	100% (held directly)
Joint ventures				
YouView TV Limited	United Kingdom	Open source IPTV development	31-Mar	14.3%
Sound Digital Limited	United Kingdom	Ownership and operation of UK DAB radio multiplex licence	31-Dec	40.0%
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	31-Dec	25.0%
UK Digital Radio Limited	United Kingdom	Support delivery of a digital future for radio	31-Mar	10.0%

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

Company	Registered office
Arqiva Inc.	c/o The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE19801, United States of America.
Arqiva Pte Limited	8 Marina Boulevard #05-02, Marina Bay Financial Centre, 018981, Singapore.
Arqiva SAS	Tour Vendome 204, Rond Point du Pont De Sevres, 92100, Boulogne, France.
Arqiva SRL	c/o Studio Bandini & Associati, Via Calabria 32, Rome, Italy.
Arqiva (Scotland) Limited	c/o Morton Fraser, Quartermile 2, 2 Lister Square, Edinburgh, EH3 9GL, Scotland.
Joint ventures	
YouView TV Limited	10 Lower Thames Street, Third Floor, London, EC3R 6YT
Sound Digital Limited	Media House Peterborough Business Park, Lynch Wood, Peterborough, United Kingdom, PE2 6EA
Muxco Limited	96a, Curtain Road, London, EC2A 3AA
UK Digital Radio Limited	55 New Oxford Street, 6th Floor, London, WC1A 1BS

17 Trade and other receivables

	30 June 2021 £m	30 June 2020 £m
Within non-current assets		
Amounts receivable from other Group entities	2,979.3	-
Within current assets		
Trade receivables	57.4	61.4
Amounts receivable from other Group entities	75.3	2,804.3
Other receivables	1.7	5.3
Prepayments	24.7	24.0
	159.1	**2,895.0**
Contract assets – accrued income	**12.6**	**14.0**

Amounts receivable from other Group entities are unsecured and repayable on demand. Within non-current assets, interest has been charged on £2,965.3m at 9.5% (2020: £2,678.6m at 9.5%) in relation to structured loan balances, and £14.0m at 0.0% (2020: £nil at 0.0%).

Within current assets, £61.1m has been charged at 0.0% (2020: £125.7m at 0.0%) in relation to trading and working capital loan balances.

Amounts receivable from other Group entities are stated after deducting allowances for impairment of £7.7m (2020: £7.7m).

Trade receivables are stated after provisions for credit loss of £3.5m (2020: £4.5m). Contract assets are stated after provisions for impairment of £0.1m (2020: £0.1m).

During the year management has performed a review of intercompany receivable balances which has resulted in the reclassification of some financial statement items between current and non-current. The reclassification of balances is based on whether there is an intention for the Directors to recall them within 12 months.

18 Cash and cash equivalents

	30 June 2021 £m	30 June 2020 £m
Cash at bank	88.6	44.7
Total cash and cash equivalents	**88.6**	**44.7**

19 Trade and other payables

	30 June 2021 £m	30 June 2020 £m
Current:		
Trade payables	40.7	40.0
Amounts payable to other Group entities	1,356.5	1,344.8
Taxation and social security costs	17.7	52.7
Other payables	2.7	5.0
Accruals	53.7	58.9
Total current trade and other payables	**1,471.3**	**1,501.4**
Contract Liabilities – deferred income	**75.4**	**73.4**
Non-current		
Contract Liabilities – deferred income	312.5	**184.0**

Amounts payable to other Group entities are unsecured, interest free, and are repayable on demand.

20 Borrowings

	30 June 2021 £m	30 June 2020 £m
Within current liabilities:		
Lease liabilities (see note 21)	18.4	17.4
Borrowings due within one year	**18.4**	**17.4**
Within non-current liabilities:		
Loans from other Group entities	5.3	5.3
Lease liabilities (see note 21)	76.3	86.4
Borrowings due after more than one year	**81.6**	**91.7**

All borrowings are sterling denominated.

Loans from other Group entities are unsecured, interest free and repayable in more than five years.

21 Leases

Leases as lessee (IFRS 16)

The Company 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 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 2019	160.4	58.5	218.9
Depreciation charge for the year	(12.5)	(13.1)	(25.6)
Additions to right-of-use assets	29.7	-	29.7
Effect of modification to lease terms	(2.3)	(13.9)	(16.2)
Derecognition of right-of-use assets	(107.9)	-	(107.9)
Balance at 30 June 2020	**67.4**	**31.5**	**98.9**
Depreciation charge for the year	(9.0)	(11.5)	(20.5)
Additions to right-of-use assets	8.1	3.6	11.7
Effect of modification to lease terms	2.3	3.3	5.6
Derecognition of right-of-use assets	(4.1)	(4.5)	(8.6)
Balance at 30 June 2021	**64.7**	**22.4**	**87.1**

Amounts recognised in the Income Statement

Leases under IFRS 16	**Year ended 30 June 2021 £m**	**Year ended 30 June 2020 £m**
Expense relating to variable lease payments not included in the measurement of lease liabilities	2.1	1.9
Interest on lease liabilities	6.8	12.3

The Company's lease liabilities are disclosed in note 20 Borrowings. The total cash outflow for leases in the year ended 30 June 2021 was £22.6m (2020: £36.6m)

22 Disposal group held for sale and discontinued operations

On 8 July 2020, management completed the sale of the Group's telecoms infrastructure and related assets.

The Telecoms business was classified as held-for-sale and as a discontinued operation for the year ended 30 June 2020.

The results of the discontinued operations for both year ended 30 June 2020 and 30 June 2021 are disclosed in the Income Statement.

23 Provisions

	Onerous contracts	Decommissioning	Restructuring	Remediation and maintenance	Other	Total
		£m	£m	£m	£m	£m
At 1 July 2020	-	**70.5**	**1.1**	**4.0**	**5.2**	**80.8**
Adjustments through property, plant and equipment	-	(3.0)	-	-	-	(3.0)
Income Statement expense	3.7	-	9.1	-	3.4	16.2
Unwind of discount	-	5.2	-	0.2	-	5.4
Utilised	-	(0.1)	(8.1)	(0.1)	-	(8.3)
Released to Income Statement	-	(0.1)	-	(0.1)	(2.0)	(2.2)
At 30 June 2021	**3.7**	**72.5**	**2.1**	**4.0**	**6.6**	**88.9**

Provisions are analysed between current and non-current based on expected utilisation as follows:

	30 June 2021	30 June 2020
	£m	£m
Analysed as:		
Current	3.3	2.5
Non-current	85.6	78.3
	88.9	**80.8**

Provisions are made for decommissioning costs where the Group has an obligation to restore sites and the cost of restoration is not recoverable from third parties.

The decommissioning provisions are reviewed annually and calculated using expected costs as determined by site and project management. The provision is in relation to assets of which the remaining useful economic life ranges up to 20 years, with the majority of the provision relating to TV and Radio products for which there is no material decommissioning expected before 2040.

The restructuring provision relates to the costs of exceptional activities to reorganise the Group.
The remediation provision represents the cost of works identified as being required across a number of the Group's sites and is expected to be utilised over the next one to ten years.

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

24 Deferred tax

The balance of deferred tax recognised at 30 June 2021 is £156.9m (2020: £77.5m). The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	**Fixed assets temporary differences**	**Other temporary differences**	**Total**
	£m	**£m**	**£m**
At 1 July 2019	**42.5**	**9.3**	**51.8**
Credited to the Income Statement	26.6	2.1	28.7
At 30 June 2020	**69.1**	**11.4**	**80.5**
Credited to the Income Statement	48.3	39.8	88.1
At 30 June 2021	**117.4**	**51.2**	**168.6**

Deferred tax liabilities	**Pension**	**Total**
	£m	**£m**
At 1 July 2019	3.7	3.7
Charged to the Income Statement	1.6	1.6
Credited to the statement of comprehensive income	(2.3)	(2.3)
At 30 June 2020	**3.0**	**3.0**
Charged to the Income Statement	2.1	2.1
Credited to the statement of comprehensive income	6.6	6.6
At 30 June 2021	**11.7**	**11.7**

Deferred tax has been measured at the UK corporation tax rate at which it is anticipated to reverse, 19.0% for the period to 31 March 2023 and 25% from 1 April 2023 (2020: 19.0%); these are the rate substantively enacted at the balance sheet date at which the deferred tax is expected to reverse. The corporation tax rate was increased to 25% from 19% effective from 1 April 2023; the deferred tax asset is anticipated to reverse both in the periods prior to and after 1 April 2023 and therefore the deferred tax asset has been recognised at the relevant tax rate. The impact of this rate change on the income statement is shown in Note 12.

Deferred tax assets are not recognised unless it is probable that there are sufficient taxable profits against which they will be realised.

The Company continues to recognise the deferred tax asset based on forecast taxable profits that will arise based upon the long-term forecast results prepared for the Company.

Due to the long-term stable nature of the business, with significant long term contracts, the recognised deferred tax asset is not considered to be materially exposed to the performance of the Company based on reasonably possible trading forecasts.

25 Retirement Benefits

Defined contribution scheme

Arqiva Limited has operated a Defined Contribution Scheme during the year, for those employees who are not members of the Group's Defined Benefit Plan. Contributions payable in respect of this Scheme for the year were £6.8m (2020: £8.5m). The assets of the Scheme are held outside of the Group.

An amount of £1.2m (2020: £1.2m) is included in accruals being the outstanding contributions to the Defined Contribution Scheme.

Defined benefit plan

In the year to 30 June 2021, the Group operated one Defined Benefit Plan, sponsored by Arqiva Limited.

The Defined Benefit Plan is administered by a separate entity that is legally separated from the Group, and therefore the Plan assets are held separately from those of Arqiva Limited.

The Trustees of the Plan are required by law to act in the interests of the Plan and of all relevant stakeholders in the Plan. The Trustees are responsible for the investment policy with regards the assets of the Plan.

The Plan typically exposes the Group to risks such as: investment risk, interest rate risk, longevity risk, and salary risk.

Investment risk	The present value of the defined benefit Plan liability for IAS19 purposes is calculated using a discount rate determined by reference to high quality corporate bond yields, which is different to how the Plan assets are invested. Currently the Plan has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the Plan liabilities, the trustees of the Plan consider it appropriate that a reasonable portion of the Plan assets should be invested in equity securities to leverage the expected return generated by the Plan assets.
Interest risk	A decrease in the bond interest rate will increase the valuation of the Plan's IAS19 liability but this will be partially offset by an increase in the value of the Plan's corporate bond investments.
Longevity risk	The present value of the defined benefit Plan liability is calculated by reference to a best estimate of the mortality of Plan participants both during and after their retirement. An increase in the life expectancy of the Plan participants will increase the Plan's assessed liability.
Salary risk	The present value of the defined benefit Plan liability is calculated by reference to the future salaries of Plan participants. As such, an increase in the salary of the Plan participants will increase the Plan's liability.

The Plan closed to the future accrual of benefits on 31 January 2016. The weighted average duration of the expected benefit payments from the Plan is around 17 years.

The triennial valuation carried out as at 30 June 2020, whilst unapproved, has been used for the purposes of measuring the plan assets and the present value of the defined benefit liability. This was carried out by an independent firm of consulting actuaries. The present value of the IAS19 defined benefit liability, and the related current service cost and past service cost, have been measured using the projected unit credit method based on roll-forward updates to the latest triennial valuation figures.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	30 June 2021	30 June 2020
Key assumptions		
Discount rate	1.9%	1.5%
Price inflation (RPI)	3.1%	2.8%
Life expectancy of a male / female age 60 (current pensioner)	26.2yrs / 28.4yrs	26.2yrs / 28.3yrs
Life expectancy of a male / female age 60 (future pensioner)	27.7yrs / 30.0yrs	27.7yrs / 29.9yrs
Other linked assumptions		
Price inflation (CPI)	2.3%	2.0%
Pension increases (RPI with a minimum of 3.0% and maximum of 5.0%)	3.6%	3.5%
Pension increases (RPI with a maximum of 10.0%)	3.1%	2.8%
Salary growth	n/a	n/a

Amounts recognised in the Income Statement in respect of the defined benefit plan were as follows:

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Net interest on the defined benefit asset	0.3	0.6
Loss on curtailments	(1.1)	-
	(0.8)	**0.6**

The net interest item above has been included within finance income (see note 10). The re-measurement of the net defined benefit liability is included in the statement of comprehensive income. The loss on curtailments incurred during the year has been included within exceptional costs (see note 8).

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

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Return on Plan assets excluding Interest Income	12.2	18.9
Experience gains arising on the Plan's liabilities	5.3	2.2
Actuarial gains / (losses) arising from changes in financial assumptions	8.3	(32.2)
Actuarial gains / (losses) arising from changes in demographic assumptions	0.6	(0.8)
	26.4	**(11.9)**

The amounts included in the statement of financial position arising from the Company's obligations in respect of its defined benefit plan were as follows:

	30 June 2021 £m	30 June 2020 £m
Fair value of Plan assets	295.9	282.9
Present value of defined benefit Plan liabilities	(248.8)	(266.8)
Surplus at 30 June	**47.1**	**16.1**

The Company have considered the impact of IFRIC14 and in line with the Plan's Rules, the Company is able to recognise the Plan's surplus in its entirety.

The reconciliation of the statement of financial position over the year is as follows:

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Surplus at 1 July	16.1	22.0
Amount recognised in profit or loss	(0.8)	0.6
Amount recognised in Other Comprehensive Income	26.4	(11.9)
Company contributions	5.4	5.4
Surplus at 30 June	**47.1**	**16.1**

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

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
1 July	(266.8)	(237.4)
Contributions by employees	(0.5)	(0.4)
Interest cost	(3.9)	(5.6)
Benefits paid	9.3	7.4
Experience gains arising on the Plan's liabilities	5.3	2.2
Actuarial gains / (losses) arising from changes in financial assumptions	8.3	(32.2)
Actuarial gains / (losses) arising from changes in demographic assumptions	0.6	(0.8)
Loss on curtailments	(1.1)	-
30 June	**(248.8)**	**(266.8)**

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

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
1 July	282.9	259.4
Interest income	4.2	6.2
Return on Plan assets excluding interest income	12.2	18.9
Contributions by employer	5.4	5.4
Contributions by employees	0.5	0.4
Benefits paid	(9.3)	(7.4)
30 June	**295.9**	**282.9**

The major categories and fair values of Plan assets at the end of the reporting year for each category are as follows:

	30 June 2021 £m	30 June 2020 £m
Equity instruments	89.8	75.8
Diversified growth funds	21.2	19.8
Corporate bonds	74.0	73.8
Multi asset credit	20.1	18.1
Government bonds	90.5	94.9
Cash and equivalents	0.3	0.5
Total	**295.9**	**282.9**

All of the Plan's equity and debt instruments have quoted prices in active markets.

The Plan includes holdings of gilts and corporate bonds, which are intended to partially hedge the financial risk from liability valuation movements associated with changes in gilt and corporate bond yields. IAS19 liability movements from changes in the discount rate will also be partially hedged by the Plan's corporate bond holding.

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

Following completion of the funding valuation as at 30 June 2017, Arqiva Limited agreed to pay deficit contributions of £3.4m in October 2018, £5.4m in July 2019, with a further £5.4m due by 31 July 2020. It is anticipated that a revised Schedule of Contributions will be agreed between the Trustees and the Company as part of the triennial actuarial valuation as currently being undertaken as at 30 June 2020.

Sensitivity Analysis

The assumptions considered to be the most significant are the discount rate adopted, inflation represented by RPI, and the longevity assumptions.

The sensitivity of the 2021 year end results to changes in the three key assumptions is shown below:

Funding Position	Discount rate decrease of 0.1%	RPI increase of 0.1%	Longevity assumption increase of 1 year
Increase in Plan liabilities	£4.5m	£3.1m	£10.5m

The sensitivity of the 2020 year end results to changes in the three key assumptions is shown below:

Funding Position	Discount rate decrease of 0.1%	RPI increase of 0.1%	Longevity assumption increase of 1 year
Increase in Plan liabilities	£5.9m	£5.9m	£9.2m

This sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

26 Share capital

	30 June 2021 £m	30 June 2020 £m
Authorised, allotted and fully paid:		
30,000,201 (2020: 30,000,201) ordinary shares of £1 each (2020: £1 each)	**30.0**	**30.0**

27 Share premium account

	£m
At 30 June 2020 and 30 June 2021	**90.8**

28 Financial commitments and contingent liabilities

Financing commitments

Under the terms of the Group's external debt facilities, the Company has provided security over substantially all of its tangible, intangible and other assets by way of a Whole Business Securitisation ('WBS') structure.

Capital commitments

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

	30 June 2021 £m	30 June 2020 £m
Less than one year	23.1	13.0
Within one to five years	-	0.4
Total	**23.1**	**13.4**

29 Related party transactions

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

30 Events after the reporting period

On 10 August 2021 a fire broke out at our Bilsdale transmitter site. Our engineers have worked on a four-stage recovery plan to reinstate services present on the mast.

Through phases 1 and 2 of our recovery plan, around 500,000 households have now had TV services restored through utilisation of other sites and radio services (FM and DAB) have also been restored for many. Works have been completed for the improvement of TV coverage from our Eston Nab site and an additional 15m mast has been installed at a site in Arncliffe Wood in order to extend coverage from this site to achieve this.

Phase 3 of the recovery plan involved the erection of an 80 metre temporary mast at the Bilsdale site which is expected to restore signals to over 90% of affected households. Works on the temporary mast completed in October with the mast switched on on 13 October.

Phase 4 of the recovery plan will be to complete the enduring solution. Management are still assessing the financial impact of the incident and the assets damaged by the fire, and have engaged with the Group's insurers.

31 Controlling parties

The Company's immediate parent undertaking is Arqiva Holdings Limited ('AHL'). The ultimate parent undertaking is AGL, which is the parent undertaking of the largest group to consolidate these financial statements. The parent of the smallest group to consolidate these financial statements is Arqiva Group Parent Limited ('AGPL').

Copies of the AGL and the AGPL consolidated financial statements can be obtained from the Company Secretary of each Company at Crawley Court, Winchester, Hampshire, SO21 2QA.

AGL is owned by a consortium of shareholders including Canada Pension Plan Investment Board, Macquarie European Infrastructure Fund II, other Macquarie managed funds and minorities. There is no ultimate controlling party of the Company above AGL.