



ARQIVA BROADCAST FINANCE PLC

£600,000,000 9.50% Senior Notes due 2020

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

Arqiva Broadcast Finance plc, a public limited company existing under the laws of England and Wales (the **Issuer**), is offering £600,000,000 in aggregate principal amount of its 9.50% Senior Notes due 2020 (the **Notes**). The Notes will mature on 31 March 2020. Interest on the Notes will be payable on 31 March and 30 September of each year, commencing on 30 September 2013. Prior to 31 March 2016, the Issuer will be entitled, at its option, to redeem all or a portion of the Notes by paying the relevant "make-whole" premium (the **Applicable Premium**) plus accrued and unpaid interest. At any time on or after 31 March 2016, the Issuer may redeem all or part of the Notes by paying the relevant specified premium plus accrued and unpaid interest. Additionally, the Notes may be redeemed upon the occurrence of certain changes in applicable tax law at their outstanding principal amount plus accrued and unpaid interest. Upon the occurrence of a change of control, the Issuer may be required to make an offer to purchase the Notes. See "*Terms and Conditions*".

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

The Notes and the Guarantees will be secured by first ranking fixed and floating security interests over all (or substantially all) of the assets of the Issuer and each of the Guarantors, including the shares in each of the Issuer and the Intermediate Guarantor held by the Parent Guarantor and the shares in Intermediate HoldCo held by the Intermediate Guarantor. In addition, Intermediate HoldCo will grant fixed security interests over the shares it holds in Arqiva Group Parent Limited (the **Senior Parent**) in favour of the Intermediate HoldCo Security Trustee for its obligations under the Intermediate HoldCo Subordinated Guarantee (each as defined herein), the enforcement proceeds of which will only become available with respect to payment under the Notes after repayment in full of certain senior ranking creditors. See "*Terms and Conditions – Condition 3.3 – Transaction Security*". The Guarantees and the Transaction Security will be subject to contractual limitations and may be released under certain circumstances.

This listing prospectus (this **Offering Memorandum**) includes information on the terms of the Notes and the Guarantees, including redemption and purchase prices, security, covenants and transfer restrictions. The offering memorandum constitutes a prospectus for the purpose of the Luxembourg law dated July 10, 2005 on Prospectuses for Securities, as amended. Application has been made to list the Notes on the official list (the **Official List**) of the Luxembourg Stock Exchange and to admit them to trading on the Euro MTF market of the Luxembourg Stock Exchange (the **Euro MTF Market**). There can be no assurance this application will be accepted. The Euro MTF Market is not a regulated market pursuant to the provisions of Directive 2004/39/EC.

Investing in the Notes involves certain risks. Please see "*Risk Factors*" beginning on page 41.

Price for the Notes: 100% plus accrued interest, if any, from the Issue Date

The Notes and the Guarantees have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the **Securities Act**) or with any securities regulatory authority of any state or other jurisdiction of the United States. Subject to certain exemptions, the Notes may not be offered or sold within the United States to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (Regulation S)). The Notes may be offered and sold only (i) in the United States to "qualified institutional buyers" (QIBs) as defined in, and in reliance on, Rule 144A under the Securities Act (Rule 144A) and (ii) to non-U.S. persons (as defined in Regulation S) outside the United States in offshore transactions in reliance upon Regulation S. Each prospective purchaser of the Notes being offered within the United States is hereby notified that the sellers of the Notes may be relying upon Rule 144A or another exemption from the provisions of Section 5 of the Securities Act. Investors in the Notes will be deemed to have made or be required to make certain representations and warranties in connection with purchasing the Notes. For a description of certain restrictions on resales and transfers, as to which each purchaser of Notes will be deemed to have acknowledged, represented and agreed, see "*Plan of Distribution*" and "*Transfer Restrictions*" in this Offering Memorandum.

The Notes are expected to be delivered in book-entry form through Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) on or about 28 February 2013 (the **Issue Date**).

Joint Global Coordinators and Joint Bookrunners

Deutsche Bank

J.P. Morgan

The Royal Bank of Scotland

Joint Bookrunners

Barclays

**BofA
Merrill Lynch**

HSBC

Lloyds Bank

**UBS
Investment Bank**

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NOTICES

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

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

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

IMPORTANT NOTICES

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

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

This Offering Memorandum is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, any member of the Group, the Joint Global Coordinators and Joint Bookrunners, the Joint Bookrunners, the Financial Advisor, the Note Trustee, the Security Trustee or any of the other parties that any recipient of this Offering Memorandum should purchase any of the Notes.

This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Memorandum and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Joint Global Coordinators and Joint Bookrunners and the Joint Bookrunners do not represent that this Offering Memorandum may be

lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Joint Global Coordinators and the Joint Bookrunners which is intended to permit a public offering of any Notes or distribution of this Offering Memorandum in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Memorandum or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Memorandum and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Memorandum and the offer or sale of Notes in the United States and the European Economic Area (including the United Kingdom).

This Offering Memorandum has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented Directive 2003/71/EC (the **Prospectus Directive**) (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Offering Memorandum may only do so in circumstances in which no obligation arises for the Issuer or any Joint Global Coordinator and Joint Bookrunner to publish an offering memorandum pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Joint Global Coordinator and Joint Bookrunner has authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Joint Global Coordinator and Joint Bookrunner to publish or supplement a prospectus for such offer.

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

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

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

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

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

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

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

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

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

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

RESPONSIBILITY STATEMENTS

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

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

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

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

ADDITIONAL INFORMATION FOR U.S. INVESTORS

This Offering Memorandum is being submitted on a confidential basis in the United States to a limited number of “qualified institutional buyers” (**QIBs**) as defined in Rule 144A (**Rule 144A**) for informational use solely in connection with the consideration of the purchase of the Notes. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Notes may be offered or sold within the United States only to QIBs in transactions exempt from registration under the Securities Act in reliance on Rule 144A or any other applicable exemption from the registration requirements. Prospective purchasers of Notes are hereby notified that the sellers of any Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The Offering Memorandum may be distributed in the United States to a limited number of QIBs for informational use solely in connection with the consideration of the purchase of the Notes being offered hereby. Its use for any other purpose in the United States is not authorised.

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission (the **SEC**), any federal or state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Notes or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offence in the United States.

Each purchaser or holder of Notes represented by a Rule 144A Note, or any Note issued in registered form in exchange or substitution therefor, will be deemed by its acceptance or purchase of any such Note to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "Plan of Distribution" and "Transfer Restrictions" in this Offering Memorandum.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

U.S. TREASURY DEPARTMENT CIRCULAR 230

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON INVESTORS UNDER THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED; (B) SUCH DISCUSSION IS INCLUDED HEREIN IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF U.S. TREASURY DEPARTMENT CIRCULAR 230) OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

NOTICE TO LUXEMBOURG INVESTORS

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

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "restricted securities" as defined in Rule 144(a)(3) under the Securities Act, the Issuer has undertaken in the Note Trust Deed to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Issuer is neither subject to reporting under section 13 or 15(d) of the Securities and Exchange Act of 1934, as amended (the **Exchange Act**), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

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

FORWARD LOOKING STATEMENTS

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

The risks and uncertainties referred to above include:

- actions or decisions by governmental and regulatory bodies, or changes in the regulatory framework in which the Group operates, which may impact the ability of the Group to carry on its businesses;
- changes or advances in technology, and availability of resources such as bandwidth 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 Issuer, the Guarantors and the other Group Companies operate;

- the ability of the Issuer, the Guarantors and the other Group Companies to each 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 Issuer, the Guarantors and the other Group Companies to develop, expand and maintain its telecommunications infrastructure;
- the ability of the Issuer, the Guarantors and the other Group Companies to each obtain external financing or maintain sufficient capital to fund its existing and future investments and projects;
- the Group's dependency on only a limited number of key customers for a large percentage of its revenue; and
- expectations as to revenues under contract.

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

The financial information presented and discussed in this Offering Memorandum has, unless otherwise indicated, been extracted from the audited consolidated financial statements of the Group as at and for the years ended 30 June 2012, 2011 and 2010, prepared in accordance with generally accepted accounting practices in the United Kingdom (**UK GAAP**) and the unaudited interim condensed consolidated financial statements of the Group as at 31 December 2012 and for the six months ended 31 December 2012 and 2011, prepared in accordance with best practice as extracted from the guidance in International Accounting Standards (**IAS**) 34, "Interim Financial Reporting". These financial statements, the notes thereto and the auditor's reports where applicable are included in this Offering Memorandum starting at page F-1.

UK GAAP differs in significant respects from International Financial Reporting Standards (**IFRS**) and generally accepted accounting principles in the United States (**US GAAP**). Investors should consult their own professional advisers for an understanding of the differences between UK GAAP, IFRS and US GAAP.

In particular, in contrast with IFRS, under UK GAAP, swaps are off-balance sheet liabilities. As a result, in accordance with the Group's accounting policy on the basis of UK GAAP, the remaining fair value of the Group's interest rate swaps (**IRS**) and inflation linked swaps (**ILS**) after accrued liabilities are not recognised on the Group's balance sheet. See "*Management's Discussion and Analysis of Financial Condition and Results Of Operations—Off-Balance Sheet Arrangements*".

The consolidated financial statements for the years ended 30 June 2012, 2011 and 2010 have been extracted from the Group's signed statutory annual report and financial statements for 2012, 2011 and 2010, respectively, which have been audited by PricewaterhouseCoopers LLP, although page references for the purposes of this Offering Memorandum have been modified solely for the convenience of the reader.

Certain financial information for the year ended 30 June 2010 included in this Offering Memorandum has been restated. In the financial statements for the year ended 30 June 2011, the prior period comparatives for the interest receivable and similar income, and interest payable and similar charges,

for the year ended 30 June 2010 in the profit and loss account were restated to present the total interest payable to parent undertakings on a net basis. In addition the Creditors: amounts falling due within one year, and Creditors: amounts falling due after more than one year, as at 30 June 2010 in the balance sheet were restated to adjust the maturity profile of the amounts due to parent undertakings.

Unaudited information for the last twelve months ended 31 December 2012 is calculated by taking the results of operations for the six months ended 31 December 2012 and adding it to the difference between the results of operations for the full year ended 30 June 2012 and the six months ended 31 December 2011. The unaudited financial information for the last twelve months ended 31 December 2012 (i) is a non-UK GAAP measure, (ii) has been prepared solely for the purposes of this Offering Memorandum, (iii) is not prepared in the ordinary course of the Group's financial reporting, (iv) is not necessarily indicative of the results that may be expected for the year ending 30 June 2013, (v) should not be used as the basis for or a prediction of an annualised calculation and (vi) has not been audited.

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

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

Non-UK GAAP Financial Measures

This Offering Memorandum contains certain non-UK GAAP measures and ratios, including EBITDA, EBITDA margin, senior cashflow before maintenance capital expenditure, maintenance capital expenditure, cashflow and senior cashflow which are not required by, nor presented in accordance with UK GAAP, IFRS or US GAAP. The Group presents non-UK GAAP measures because the Group believes that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-UK GAAP measures may not be comparable to similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Group's operating results as reported under UK GAAP. Non-UK GAAP measures such as EBITDA, EBITDA margin, senior cashflow before maintenance capital expenditure, maintenance capital expenditure, cashflow and senior cashflow are not measurements of the Group's performance or liquidity under UK GAAP or any other generally accepted accounting principles. In particular, investors should not consider EBITDA, EBITDA margin, senior cashflow before maintenance capital expenditure, maintenance capital expenditure, cashflow and senior cashflow as an alternative to (a) operating profit or profit for the period (as determined in accordance with UK GAAP) as a measure of the Group's operating performance, (b) cash flows from operating, investing and financing activities as a measure of the Group's ability to meet its cash needs or (c) any other measures of performance under generally accepted accounting principles.

EBITDA, EBITDA margin, senior cashflow before maintenance capital expenditure, maintenance capital expenditure, cashflow and senior cashflow have limitations as analytical tools, and investors should not consider them in isolation, or as a substitute for an analysis of the Group's results as reported under UK GAAP, including the following:

- EBITDA and EBITDA margin do not reflect and are not adjusted for:
 - the Group's cash expenditures or future requirements for capital expenditures or contractual commitments;
 - changes in, or cash requirements for, the Group's working capital needs;

- the significant interest expense, or the cash requirements necessary, to service interest or principal payments on the Group's debts;
 - any cash or non cash corporation taxes that the Group may incur;
 - certain non-cash income and expense items that are reflected in the Group's profit and loss statement such as depreciation and amortisation; and
 - the impact of earnings or charges resulting from certain matters the Group considers not to be indicative of its ongoing operations; and
- assets are depreciated or amortised over differing estimated useful lives and often have to be replaced in the future, and this measure does not reflect any cash requirements for such replacements.

Other companies in the Group's industry may calculate EBITDA, EBITDA margin, senior cashflow before maintenance capital expenditure, maintenance capital expenditure, cashflow and senior cashflow differently from the manner that the Group does, limiting its usefulness as a comparative measure.

This Offering Memorandum includes consolidated financial data which has been adjusted to reflect certain effects of the sale of the Notes, the use of proceeds and the Senior Financing on the Group's senior and junior cash interest expense, gross senior and junior borrowings, cash at bank in hand, net senior and junior borrowings, net senior and junior borrowings to EBITDA, cashflow to senior and junior cash interest expense, senior cash interest expense, gross senior borrowings, senior cash at bank in hand, net senior borrowings, net senior borrowings to EBITDA and senior cashflow to senior cash interest expense and cashflow to senior and junior cash interest expense as at and for the last twelve months ended 31 December 2012. The Group's consolidated *pro forma* financial data has been prepared for illustrative purposes only and does not purport to represent what the Group's actual senior and junior cash interest expense, gross senior and junior borrowings, cash at bank in hand, net senior and junior borrowings, net senior and junior borrowings to EBITDA, cashflow to senior and junior cash interest expense, senior cash interest expense, gross senior borrowings, senior cash at bank in hand, net senior borrowings, net senior borrowings to EBITDA and senior cashflow to senior cash interest expense and cashflow to senior and junior cash interest expense would have been if the sale of the Notes, the use of proceeds and the Senior Financing had occurred on 31 December 2012, nor does it purport to project the Group's senior and junior cash interest expense, gross senior and junior borrowings, cash at bank in hand, net senior and junior borrowings, net senior and junior borrowings to EBITDA, cashflow to senior and junior cash interest expense, senior cash interest expense, gross senior borrowings, senior cash at bank in hand, net senior borrowings, net senior borrowings to EBITDA and senior cashflow to senior cash interest expense and cashflow to senior and junior cash interest expense at any future date. The unaudited *pro forma* adjustments and the unaudited *pro forma* financial data set forth in this Offering Memorandum are based on available information and certain assumptions and estimates that the Group believes are reasonable and may differ materially from the actual adjusted amounts.

CERTAIN DEFINITIONS

In this Offering Memorandum, **the Group** means Arqiva Broadcast Holdings Limited (formerly Macquarie UK Broadcast Holdings Limited) and its Subsidiaries (together) or, for the purposes of the presentation of financial data included in the sections headed “*Summary Historical Consolidated Financial and Other Information*”, “*Risk Factors*”, “*Use of Proceeds*”, “*Capitalisation*”, “*Selected Historical Consolidated Financial Information*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”, “*Business*” and “*Certain Relationships and Related Party Transactions*”, **the Group** means AF No 2 and its consolidated subsidiaries or, for the purposes of the Conditions of the Notes, **the Group** means the Parent Guarantor and its Subsidiaries, in each case unless the context otherwise requires or unless otherwise indicated.

In this Offering Memorandum, all references to management, directors and executive officers refer to the management, directors and executive officers of Arqiva Limited and/or Arqiva Services Limited, as the case may be.

Current Shareholders consist, with respect to the shareholders in ABHL as of the date of this Offering Memorandum, of a consortium of seven shareholder groups and these are Codan Trust Company (Cayman) Limited (representing Industry Funds Management’s holding of 14.8%), Frequency Infrastructure Communications Assets Limited (representing the CPP Investment Board’s holding of 48.0%), Macquarie Global Infrastructure Funds 2 S.À.R.L. (a Macquarie fund representing less than 1%), Macquarie Prism Proprietary Limited (a further Macquarie fund representing less than 1%), MEIF II Luxembourg Communications S.à.r.l. (a Macquarie fund representing a holding of 25.0%), MTAA Superannuation Fund (NTL Broadcast) Utilities Pty Ltd (representing the Motor Trades Association of Australia Superannuation Fund’s holding of 5.2%) and The Trust Company Limited as custodian for Health Super Investments Pty Ltd (which is a division of the First State Superannuation Scheme and represents a holding of 5.4%). All percentages included in this paragraph are as at the date of this Offering Memorandum.

The Index of Defined Terms containing all terms defined elsewhere in this Offering Memorandum is set out on page 354, other than any terms defined by reference to the Common Terms Agreement, which shall have the meaning given to them in the section titled “*Defined Terms for the purposes of the Common Terms Agreement*”.

HISTORICAL AND CURRENT MARKET AND INDUSTRY DATA

This Offering Memorandum includes market share and industry data, which the Group obtained from industry publications and surveys, industry reports prepared by consultants, internal surveys and customer feedback. The market, economic and industry data has primarily been derived and extrapolated from reports provided by Enders Analysis, as well as from publicly available information from sources including Ofcom, BARB, Digital UK, Digital Television Multiplex Operators Limited (combined into Digital UK on 1 January 2013), HM Treasury, operator data and websites, broadcaster reports and the UK government. The Group confirms that the information from these sources has been accurately reproduced and that as far as the Group is aware no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used in this Offering Memorandum, the source of such information has been identified. None of the third party sources has made any representation, express or implied, and has not accepted any responsibility, with respect to the accuracy or completeness of any of the information contained in this Offering Memorandum, and none of the third parties used as a source nor any of their affiliates, subsidiary companies, shareholders, directors or any of their relatives holds any shareholding or interest whatsoever in the Group.

These third-party sources generally state that the information they contain has been obtained from sources believed to be reliable. However, these third-party sources also state that the accuracy and

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

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

CONTRACTED TURNOVER

The Group has also included in this Offering Memorandum certain information regarding its turnover under contract. Contracted turnover information is based upon management's estimates. Management believes that such information is reliable and based upon reasonable assumptions, but this information has not been independently verified. The Group has made a number of assumptions in compiling such information, including the following: (1) in respect of inflation, an adjustment based on RPI has been applied to turnover under each long-term contract where appropriate (although no inflation adjustment has been applied to contracts in the satellite sub-division as such contracts are typically of shorter duration and generally do not include any inflation adjustments clauses); (2) in respect of contract duration, (i) for satellite and terrestrial broadcast contracts, the full contract term has been applied and no early termination has been assumed, (ii) for contracts in the digital platforms division, the Group has used the assumption that the contract will be terminated at the first break-clause, and (iii) for site share contracts in the Group's GME division, the term of the contract has been assumed to equal the unexpired licence term (and if such licences have expired, the contracted period has been assumed to be the remaining contractual notice period); and (3) in respect of pass-through cost clauses, (i) for contracts in the GME division, rates, electricity, and site access turnover were assumed as being contracted in line with the contracted site share turnover, (ii) for terrestrial broadcast contracts, electricity pass-through turnover are included within the contracted turnover and (iii) for contracts in the digital platforms division, any cost pass-through for AIP (Administered Incentive Pricing) has not been included given the uncertainty regarding AIP. The Group cannot assure you that these assumptions will be correct and undue reliance should not be placed on such information. See also "*Forward Looking Statements*" for a discussion of the risks related to forward looking statements.

GLOSSARY OF TECHNICAL TERMS

2G	Second generation mobile technology.
3G	Third generation mobile technology.
4G	Fourth generation mobile technology.
5G	Fifth generation mobile technology.
Active licensed site	Any wireless site with at least one wireless sharer, and sites which the Group has a contractual right to assign now or in the future.
Adjudicator	The independent figure appointed by Ofcom in accordance with the Competition Commission Undertakings with the responsibility to address any dispute raised by any customers regarding effective operation of the Undertakings.
AIP	Administered Incentive Pricing, a type of spectrum fee to encourage efficient use of spectrum capacity which Ofcom is contemplating imposing in relation to Multiplex spectrum.
BARB	Broadcasters Audience Research Board, a third-party research institution.
BECTU	Broadcasting, Entertainment, Cinematograph and Theatre Union.
Churn	The number of disconnections by MNO service subscribers during a period divided by the average number of subscribers during the same period.
Competition Commission	An independent UK regulatory body that investigates and monitors mergers and market competition, and performs certain oversight functions with regard to major regulated industries.
D1	Digital One Limited, a national commercial digital radio Multiplex owned by the Group.
DAB	Digital audio broadcast.
DECC	UK Government Department of Energy and Climate Change.
Digital Switchover or DSO	The nationwide replacement of existing analogue and low-power DTT transmitters with high-power DTT equipment.
Digital UK	A non-profit organisation that facilitates Freeview use, owned by the BBC, ITV, Channel 4 and the Group.
DRS	Digital radio switchover.
DTH	Direct-to-home.
DTT or Freeview	Digital terrestrial television.
ECN	Electronic communications network.
FTA	Free-to-air.
GHz	Gigahertz.

GME	Government, mobile and enterprise, one of the Group's three primary divisions. See " <i>Business—Divisions—Government, Mobile and Enterprise</i> ".
HD	High definition.
HFC	Hybrid-fibre-coaxial.
IP	Internet protocol.
IPTV	Internet protocol television.
IT	Information technology.
ITU	International Telecommunication Union.
JV	Joint venture.
LTE	Long term evolution, a mobile service standard that provides 4G service.
M2M	Machine to machine.
Marketable site	Any wireless site which hosts sharers or could host a new wireless sharer; includes active licensed sites which are marketable.
MB	Megabytes.
Mbps	Megabits per second.
MHEG-IC	Multimedia and Hypermedia Experts Group-Interaction Channel, a protocol for delivering interactive television content and functionality.
MNOs	Mobile network operators.
MPEG	Moving Picture Experts Group, a standard for video compression.
MTS	Managed transmission services, a managed service offered to broadcasters involving transmission services provided from terrestrial broadcast sites.
MTS Provider	Provider of a managed terrestrial transmission service.
Multiplexes	A licence or authorisation to provide a group of DTT or digital radio channels on a specified frequency band.
MVNO	Mobile Virtual Network Operator.
NA	Network access, wholesale access to terrestrial broadcast sites, supplied to an MTS Provider in order to enable the provision of MTS to a broadcaster.
Ofcom	The Office of Communications in the UK, the primary UK telecommunications and broadcasting regulatory body.
PoP	Points of presence.
PoP ratio	The number of PoPs per site.
PSB	Public service broadcaster.
PVR	Personal video recorder, a hard disk which allows users to record programmes onto it.

QoS	Quality of service.
RAN	Radio access network.
RPI	The UK Retail Price Index as published by the UK Office for National Statistics.
SD	Standard definition.
Significant Market Power	Ofcom can identify telecommunications operators as holding Significant Market Power when they have the power to influence markets in a manner that is detrimental to consumers.
SIM	Subscriber identity module.
SLA	Service level agreement.
SLC	Substantial lessening of competition.
Smart metering	A national government-led project, directed by the Department of Energy and Climate Change, expected to allow telecommunications monitoring of domestic utility meters.
SMS	Short message service.
UHF	Ultra high frequency.
Ultra-HD TV	Ultra-high definition television.
Undertakings	Undertakings required of the Group as provided to the UK Competition Commission.
WACC	Weighted Average Cost of Capital.

EXCHANGE RATES

The annual average of the daily Bloomberg Closing Mid Point rate for pounds sterling expressed in U.S. dollars for each of the five years ended 31 December 2012 was:

Year ended 31 December	Average
2008	1.8524
2009	1.5667
2010	1.5461
2011	1.6032
2012	1.5964

The following table sets forth, for each of the most recent six completed months and the current month, the high and low Bloomberg Closing Mid Point rates. As of 20 February 2013, the Bloomberg Closing Mid Point rate was £1.00 = U.S.\$1.5333.

Period	High	Low
August 2012	1.5724	1.5422
September 2012	1.5887	1.5887
October 2012	1.6191	1.5954
November 2012	1.6126	1.5840
December 2012	1.6276	1.6041
January 2013	1.6255	1.5695
February 2013 (to 20 February 2013)	1.5802	1.5333

There can be no assurance that the pound sterling will depreciate or appreciate significantly in the future.

All references herein to **pounds, sterling** or **£** are to the lawful currency of the UK, all references herein to **U.S. dollars, U.S.\$, \$** and **dollars** are to the lawful currency of the United States of America, and references herein to **euro** or **€** are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the functioning of the European Union, as amended from time to time.

SUMMARY

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

BUSINESS OVERVIEW

The Group is the UK's national provider of essential television and radio broadcast infrastructure as well as a key provider of communications services to major distributors of media and wireless voice and data services in the UK. The Group's core tower business (comprising terrestrial broadcast and wireless site share infrastructure) generates predictable operating profits (which management estimates constituted over two-thirds of the Group's gross profits for the year ended 30 June 2012), supported by diverse revenue streams, long-life assets and a significant proportion of revenues being driven by long term contracts.

The Group has the following key competitive positions:

- regulated position as the sole UK national provider of network access (**NA**) and managed transmission services (**MTS**) for terrestrial television broadcasting, the most popular television broadcast platform in the UK, owning and operating all television transmission towers used for digital terrestrial television (**DTT**) broadcasting in the UK under long term contracts with public service broadcaster (**PSB**) customers (who depend on the Group to meet the obligations under their licences to extend coverage to 98.5% of the UK population) as well as commercial broadcasters, with a recently upgraded digital network as a result of the £600 million digital switchover (**DSO**), which the Group recently completed under budget and on schedule in October 2012;
- market leader for commercial spectrum on DTT, owning two of the three commercial Multiplexes (out of a total of six DTT Multiplexes) used for transmission of DTT services in the UK, carrying 33 out of 53 total commercially broadcast DTT channels in the UK as at 31 December 2012, and benefitting from significant demand for channel space due to the constrained number of DTT video streams at approximately 50, compared to approximately 500 and approximately 250 channels available over satellite and cable respectively;
- ownership of over 90% of the radio transmission towers for terrestrial broadcasting in the UK and operator of the only commercial national digital radio Multiplex and, as at 31 December 2012, 20 of the 47 local radio Multiplexes;
- largest independent (non-MNO) portfolio of wireless tower sites in the UK, which are licensed to national Mobile Network Operators (**MNOs**) and other wireless network operators, with approximately 24% of the total active licensed macrocell site market, and, the Group believes, approximately four times the sites compared to the next largest independent operator as at 31 December 2012, and holding a strong and difficult to replicate position in rural and suburban regions where cost, economies of scale, planning permission restrictions and regulations that limit a landlord's ability to terminate the leases for the Group's sites provide barriers to entry for competitors;

- largest owner of independent satellite uplink infrastructure and satellite distribution services in the UK in terms of the number of channels uplinked for UK Direct-to-Home (**DTH**) satellite broadcast that serves as an alternative for customers who do not wish to use BSkyB's uplinking services, with a 46% market share of channels uplinked as at 31 December 2012; and
- significant proportion of revenue attached to long term contracts with automatic RPI-linked increases.

The Group has demonstrated stable turnover and strong earnings growth over the past three years with turnover of £823.2 million, £825.7 million, £831.7 million, and EBITDA of £342.7 million, £366.7 million, £402.6 million, for the years ended 30 June 2010, 2011 and 2012. Turnover for the six months ended 31 December 2011 and 2012 was £405.9 million and £404.3 million and EBITDA was £192.0 million and £203.6 million over the same periods.

The Group operates through three main divisions: Broadcast and Media, including terrestrial broadcast and satellite distribution services; Digital Platforms, which owns commercial DTT spectrum; and GME, which includes wireless site-sharing.

Broadcast and Media Division

Turnover from the Broadcast and Media division was £472.5 million, £474.3 million, £464.4 million and £227.7 million, which represented 57.4%, 57.4%, 55.8% and 56.3% of the Group's total turnover, for the years ended 30 June 2010, 2011 and 2012 and the six months ended 31 December 2012, respectively. For the last twelve months ended 31 December 2012, the Broadcast and Media division generated turnover of £464.5 million, representing 56.0% of the Group's total turnover for that period.

Terrestrial Broadcast Sub-division

The Group's terrestrial broadcast sub-division operates as a regulated sole provider of complete end-to-end broadcast services for national television and radio through its national infrastructure of tower/mast transmitter sites and individual transmitter devices. For historical reasons related to competition and regulation, terrestrial transmission is divided into two parts. MTS is the managed service offered to broadcasters and NA is the arrangement whereby the MTS Provider pays for wholesale access to the network of transmitter sites on a regulated, cost-oriented basis. Transmitter sites are regulated by Ofcom and are subject to the Undertakings given to the Competition Commission and returns on contracts are set in the framework of a Reference Offer, which guarantees a certain return over costs, and is then commercially negotiated with customers. The Group's terrestrial broadcast contracts are long-term, with third-party television broadcast transmission contracts extending to between 2030 and 2034, while radio contracts typically have contract terms of 8 to 12 years, with break clauses at 6 years. The Group's terrestrial broadcast contracts usually pass through the costs of certain expenses such as rent, taxes and electricity directly to customers.

The Group has long-term relationships with major UK broadcasters and Multiplex operators such as the BBC (since its inception in 1922), D34, and SDN (ITV), generating stable and predictable cash flows. As at 31 December 2012, the Group's terrestrial broadcast infrastructure included 1,154 towers for transmitting television signals. Of the Group's broadcast towers (including both television and radio towers), 935 are also used as active licensed wireless sites by the Group's site share business, with a tenant per site ratio of approximately 5.1. The Group has also recently completed upgrading the infrastructure required for the DSO for television on schedule and under budget, which converted all terrestrial television signals in the UK from analogue to DTT, with the final region, Northern Ireland, successfully switched over in October 2012. Terrestrial television in the UK remains the most popular broadcast platform, representing 43% of primary television viewing in 2011 with a broadly stable

market share since 2009. DTT has been an increasingly popular platform, with market share across all television sets increasing from 28% in the first quarter of 2007 to 51% in the first quarter of 2011, with 74% of all UK homes having at least one DTT television set as at 31 March 2011 (*Source: Ofcom*). DTT's position as the leading television platform is reinforced by the funding framework in the UK, whereby all households who own televisions (regardless of whether or not they use DTT) are required to pay a fee prescribed by Parliament to the BBC (the 'TV License', the fee for which is £145.50 for households with a colour television) that supports BBC free-to-air broadcast. The BBC is one of the public service broadcasters, all of which must satisfy the universal coverage obligation by reaching 98.5% of the population, a level which can only be provided by the DTT platform, which is supported by the Group's infrastructure. Thus, in the UK the entire base of television viewers, including those who subscribe for satellite or other platforms, provides a funding base for the BBC and hence DTT, which is further bolstered by its universal availability and quality of content. The Group is further supporting DTT by investing in new technologies in order to maintain its leading position, including YouView, a joint venture with PSBs and broadband providers to offer interactive and on-demand services (including recording, pause and rewind) through a set-top box that combines customer's existing broadband connections and free-to-air terrestrial broadcast signals that requires no additional monthly subscription fee. See "*Industry—The Television Broadcast Industry in the UK—Broadcasters in the UK Television Industry—Funding Framework*". Furthermore, the Group believes competing platforms are limited in reach by structural constraints, which both limit the viewer base and prevent these competing platforms from satisfying the universal coverage obligation. For example, cable only passes 13 million homes in the UK of which approximately 4.8 million are active customers as at 31 December 2011, and planning and geographical restrictions on satellite reach prevent it from satisfying universal coverage obligations.

Additionally, as at 31 December 2012, the Group owned one of two National Digital Audio Broadcast (**DAB**) Multiplexes and 20 of the 47 local DAB Multiplexes, and is in the process of expanding the reach of digital radio and, as technical circumstances, consumer uptake and governmental approvals permit, eventually replacing most analogue radio transmission with digital transmission. The Group is the sole provider of transmission services for national radio broadcasting, and the leading operator of local radio broadcast infrastructure. The Group provides approximately 90% of market capacity for terrestrial radio broadcast in the UK, and provides both MTS and NA services for analogue and digital radio at the national, metropolitan, and regional levels. The Group is also participating in the long-term planning for the digital radio switchover (**DRS**), a transition from analogue radio broadcast to DAB, which is expected to increase the demand for advanced physical infrastructure and transfer most UK radio broadcast from analogue to digital radio transmission.

Turnover from the terrestrial broadcast sub-division was £232.7 million, £260.3 million, £267.0 million and £141.1 million, which represented 28.3%, 31.6%, 32.1% and 34.9% of the Group's total turnover, for the years ended 30 June 2010, 2011 and 2012, and the six months ended 31 December 2012, respectively. For the last twelve months ended 31 December 2012, the terrestrial broadcast sub-division generated turnover of £281.6 million, representing 33.9% of the Group's total turnover for the period. The Group expects that the infrastructure requirements for the DRS will be considerably less than the DSO, and such switchover is not expected to occur before 2017 and over time expects the turnover from radio to remain stable based on the trends demonstrated as radio broadcast has increasingly transitioned from analogue to digital transmission.

Satellite Sub-division

The Group is also the largest independent owner of satellite uplink infrastructure and satellite distribution services in the UK in terms of the number of channels uplinked for UK DTH satellite broadcast and offers media management, wholesale capacity and satellite uplink services to customers such as Canal+, BSkyB and ESPN. As at 31 December 2012, the Group's satellite

infrastructure included five teleports, approximately 80 satellite uplink dishes, an international fibre backbone network, television studios and 3.5 GHz of leased capacity on 45 global satellites. Turnover from the satellite sub-division was £239.8 million, £214.0 million, £197.4 million and £86.7 million, which represented 29.1%, 25.9%, 23.7% and 21.5% of the Group's total turnover for the years ended 30 June 2010, 2011 and 2012 and the six months ended 31 December 2012, respectively. For the last twelve months ended 31 December 2012, the satellite sub-division generated turnover of £182.9 million, representing 22.0% of the Group's total turnover for that period.

Digital Platforms Division

The Group owns two of the three commercial Multiplexes used for Freeview DTT broadcasts, the leading UK TV platform, which, as at 31 March 2011, was used by 74% of British homes (*Source: Ofcom*). Multiplexing is the process by which the media content for multiple digital broadcast channels are combined into a digital stream for transmission over terrestrial spectrum licensed by the Multiplex owner and physically operated via the Group's terrestrial broadcast sub-division. These channels are organised for viewers through an electronic program guide channel number assignment that is coordinated by Digital UK (a non-profit organisation that facilitates Freeview use, owned by the BBC, ITV, Channel 4 and the Group), with low channel numberings typically considered more attractive. Customers including British Telecom (**BT**), Channel 4, ITV, UKTV, Ideal World, Al Jazeera and speciality shopping and news channels purchase digital channel space on the Group's Multiplexes for fixed-term contracts of typically three to six years, with renewal options of similar terms. Freeview is the only DTT free-to-air (**FTA**) platform in the UK and is the most popular television viewing platform in terms of numbers of households, and the demand for digital channel space on Freeview has led to close to 100% utilisation of the Group's Multiplexes during the years ended 30 June 2012, 2011 and 2010, with DTT retaining a broadly stable market share since 2009. Turnover from the Digital Platforms division was £79.4 million, £109.5 million, £121.6 million and £63.6 million, which represented 9.6%, 13.3%, 14.6% and 15.7% of the Group's total turnover, for the years ended 30 June 2010, 2011 and 2012 and the six months ended 31 December 2012, respectively. For the last twelve months ended 31 December 2012, the Digital Platforms division generated turnover of £126.6 million, representing 15.3% of the Group's total turnover for that period.

GME division

Turnover from the Government, Mobile and Enterprise (**GME**) division was £271.2 million, £241.9 million, £245.7 million, and £113.0 million, which represented 32.9%, 29.3%, 29.5%, and 27.9% of the Group's total turnover for the years ended 30 June 2010, 2011 and 2012 and the six months ended 31 December 2012, respectively.

Site Share business

The Group operates the largest independent portfolio of wireless sites in the UK, offering space on its sites for antennas and equipment representing, as at 31 December 2012, approximately 24% of the total active licensed macrocell site market and a significant proportion of all independently operated active licensed sites in the UK. Approximately 91% of the Group's active licensed site portfolio is located in rural and suburban areas as at 31 December 2012. The Group has a total active licensed site portfolio of approximately 8,700 sites. The Group operates approximately 935 terrestrial broadcast sites within its active licensed site share portfolio which have a tenant per site ratio of approximately 5.1. These sites provide wireless customers with elevated structures in geographically favourable locations and in particular in rural areas, enabling wide area rural cellular coverage and high signal capacity. As a result, the Group believes its site portfolio enjoys significant advantages from a planning perspective because the Group believes planning consent is less likely to be granted for competing towers where there are existing large rurally located structures in the vicinity. Of the Group's active licensed site portfolio, approximately 73% is not within close proximity of a competitor site (where close

proximity is defined as being within 250 metres in an urban setting, within 500 metres in a suburban setting, and within 750 metres in a rural setting). The Group believes that the overall UK site market is relatively mature. The current level of coverage is estimated by Ofcom to be in excess of 99% outdoors, and this high level of coverage tends to discourage the development of additional sites. The Group believes this is reinforced by the trend of MNO site sharing and consolidation. There is no major build-out of additional towers currently underway and any further growth is likely to be targeted towards either covering specific rural areas which do not receive sufficient coverage, or urban areas which have high demand. This is the case in relation to the government funded Mobile Infrastructure Project, a project for which the Group is bidding and whose aim is to target specific rural areas which do not currently receive any coverage. Additionally, the Group does not expect any new technologies or standards currently being implemented to require a major build-out of additional macro towers in rural or suburban areas. For example, while 4G/LTE technology is expected to require upgrading of infrastructure on current sites, it is not expected to require the construction of a significant number of new towers, but rather the installation of additional rooftop or small cell sites in urban and suburban areas. Additionally, through its potential participation in the Mobile Infrastructure Project and through its development of a WiFi portfolio, the Group believes it is well-positioned to benefit from any such opportunities for additional site growth.

The Group licenses space on its towers under contracts to national MNOs such as Vodafone, Everything Everywhere and O2, as well as JVs between MNOs such as MBNL (a 50/50 joint venture company owned by Three UK and Everything Everywhere (previously T-Mobile (UK))) and a broad base of non-MNO customers such as BT and Airwave. In addition to holding ownership of or leasehold access to the physical sites and owning the site and tower infrastructure, the Group also provides site sharing, site operation and maintenance and installation and decommissioning services for its customers. Turnover from site share reflects both single-instance turnover from installation, set-up and decommissioning services as well as recurring rental, operation, and maintenance payments. The next largest provider of independent wireless sites, the Wireless Infrastructure Group (**WIG**), had 2,000 active licensed sites as at 31 December 2012 (*Source: WIG*). See “*Industry*”. For the last twelve months ended 31 December 2012, the Site Share business generated turnover of £217.4 million, representing 26.2% of the Group’s total turnover for that period.

Government business

GME also includes the government business, through which the Group provides frontline communications services to a variety of government and other entities in the UK and Ireland. Customers include government entities such as the London Metropolitan Police (through BAE Systems Detica) and the Maritime and Coastguard Agency as well as other customers such as the Royal National Lifeboat Institution and Tracker UK. The Group provides these customers with outsourced communications management, network support and equipment. For the last twelve months ended 31 December 2012, the government business generated turnover of £21.5 million, representing 2.6% of the Group’s total turnover for that period. The government business generated 15.0%, 12.6%, 9.2% and 9.4% of turnover for the GME division for the years ended 30 June 2010, 2011 and 2012 and the six months ended 31 December 2012, respectively.

The table below sets forth a breakdown of turnover for the Group's divisions and select business units during the periods indicated:

	Year Ended 30 June			Six Months Ended 31 December		Twelve Months Ended 31 December
	2010	2011	2012	2011	2012	2012
	(unaudited)					(unaudited)
	(£ millions)					
Turnover by business unit						
Broadcast and Media	472.5	474.3	464.4	227.7	227.7	464.5
Terrestrial Broadcast	232.7	260.3	267.0	126.6	141.1	281.6
Satellite	239.8	214.0	197.4	101.1	86.7	182.9
Digital Platforms	79.4	109.5	121.6	58.7	63.6	126.6
GME	271.2	241.9	245.7	119.6	113.0	239.0
Site Share	230.4	211.3	223.2	108.1	102.4	217.4
Government	40.8	30.6	22.5	11.5	10.6	21.5
Total Group turnover	823.2	825.7	831.7	405.9	404.3	830.1

Competitive strengths

Leading operator of broadcast and wireless infrastructure in the UK

The Group is the leading UK national infrastructure provider for a diverse array of essential broadcast and wireless services. In particular, the Group's network is essential to the delivery of Freeview, the leading UK TV platform, which, as at 31 March 2011, was used by 74% of British homes (*Source: Ofcom*). In addition, because Ofcom has mandated PSBs such as the BBC and ITV in their broadcast licences to provide a universal coverage obligation of 98.5% of the UK's population, PSBs depend on the Group to meet their universal coverage obligations as alternative platforms cannot meet this obligation due to market availability, penetration levels, technological limitations and cost. Ofcom has recognised that terrestrial television is the only television platform in the UK that is capable of meeting PSBs coverage obligations as stated in its most recent 600 MHz and 700 MHz spectrum consultation. See "*Industry—The UK Broadcast and Media Industry*". The DTT infrastructure provided by the Group benefits from the funding fee all television viewers in the UK are required to pay as the beneficiary of this fee, the BBC, relies on the Group's infrastructure in meeting its universal coverage obligations. The Group is sole provider of NA to terrestrial broadcast infrastructure in the UK, with contracts extending beyond 2030, and has a 100% market share of MTS for national television, which includes a complete end-to-end broadcast service through the management of individual transmitter devices, for which the Group has obtained clearance from UK competition authorities. The Group also offers the largest portfolio of independent (non-MNO) wireless tower sites in the UK in terms of number of sites, with approximately 8,700 active licensed sites, representing approximately 24% of the total macrocell site market. Moreover, technology risk in this business is largely borne by MNOs who bear the costs of upgrading technology to handle increased network capacity, while the Group benefits from having the physical site infrastructure to support this expansion. In addition, the Group owns two of the three commercial Multiplex licences in the UK, is the leading satellite teleport operator in the UK and has a 90% share in providing radio NA and MTS. The Group expects that its leading market position in the businesses in which it participates will ensure stable long-term revenue and cash flows. The Group believes its core tower business (comprising terrestrial broadcast and wireless site share infrastructure) generates predictable operating profits (which management estimates constituted over two-thirds of

the Group's gross profits for the year ended 30 June 2012). The diverse nature of the Group's business areas and its central role in providing support for essential telecommunications services further enhances the Group's overall position.

High barriers to entry

The Group's businesses are protected by a variety of economic, geographical, and regulatory barriers to entry.

Terrestrial Broadcast

The Group's terrestrial broadcast sub-division operates as a regulated sole provider of national television broadcast and is a holder of Significant Market Power with respect to national/metropolitan and regional radio broadcast with approximately 90% of the radio broadcasting infrastructure in the UK, and has long-term customer contracts and a nationwide infrastructure with prime locations in the UK and which the Group believes would be extremely expensive to replicate. Thus, the substantial expenditures necessary to challenge the physical infrastructure and the Group's strong financial and contractual relationships with clients represent a high barrier to entry for competitors, resulting in the Group's unique regulatory position.

Digital Platforms

New entrants to the digital platforms market would be constrained due to the Group's incumbent contractual and regulatory position. The Group owns two of three commercial Multiplex licences in the UK representing 33 out of 53 total commercially broadcast DTT channels in the UK as at 31 December 2012, with multiple licences running to 2026 and significant existing customer contracts. In addition, the Group expects that there will be limited availability of any new national DTT Multiplex licences to new broadcast entrants as a result of both limited overall spectrum availability and the potential for any available spectrum to be more valuable to MNOs than any new entrants to the digital platforms TV broadcast market, thus making the cost of entry prohibitively high.

Wireless

New entrants to the wireless sites business would be limited by planning permission restrictions, the capital expenditure required to match the Group's extensive portfolio generally, and its rural coverage capabilities in particular, and the Group's contracts with all major operators. Additionally, the Group believes that significant opportunities for deployment of new sites are limited due to the high level of coverage from current towers, estimated by Ofcom to be in excess of 99% outdoors. There is no major build-out of additional towers currently underway and any further growth is likely to be targeted towards either covering specific rural areas which do not receive sufficient coverage or urban areas which have high demand. This is the case in relation to the government funded Mobile Infrastructure Project, a project for which the Group is bidding and whose aim is to target specific rural areas which currently receive poor or no coverage. The Group is also protected by certain "powers" granted to some of the Group companies by Ofcom under the EC Code that limit landlord rights to force vacation of the Group's leasehold sites. Potential competitors in these less densely populated regions face high barriers to entry, because alternative technologies (such as WiFi and micro/picocell technologies) are better suited for densely populated regions, and development of a competing macro-site infrastructure would require prohibitive investments over an extended period of time in terms of land acquisition and capital expenditures. See "*Regulation of the Communications Industry in the United Kingdom*" and "*Business—Properties*".

Satellite

In the Group's satellite sub-division, the Group has existing contractual relationships with key global broadcasters. Any new entrant would need to incur significant expenditures to replicate the Group's infrastructure and acquire transponder capacity.

Provider of essential nationwide infrastructure, with strong growth potential

The Group believes it is well placed for continued expansion due to its provision of essential nationwide infrastructure which is expected to remain central to future broadcast, media and telecommunications distribution technologies. Each of the Group's divisions targets a specific market, each of which is expected to have growth potential and which the Group expects may offer long-term stable cash flows. The DTT-based Freeview platform remains the leading platform for reception of digital television content ahead of competing technologies such as satellite, cable and IPTV, and the Group expects Freeview will remain a reliable source of income with the completion of the DSO programme because of the Group's long-term contracts for terrestrial broadcast. See "*—Stable long-term contracts that generate predictable cash flows with strong revenue visibility*". Similar opportunities may emerge from the Digital Radio Switchover (**DRS**), a transition from analogue radio broadcast to DAB that the Group expects will increase demand for advanced physical infrastructure which the Group believes it is well placed to provide. The Group believes its GME division is well positioned to benefit from the continued emergence of advanced mobile technologies such as 4G/LTE for both voice and data communication. Mobile data usage and the number of subscribers to mobile plans has increased significantly in recent years, with mobile data usage more than doubling in the 18 months to January 2012, including among the Group's customers, and this demand creates growth opportunities for the types of mobile wireless infrastructure the Group provides through rolling out additional geographical coverage and increasing the density of existing sites for 4G/LTE, for example. In addition, the Group believes the increasing importance of satellite communications for the media and data industries supports the robustness of the Group's satellite communications and teleport uplink businesses through potential increased utilisation of the Group's teleports.

Strongly contracted customer base and high switching costs for customers

The Group believes the nature of its services encourages customers and clients to remain with the Group for structural reasons. Many of the services the Group provides have few or no alternative providers, and there are significant costs for changing providers even when alternatives are available. In the terrestrial broadcast sub-division, the Group is sole national provider of NA and MTS in a regulated market, while in the digital platforms business, customers who want to change DTT Multiplex providers must also switch transmission channels. This imposes significant hurdles for doing so, since switching transmission requires consumers to rescan their television set-top boxes. This may entail loss of the channel's electronic programming guide slot if the transmission switch is not concurrent in timing. These events could have an adverse impact on channel uptake, and since 2002 only two channels have switched from the Group to its competitor. In the wireless business, the Group believes its ownership of a significant proportion of the wireless site infrastructure in the UK combined with generally long-term contracts with customers, discourages customers from selecting alternate tower service providers. This is demonstrated by low customer churn rates among MNO clients. Furthermore, increasing consolidation benefits the Group's ability to offer a range of sites at an attractive per site price in return for scale.

Stable long-term contracts that generate predictable cash flows with strong revenue visibility

The Group has entered into long-term contracts with many of its key customers, which supports strong turnover visibility and predictable cash flow generation. All of the Group's third-party television

broadcast transmission contracts extend to between 2030 and 2034. The Group's contracts in its terrestrial broadcast sub-division allow pass-through of rates and certain other costs and allow the Group's turnover to increase on a basis linked to the rate of inflation (based on RPI). The Group's licences for commercial DTT Multiplexes run to 2026 and the Group's DTT Multiplexes are currently close to being fully utilised pursuant to contracts with three to six-year terms. The Group generally seeks to renew contracts well in advance of expiry dates and has experienced a high renewal rate, with extremely low annual churn rates of approximately 2-3% of licensed sites experienced for site share contracts generally. A significant portion of the Group's GME turnover represented by MNO customers is contracted through to 2018. Furthermore as at 30 June 2012, the Group estimates it had approximately £4.4 billion of Broadcast and Media turnover under contract (representing approximately nine times the turnover for the division for the year ended 30 June 2012), of which an estimated £4.1 billion of turnover was under contract in the Terrestrial Broadcast sub-division. Additionally, an estimated £500 million of turnover was under contract in the Digital Platforms division, and over £1 billion of turnover was under contract in the GME division. The Group believes its portfolio of contracts, combined with the quality of the Group's "blue chip" customer base, supports its ability to generate predictable long-term cash flows.

Broad and stable base of industry-leading customers utilising a diverse set of products across divisions, ensuring a balanced revenue mix

With interests in terrestrial broadcast, satellite, digital platforms, and GME (representing 33.9%, 22.0%, 15.3% and 28.8%, respectively, of Group turnover for the last twelve months ended 31 December 2012), the Group offers a diverse range of products to a broad, varied and stable customer base which includes many of the largest and most-established media and telecommunications companies in the UK. The Group believes this enhances its ability to generate long-term stable cash flows. The BBC, which is owned by the UK Government, is the Group's leading customer for its terrestrial television and radio broadcast offerings. In addition, the BBC depends on the Group's services in order to deliver terrestrial FTA programming and fulfil its universal coverage obligations, which are obligations in its licence from Ofcom to provide coverage to 98.5% of the UK population. In digital platforms, the Group's commercial DTT Multiplexes are used by some of the most significant private content providers in the media industry, such as Channel 4, UKTV, ITV, and Ideal World. Customers of the Group's wireless sites include the most significant MNOs and their JVs in the UK; namely MBNL, Vodafone, O2, Three UK and Everything Everywhere. Customers of the group's satellite business include Verizon, ITV, NBC, Chellozone, and Boeing. Because the Group provides a broad range of services to the most significant public and private sector customers across a broad range of broadcast and telecommunications industries, the Group believes it has a balanced and diversified revenue mix, which produce stable long-term cash flows even in difficult macroeconomic conditions.

Strong operating performance

The Group has demonstrated consistent growth in recent years despite the economic downturn. Growth in consumer demand for telecommunications and broadcast services is reflected in the Group's steady increases in EBITDA with an annual EBITDA growth rate of 8% between 2010 and 2012. Because the Group provides essential infrastructure for a variety of broadcast and telecommunications services, such as FTA broadcast television, radio broadcast, satellite uplinks for data and media content, multiplexing for digital television broadcasting and wireless sites, the Group believes it is well positioned to continue its profitable performance and remain technologically relevant in the face of market shifts or changes in circumstance.

Solid track record of delivering complex engineering projects and services

The Group's track record of carrying out the approximately £600 million nationwide DSO rollout both on schedule and under budget, consistently delivering performance in excess of service level agreements (SLAs), as well as the Group's strong financial performance are all indicative of the capabilities of its engineering and management teams. This ability to deliver complex projects is supported by what the Group believes are among the best qualified employees in the UK communications infrastructure industry, and the Group remains dedicated to sustaining this strength through investment in comprehensive training for its employees.

Experienced management team

The members of the Group's Management Board have extensive experience in the media and technology sectors, including previous high-level positions in management and finance at leading broadcast service providers, information technology firms, telecommunications companies, media companies, and MNOs. Additionally, the Group has an experienced team of management, financial and technical personnel, including a team of engineers and media industry professionals. The Group is implementing a performance management programme and a talent management programme to continue its successful track record in training and recruitment of high-quality management and staff.

Business strategies

Maximise value of strong core businesses and infrastructure

The Group intends to leverage its existing resources and infrastructure position in order to increase turnover and cash flow through offering additional services to existing and new customers in its core divisions. The Group is seeking to actively engage with operators to explore new products and services it can deliver as a result of its infrastructure footprint. In the GME division, the Group believes the scale of its site infrastructure and the growing demand for network capacity will enable the Group to secure stable, long-term contracts as MNOs continue to upgrade their network capability to meet customer demand. In the Broadcast and Media division, the Group intends to leverage its strong engineering competencies to support government projects, such as the ongoing Channel 61/62 Clearance project to clear frequency spectrum and the DRS rollout, as well as increasing the utilisation of its UK satellite teleports. The Group also expects to benefit from new opportunities created by further spectrum releases and clearance projects, such as the potential 700 MHz clearance project. In addition, the Group intends to continue to pursue technological developments to increase the capacity of its DTT Multiplexes. Importantly, the Group's strategy is to have contract-led capital expenditure, such that major new capital investment projects are only undertaken once the Group has successfully secured a new contract thereby seeking to limit the risk of speculative investment.

Invest in the development of digital terrestrial television

The Group intends to secure and increase the value of its terrestrial broadcast and Multiplex assets by investing in technologies such as video on-demand services and high definition capability on Freeview thereby supporting DTT as the leading television platform in the UK and the platform of choice for PSBs to satisfy their universal coverage obligations. The Group also intends to enhance its position as the leading operator of UK Multiplexes by increasing existing capacity through improved compression technology and bidding on additional DTT Multiplexes should any become available. In addition, the Group has entered into a joint venture called YouView along with the PSBs (the BBC, ITV, Channel 4 and Channel 5), BT, and TalkTalk, with each member of the JV holding an equal one-seventh share. YouView was launched in 2012, and offers services through a set-top box which receives content from both a broadband connection and terrestrial broadcast signals. It offers free access to the content

available over DTT broadcast and the ability to access TV on demand and paid premium content, thereby providing both elements of the DTT broadcast platform and catch-up TV devices. It further includes additional functions such as access to IP channels and interactive television content. The Group believes YouView will enhance the strength of its DTT offering by integrating the DTT platform with the enhanced functionality permitted by IP technology and allow DTT to continue to compete effectively against satellite and cable platforms. Additionally the Group is developing MHEG-IC technology to offer customers greater interactive DTT functionality through IP technology, a project supported by the Group's recent acquisition of Connect TV.

Leverage investment in wireless sites through active engagement with mobile network operators to develop new revenue sources

The Group engages actively in sales opportunities with key MNOs to maximise benefit from an anticipated increase in consumer demand for new technologies, such as 3G and 4G/LTE technologies, which the Group expects will utilise and increase demand for the Group's active licensed and marketable wireless site portfolio. The Group believes there is the potential for future turnover growth from LTE through the Group's installation services offering, since the Group expects MNOs will need to install more antennas or larger/heavier multi-band or wide band antenna equipment in some locations to provide the coverage or capacity needed, which will fall outside of their existing equipment allowances under their relevant contracts. The Group believes that many of its sites could be readily expanded to accommodate additional equipment or new tenants.

The Group also expects to continue providing sites and infrastructure that will allow MNOs and other wireless customers to ensure cost-effective provision of legacy 2G services, particularly in rural areas where the Group believes that mobile subscribers are likely to take longer to migrate to newer technologies. The Group's strong position in the wireless sites market allows the Group to profit from offering new technologies while continuing to serve customers' existing needs. For example, the Group intends to leverage the GME customer base to pursue opportunities in the provision of wholesale WiFi access points. The Group believes that the build-out of WiFi infrastructure offers significant growth opportunities, facilitated by the Group's recent acquisition of WiFi infrastructure provider Spectrum Interactive as well as its own portfolio of WiFi infrastructure. The Group expects that these new opportunities will provide the Group with a source of revenue which can be readily scaled up as demand and technology change in the future. See "*Business—Future projects*".

Simplify and standardise in order to optimise operational costs and efficiency

The Group will continue to seek opportunities to improve its operational performance throughout its organisation. This includes investing in systems and people as the Group works to improve its efficiency and provide best-in-class service to its customers. To achieve this, the Group is currently implementing the Arqiva Business Cycle project to optimise the process of preparing bids, delivering contracts and then monitoring their financial performance, which the Group believes should improve demand and resource planning and process optimisation. The Group is also taking steps to improve asset management. For example, the Group has continued to reduce costs by disposing of underutilised assets including satellite infrastructure in the U.S. that the Group acquired in a transaction with BT, while continuing to service its customers via its international fibre network and UK and European teleport infrastructure.

Pursue scalable growth opportunities and build on stable infrastructure business

In addition to the initiatives described above, the Group has a variety of scalable business opportunities across its business sectors that the Group intends to develop, based on technology

infrastructure that can be rapidly and cost-effectively upgraded and expanded. For example, in the digital platforms division, the Group would expect to bid for any new relevant spectrum that may become available in the future to expand its DTT Multiplex offerings, and use any new future advances in compression technology to better use existing spectrum, with the aim that DTT remains the platform of choice in the future. In the satellite division, the Group intends to use its pre-existing UK infrastructure to transmit data into new markets, particularly into international markets such as Central and Eastern Europe, and to move to new, higher-margin activities such as media management, satellite data communication and managed networks, while reducing its lower-margin bulk data transfer activities. The Group also believes there may be significant opportunities from the broad adoption of smart metering, a national project expected to allow telecommunications monitoring of domestic utility meters. Smart metering could allow the Group to adapt its existing tower infrastructure to enter this new business. The Group is also exploring other opportunities to improve and leverage physical infrastructure and its site portfolio for additional profitability, such as other smart metering, telemetry/machine-to-machine communication technologies.

Recent Developments

Ofcom published a statement regarding the future use of the 600/700 MHz spectrum in November 2012, indicating that Ofcom is likely to consult on clearing DTT from the 700 MHz spectrum for possible future mobile use and the possible use of the spectrum in the 600 MHz band, which has been vacated by analogue TV, for digital terrestrial television. This will require realignment of the physical infrastructure of affected multiplexes, although the cost of realignment in the past has been borne by Ofcom. In addition, the Group continues to pursue bids for national smart metering and WiFi infrastructure projects, and expects to undertake significant capital expenditure in respect thereof only upon successfully being awarded a contract. In the medium to long-term, the Group expects to continue focusing on maximising the value of its core infrastructure in terrestrial broadcasting, multiplex assets and wireless portfolio, and pursuing scalable growth opportunities.

On 6 February 2013, Ofcom published a consultation on the award of the short-term DTT Multiplexes in the 600 MHz band. Ofcom proposed that one licence should be made available for DTT services using the same technical standards as the current HD DTT Multiplex. This licence would have a minimum term until 31 December 2018, followed by a rolling duration with 12 months' notice and an final end date of 2026. Ofcom has stated the licensee will be required to cover 10% of UK households within 12 months and 50% of UK households within two years, including 25% coverage in each of the four countries in the United Kingdom (England, Scotland, Wales and Northern Ireland), and the licensee will be required to launch one video stream within 12 months. The consultation contains a Notice of Intention to Apply for the licence which must be submitted by 4 April 2013. If Ofcom receives more than one Notice of Intention to Apply, Ofcom has announced it will hold a single-round sealed-bid auction with a reserve price of £180,000 (which is also the licence fee if there is only one applicant). Ofcom has stated the single payment will cover until 31 December 2018, with no additional annual fee. The Group expects to apply for the licence. Ofcom has announced the consultation will close on 4 April 2013 and intends to publish a statement in April or May 2013. If there is to be an auction Ofcom has suggested that the process would take place 13 weeks after the statement has been announced.

The Group is participating in a bid for the smart metering project, which is overseen by the UK Department of Energy and Climate Change (**DECC**). Smart metering is a project to install smart energy meters in every home in Great Britain in order to improve efficiency and facilitate monitoring of gas and electricity use by consumers. In cooperation with BT, Sensus, and BAE Systems Detica, the Group has formed a consortium called Smart Reach to supply the communications framework to monitor these utilities. In January 2013, it was announced that the Group, as part of this consortium, had been selected for the final bidding round for smart metering, which if successful will provide a new business

opportunity that utilises the Group's existing physical broadcast infrastructure and network management and labour skills. The consortium is one of four remaining bidders competing in the government procurement process (divided into three regions, with the Group's consortium making bids for all three regions). The contract is currently expected to be awarded in the summer of 2013. If successful, the Group currently believes smart metering contracts would have a duration of 15 years with the potential to extend to 20 years.

Shareholders

The Group is owned by a consortium of seven shareholder groups. The Group's largest shareholder, with a 48.0% stake, is CPP Investment Board, a professional investment management organisation that invests the funds not needed by the Canada Pension Plan to pay current benefits on behalf of 18 million Canadian contributors and beneficiaries. Macquarie European Infrastructure Fund II (**MEIF2**), a wholesale fund that invests in infrastructure investment opportunities in the European Union, is the Group's second largest shareholder with 25%. The other shareholders are Industry Funds Management (**IFM**) (14.8%), Health Super, a division of First State Superannuation Scheme (5.4%), Motor Trades Association of Australia Superannuation Fund (5.2%) and two other Macquarie managed minorities (1.5%). These percentages are as at the date of this Offering Memorandum.

TRANSACTION OVERVIEW

In conjunction with the offering of the Notes hereby, the Group is refinancing its existing debt (and related hedging costs and transaction expenses). In addition to the offering of the Notes hereby, the refinancing will be met by the incurring of debt at the operating level of the Group and contributions from shareholders. See "*Overview of Senior Financing and Shareholder Financing*". Concurrently with the refinancing, the Group will also restructure its current hedging position (see "*Overview of Senior Hedging*").

The Notes

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

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

The Intercompany Loans and Use of Proceeds

The proceeds of the Notes will be on-lent by the Issuer to AF No 2 under an intercompany loan agreement between them (the **Intercompany Loan Agreement** and the loans by the Issuer (in its capacity as Intercompany Lender) to AF No 2 (in its capacity as Intercompany Borrower thereunder), the **Intercompany Loans**), to refinance its existing bank facilities (the **Existing Bank Facilities**) and to meet any related hedging and transaction costs. See "*Use of Proceeds*".

The Obligors

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

Transaction Security

The Noteholders and any other Secured Creditors will share the benefit of a common security package (the **Transaction Security**) granted by the Issuer and the Guarantors pursuant to the security agreement in favour of the Security Trustee (the **Security Agreement**). As part of the Transaction Security, each of the Issuer and the Guarantors will grant first ranking fixed and floating charges over, among others, all moneys standing to the credit of their respective bank accounts and shares held by such Obligor (including, in the case of the Parent Guarantor, the shares held by it in each of AF No 2 and the Issuer and, in the case of the Intermediate Guarantor, the shares held by it in Intermediate HoldCo), together with a floating charge over all (or substantially all) their respective assets, in support of their obligations under the Guarantees (with respect to the Guarantors) and the Notes (with respect to the Issuer).

Intermediate HoldCo Subordinated Guarantee

The Notes will also benefit from a guarantee granted by Intermediate HoldCo (the **Intermediate HoldCo Subordinated Guarantee**), but pursuant to the terms of the Intermediate HoldCo Intercreditor Agreement, the Noteholders and any other Secured Creditors will not be permitted to enforce, and Intermediate HoldCo will not be permitted to make a payment under, the Intermediate HoldCo Subordinated Guarantee whilst any amounts remain outstanding under the Senior Term Facilities and the Senior FinCo Hedges.

The obligations of Intermediate HoldCo under the Intermediate HoldCo Subordinated Guarantee will be secured by Intermediate HoldCo granting in favour of the Intermediate HoldCo Security Trustee a fixed charge over the shares it holds in Arqiva Group Parent Limited pursuant to a security agreement (the **Intermediate HoldCo Security Agreement** and the security thereunder, the **Intermediate HoldCo Security**). Pursuant to the terms of the Intermediate HoldCo Intercreditor Agreement, the rights of Noteholders and other Secured Creditors to enforce the Intermediate HoldCo Security will be postponed until, and payment of the enforcement proceeds in relation to the Intermediate HoldCo Security to the Noteholders and the other Secured Creditors will be subordinated to, the payment of the enforcement proceeds in relation to the Intermediate HoldCo Security to the Senior FinCo Secured Creditors.

Issue Date Reorganisation

Immediately prior to the issue of the Notes on the Issue Date, ABHL will transfer the entire issued share capital of the Parent Guarantor to AF No 3, AF No 3 will transfer the entire issued share capital of the Intermediate Guarantor to the Parent Guarantor, the Parent Guarantor will transfer the entire issued share capital of Intermediate HoldCo to the Intermediate Guarantor, the Intermediate Guarantor will transfer the entire issued share capital of the Senior Borrower to Intermediate HoldCo, Intermediate HoldCo will transfer the entire issued share capital of the Senior Borrower to the Senior Parent, the Senior Parent will transfer the entire issued share capital of the Senior Borrower to the Senior Intermediate Parent, the Senior Borrower will establish Operating HoldCo as a wholly owned subsidiary and transfer the entire issued share capital of Arqiva UK Broadcast Holdings Ltd and Arqiva Telecoms Investment Ltd to Operating HoldCo.

Financial Covenant Ratios and Lock-Up Ratios

This table sets out certain financial covenants applying to the Notes. See “*Terms and Conditions*” for further detail, on such covenants and the definitions of the terms used therein.

Ratio	Threshold	Consequence of a breach of such ratio
Historic Net Debt to EBITDA Ratio Projected Net Debt to EBITDA Ratio	Higher than 7.50:1	Lock-Up: neither any Obligor nor Intermediate HoldCo may make any payment (other than a Permitted Payment) to any of its Holding Companies or any Subsidiary of any Holding Company (not being a Senior Financing Group Company).
Senior Historic Net Debt to EBITDA Ratio Senior Projected Net Debt to EBITDA Ratio	Higher than 6.25:1	Lock-Up: neither any Obligor nor Intermediate HoldCo may make any payment (other than a Permitted Payment) to any of its Holding Companies or any Subsidiary of any Holding Company (not being a Senior Financing Group Company).
Historic Net Debt to EBITDA Ratio	Higher than 8.50:1	Event of Default (unless remedied by way of Equity Cure): the Note Trustee may (and shall if so directed by Noteholders in accordance with the Conditions) issue an Issuer Acceleration Notice (whereby the Notes become due and payable). In the event that such breach is remedied by way of Equity Cure, the relevant Financial Covenant Ratio will be recalculated on a <i>pro forma</i> basis.
Historic Cashflow ICR	Lower than 1.50:1	Event of Default (unless remedied by way of Equity Cure): upon such occurrence, the Note Trustee may (and shall if so directed by Noteholders in accordance with the Conditions) issue an Issuer Acceleration Notice (whereby the Notes become due and payable). In the event that such breach is remedied by way of Equity Cure, the relevant Financial Covenant Ratio will be recalculated on a <i>pro forma</i> basis.

Sources and uses from the offering of the Notes hereby

The following table describes the sources and uses in connection with the refinancing as if they occurred as at 31 December 2012 and based on amount estimated to be raised by the new senior bank facilities, the first series of the Senior Secured Notes and Notes offered hereby. The actual amounts as compared to those set out in the table and in the accompanying footnotes are subject to adjustments and may differ at the date of issuance of the first series of Senior Secured Notes and Notes offered hereby depending on several factors, including differences from the estimation of fees and expenses.

Sources	Amount (£ millions)	Uses	Amount (£ millions)
Senior Term Facilities ⁽¹⁾	1,585.7	Existing senior bank facilities ⁽⁵⁾	2,843.3
Notes offered hereby ⁽²⁾	600.0	Existing junior bank facilities ⁽⁶⁾	462.7
Senior Secured Notes ⁽³⁾	750.0	Inflation hedging accretion	277.3
Shareholder contribution ⁽⁴⁾	866.7	Hedge break costs ⁽⁷⁾	106.0
Cash at bank and in hand from balance sheet	28.6	Cash ⁽⁸⁾	58.2
		Fees and expenses ⁽⁹⁾	83.5
Total sources	3,831.0	Total uses	3,831.0

(1) Represents the gross proceeds from the Senior Term Facilities. See “Description of Certain Financing Arrangements—Senior Term Facilities”.

(2) Represents the gross proceeds from the issuance of Notes of £600.0 million. See “Terms and Conditions”.

(3) Represents the gross proceeds from the issuance of Senior Secured Notes of £750.0 million. See “Description of Certain Financing Arrangements—Senior Secured Notes”.

(4) Represents a shareholder contribution from AF No 3 in the form of a deeply subordinated intercompany loan. This was funded by £400 million Shareholder Loan Notes into AF No 3 and £466 million cash at bank at ABHL and £0.7 million cash at bank at a Subsidiary of ABHL, Primrose No. 1 Limited.

(5) Represents amounts due under the existing senior bank facilities, including an amount of £2.6 million representing senior debt held by a subsidiary of ABHL, Primrose No.1 Limited.

(6) Represents amounts due under the Group’s existing junior bank facilities, including an amount of £147.0 million representing junior debt held by a subsidiary of ABHL, Primrose No.1 Limited.

(7) Represents the estimated hedge break costs which are based on the mark to market value of the AF No 1 existing derivative portfolio as at 31 December 2012 and the notional amount of which is required to be broken to ensure AF No 1 is not overhedged.

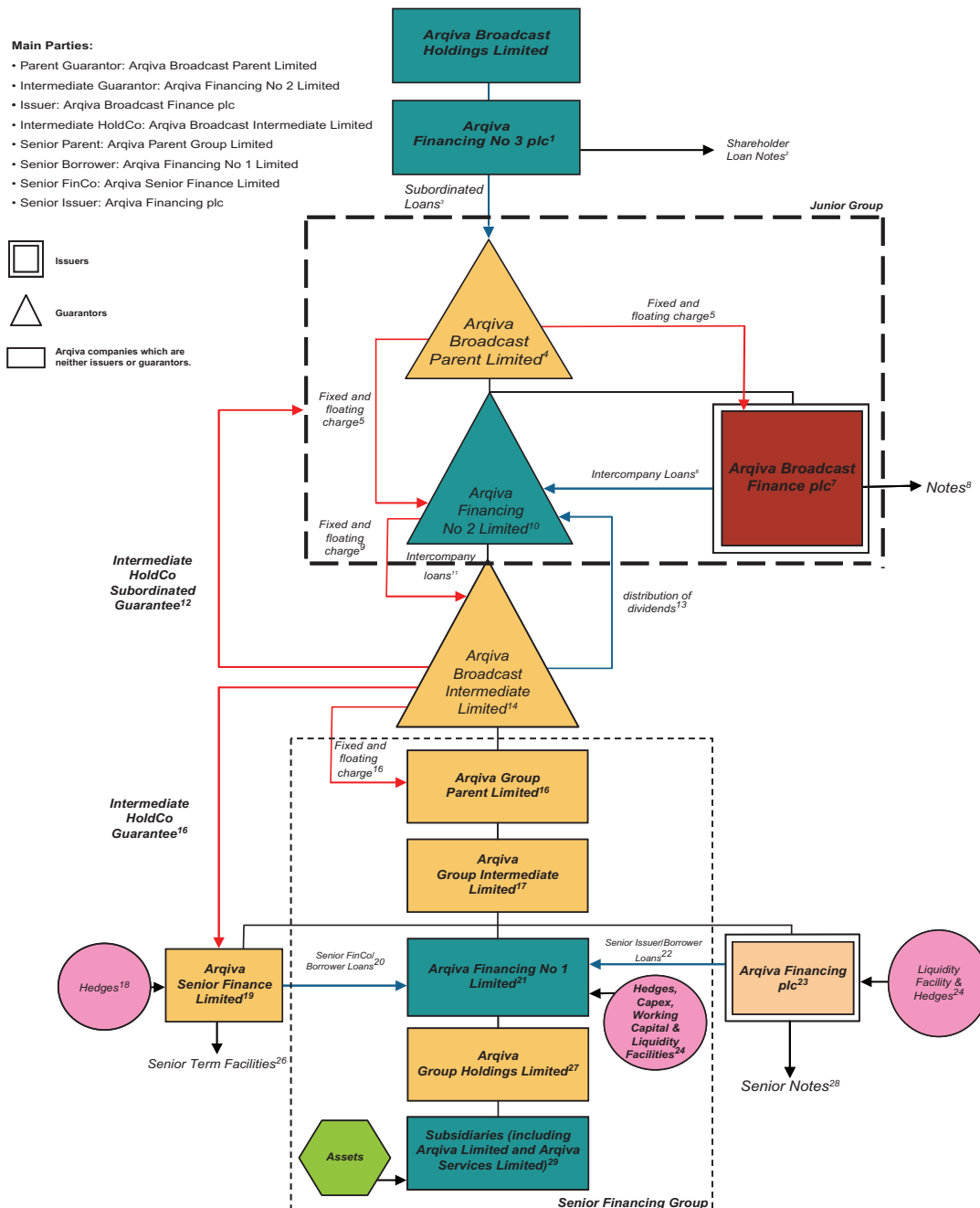
(8) Amount of cash at bank and in hand expected to remain in the Group following the refinancing and the Notes offered hereby. Under the Conditions, the Group is required to maintain sufficient cash within the Issuer to cover six months interest on the Notes offered hereby. It is the Group’s intention that any cash that is held in excess of this is held within the Senior Financing Group.

(9) Represents the estimated fees and expenses associated with the refinancing, the issue and sale of the first series of the Senior Secured Notes and of the Notes offered hereby, including the Joint Global Coordinators and Joint Bookrunners’ fees and commissions, financing fees, advisory fees and other transaction costs and professional fees. The Group estimates that the fees and expenses associated with the issue of the Notes offered hereby will be £18.9 million.

SUMMARY CORPORATE AND FINANCING STRUCTURE

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

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



- 1 Arqiva Financing No 3 plc was incorporated in England and Wales as a public company of unlimited duration and with limited liability. Arqiva Financing No 3 plc is ultimately owned by a consortium of seven shareholder groups, including (with a 48% stake) CPP Investment Board, a professional investment management organisation that invests the funds not needed by the Canada Pension Plan to pay current benefits on behalf of 17 million Canadian contributors and beneficiaries and Macquarie European Infrastructure Fund II (with a 25% stake), a wholesale fund that invests in infrastructure investment opportunities in the European Union. Other shareholders include Industry Funds Management (with a 14.8%), Health Super, a division of First State Superannuation Scheme (5.4%), Motor Trades Association of Australia Superannuation Fund (5.2%) and other Macquarie managed minorities (1.5%). All percentages included in this paragraph are as of the date of this Offering Memorandum.
- 2 The Current Shareholders will provide Arqiva Financing No 3 plc with funding in the form of Shareholder Loan Notes for an amount of approximately £400 million.
- 3 The proceeds of the Shareholder Loan Notes made by the Current Shareholders will be on lent by Arqiva Financing No 3 plc to Arqiva Broadcast Parent Limited under the Subordinated Loans. Repayments by Arqiva Broadcast Parent Limited of the Subordinated Loans will be structurally subordinated to payments under the Senior Financing and under the Notes.
- 4 Arqiva Broadcast Parent Limited is the parent company of both the Issuer and Arqiva Financing No 2 Limited and guarantees payment of principal and interest on the Notes.
- 5 Pursuant to the Security Agreement, Arqiva Broadcast Parent Limited will grant first ranking fixed and floating charges over all (or substantially all) of its assets, including over the shares it holds in Arqiva Financing No 2 Limited and over the shares it holds in Arqiva Broadcast Finance plc.
- 6 Pursuant to the Intercompany Loan Agreement, the Issuer will on-lend the proceeds of the Notes to Arqiva Financing No 2 Limited.
- 7 Arqiva Broadcast Finance plc, the Issuer, was incorporated in England and Wales on 19 December 2012, under the Companies Act 2006 as a public company of unlimited duration and with limited liability. Its registered number is 08336342 and its registered office is at Crawley Court, Winchester, Hampshire SO21 2QA.
- 8 Arqiva Broadcast Finance plc is issuing £600,000,000 9.50% Senior Notes due 31 March 2020. The Notes will benefit from the Guarantees granted by each of Arqiva Financing No 2 Limited and Arqiva Broadcast Parent Limited and from the Intermediate HoldCo Subordinated Guarantee granted by Arqiva Broadcast Intermediate Limited.
- 9 Pursuant to the Security Agreement, Arqiva Financing No 2 Limited will grant first ranking fixed and floating charges over all (or substantially all) of its assets, including over the shares it holds in Arqiva Broadcast Intermediate Limited.
- 10 Arqiva Financing No 2 Limited will guarantee payment of principal and interest on the Notes.
- 11 Arqiva Financing No 2 Limited will on-lend the proceeds of the Intercompany Loans received from the Issuer to Arqiva Broadcast Intermediate Limited by way of intercompany loans.
- 12 Repayment on the Notes is guaranteed by Intermediate HoldCo pursuant to the Intermediate HoldCo Subordinated Guarantee, but Intermediate HoldCo will not be permitted to make any payment thereunder whilst any amounts remain outstanding under the Senior Term Facilities. The obligations of Intermediate HoldCo under the Intermediate HoldCo Subordinated Guarantee and the Intermediate HoldCo Guarantee are secured under the Intermediate HoldCo Security Agreement by Intermediate HoldCo granting security over the shares it holds in Arqiva Group Parent Limited.
- 13 Cashflows from the Senior Financing Group will come by way of Senior Restricted Payments from the Senior Financing Group to Arqiva Broadcast Intermediate Limited and from Arqiva Broadcast Intermediate Limited to Arqiva Financing No 2 Limited.
- 14 Arqiva Broadcast Intermediate Limited will be the company holding, directly or indirectly, shares over the companies in the Senior Group. Arqiva Broadcast Intermediate Limited will also guarantee payment of principal and interest on the Notes in the Intermediate HoldCo Subordinated Guarantee and the payment obligations of Arqiva Senior Finance Limited under the Senior Term Facilities in the Intermediate HoldCo Guarantee.
- 15 Arqiva Group Parent Limited is wholly owned by Arqiva Broadcast Intermediate Limited and owns 100% of the shares in Arqiva Group Intermediate Limited.
- 16 Arqiva Broadcast Intermediate Limited will guarantee the payment obligations of Arqiva Senior Finance Limited under the Senior Term Facilities in the Intermediate HoldCo Guarantee. The obligations of Arqiva Broadcast Intermediate Limited under the Intermediate HoldCo Guarantee and under the Intermediate HoldCo Subordinated Guarantee will be secured by Arqiva Broadcast Intermediate Limited granting a fixed charge over the shares it holds in Arqiva Group Parent Limited. Enforcement proceeds in relation to the charge granted by Arqiva Broadcast Intermediate Limited will only be available after payment in full of all amounts outstanding under the Senior Term Facilities and the Senior FinCo Hedges.
- 17 Arqiva Group Intermediate Limited is wholly owned by Arqiva Group Parent Limited and owns 100% of the shares in Arqiva Financing No 1 Limited.
- 18 Arqiva Senior Finance Limited will hedge its exposure under the Senior Term Facilities by entering into hedging agreements.
- 19 Arqiva Senior Finance Limited will be able to borrow up to £1,836,000,000 under the terms of the Senior Term Facilities Agreement.
- 20 The proceeds of the Senior Term Facilities will be on-lent by Arqiva Senior Finance Limited to Arqiva Financing No 1 Limited by way of the Senior FinCo/Borrower Loans.

- 21 Arqiva Financing No 1 Limited was incorporated in England and Wales on 5 March 2007, as a private limited company. Its registered number is 06137924 and its registered office is at Crawley Court, Winchester, Hampshire SO21 2QA. Arqiva Financing No 1 Limited is wholly owned by Arqiva Group Intermediate Limited. Arqiva Group Intermediate Limited will be the borrower under the Senior FinCo/Borrower Loans and of the Senior Issuer/Borrower Loans.
- 22 The proceeds of the Senior Secured Notes will be on-lent by Arqiva Financing plc to Arqiva Financing No 1 Limited by way of the Senior Issuer/Borrower Loans.
- 23 Contemporaneously with the issue by Arqiva Broadcast Finance plc of the Notes, Arqiva Financing plc will issue £750,000,000 of Senior Secured Notes. Arqiva Financing plc was incorporated in England and Wales on 19 December 2012. Arqiva Financing plc was incorporated under the Companies Act 2006, as amended, as a public limited company. Its registered number is 8336354. Arqiva Financing plc's registered office is at Crawley Court, Winchester, Hampshire SO21 2QA.
- 24 Arqiva Financing plc will hedge its exposure arising in connection with the Senior Secured Notes by entering into hedging agreements. In addition Arqiva Financing plc will also benefit from the Senior Liquidity Facility granted by the Senior Liquidity Facility Providers entered into cover any shortfall in cash required to cover interest and scheduled principal on the Senior Secured Notes.
- 25 Arqiva Financing No 1 Limited will benefit from the Senior Liquidity Facility granted by the Senior Liquidity Facility Providers entered into cover any shortfall in cash required to cover interest and scheduled principal on the Senior FinCo/Borrower Loans and other facilities of Arqiva Financing No 1 Limited. In addition Arqiva Financing No 1 Limited will hedge its exposure under the Senior FinCo/Borrower Loans and the Senior Issuer/Borrower Loans by entering into hedging agreements.
- 26 Arqiva Senior Finance Limited will be able to borrow up to £1,836,000,000 under the terms of the Senior Term Facilities Agreement.
- 27 Arqiva Group Holdings Limited is a company with limited liability incorporated under the laws of England and Wales, and is a wholly owned subsidiary of Arqiva Financing No 1 Limited.
- 28 Arqiva Financing plc will issue £750,000,000 of Senior Secured Notes. The Senior Secured Notes will constitute secured obligations of Arqiva Financing plc and will rank pari passu without preference or priority in right of payment and point of security amongst themselves.
- 29 All the direct and indirect subsidiaries of Arqiva Group Parent Limited (other than Arqiva Senior Finance Limited and Arqiva Financing plc) will form part of the Senior Financing Group, including Arqiva Limited and Arqiva Services Limited (and the other main operating companies in the Group).

THE OFFERING

The following is a brief summary of certain terms of the offering of the Notes hereby. It may not contain all the information that is important to the Noteholders. For additional information regarding the Notes and the Guarantees, see “Terms and Conditions” and “Summary of the Transaction Documents—Note Trust Deed”. The meaning of the defined terms which are contained in this section but not defined herein can be found by referring to the Index of Defined Terms on page 354.

Issuer:	Arqiva Broadcast Finance plc, a public limited company incorporated under the laws of England and Wales and resident for tax purposes in the United Kingdom. The Issuer is a wholly owned subsidiary of the Parent Guarantor.
Parent Guarantor:	Arqiva Broadcast Parent Limited, a private limited company incorporated under the laws of England and Wales. The Parent Guarantor is a wholly owned subsidiary of Arqiva Financing No 3 plc (AF No 3).
Intermediate Guarantor:	Arqiva Financing No 2 Limited, a private limited company incorporated under the laws of England and Wales. The Intermediate Guarantor is a wholly owned subsidiary of the Parent Guarantor.
Notes Offered:	£600,000,000 aggregate principal amount of 9.50% Senior Notes due 2020 (the Notes).
Issue Price:	100% (plus accrued and unpaid interest, if any, from the Issue Date) (the Issue Price).
Issue Date:	28 February 2013 (the Issue Date).
Maturity Date:	31 March 2020 (the Maturity Date).
Interest Rates:	The Notes will bear interest at a rate of 9.50% per annum.
Interest Payment Dates:	Interest on the Notes will be payable semi-annually in arrear on 31 March and 30 September of each year, beginning on 30 September 2013. Interest on the Notes will accrue from the Issue Date.
Form of Notes:	The Notes will be unconditional obligations of the Issuer and issued in registered form and deposited with a common depositary for Euroclear and Clearstream, Luxembourg.
Denomination of the Notes:	The Notes will be issued in minimum denominations of £100,000 and integral multiples of £1,000.
Redenomination:	Condition 17 (<i>European Economic and Monetary Union</i>) provides that the Notes may be redenominated in euro.
Guarantees:	The Notes will be guaranteed on a senior basis by Arqiva Financing No 2 Limited, a private limited company incorporated under the laws of England and Wales (AF No 2 and the Intermediate Guarantor) and Arqiva Broadcast Parent Limited (the Parent Guarantor and together with the Intermediate Guarantor, the Guarantors and together with the Issuer, the Obligors).

Each Guarantor will unconditionally and irrevocably guarantee that if the Issuer does not pay any sum payable by it under the Note Trust Deed or the Notes at the time and on the date specified for such payment (whether on the normal due date, on acceleration or otherwise) it will, jointly or severally with each other, pay or procure the payment of that sum to or to the order of the Note Trustee, according to the terms of the Note Trust Deed and the Notes.

Each Guarantor will unconditionally and irrevocably agree, as an independent primary obligation, that it will pay the Note Trustee sums sufficient to indemnify the Note Trustee and each Noteholder against any loss suffered by it as a result of any sum expressed to be payable by the Issuer under the Note Trust Deed or the Notes not being paid on the due date or any other payment obligation of the Issuer under the Note Trust Deed or the Notes being or becoming void, voidable or unenforceable for any reason.

Each Guarantor's guarantee and indemnity will be a continuing guarantee and indemnity and shall remain in full force and effect until all amounts due in respect of the Notes or the Note Trust Deed have been paid in full.

Each of the Guarantors shall be subrogated to all rights of the Note Trustee and the Noteholders against the Issuer in respect of any amounts paid by it pursuant to the Guarantee.

Security: The Notes and the Guarantees will be secured by:

- first ranking fixed and floating charges over:
 - (i) all moneys standing to the credit of each Obligor bank account and debts represented thereby;
 - (ii) each Obligor's book debt;
 - (iii) all shares of any person owned by each Obligor including dividends, interest and other monies payable in respect thereof and all other rights related thereto (including the Parent Guarantor's shares in each of the Intermediate Guarantor and the Issuer and the Intermediate Guarantor's shares in Intermediate HoldCo);
 - (iv) any loan made by any Obligor to any other person; and
 - (v) all present and future book or other debt owned by each Obligor;
- an assignment (and, to the extent not assignable, charge) of each Obligor's rights in respect of the Transaction Documents (other than the Security Agreement); and
- a first floating charge of the whole of the undertaking, property, assets and rights (present and future) of each Obligor.

Intermediate HoldCo will also grant a fixed charge over the shares it holds in the Senior Parent in favour of the Intermediate HoldCo Security Trustee as security for its obligations under the Intermediate HoldCo Subordinated Guarantee. Payment of the enforcement proceeds in relation to the

Intermediate HoldCo Security to the Noteholders and the other Secured Creditors will be subordinated to payment of the enforcement proceeds of the Intermediate HoldCo Security to the Senior Term Facility Providers and the Senior FinCo Hedge Counterparties.

Ranking of the

Notes: The Notes will:

- be general obligations of the Issuer, secured by the Transaction Security;
- rank pari passu in right of payment with any existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes;
- rank senior to any existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes; and
- be structurally subordinated to any existing and future indebtedness of subsidiaries of the Parent Guarantor (other than the Intermediate Guarantor) that do not guarantee the Notes (including the Senior Financing).

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

Use of proceeds: The proceeds of the Notes will be on-lent by the Issuer to AF No 2 by way of Intercompany Loans under the Intercompany Loan Agreement, to refinance the Existing Bank Facilities and to meet any related hedging and transaction costs.

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

Optional redemption: .. The Issuer may redeem the Notes:

- in whole or in part at any time on or after 31 March 2016, at the redemption prices described in this Offering Memorandum under “*Terms and Conditions—Condition 6.2 (Optional Redemption)*”, plus accrued and unpaid interest to the date of redemption; and
- in whole or in part at any time prior to 31 March 2016, at a redemption price equal to 100% of the principal and the applicable “make-whole” premium (the **Applicable Premium**), plus accrued and unpaid interest, if any, to the date of redemption.

**Certain covenants of
the Issuer and the**

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

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

These covenants are subject to a number of important limitations and exceptions. For a more detailed description of these covenants, please see “*Terms and Conditions*”.

Financial Covenant

Ratios: The Group will be required to comply with the financial maintenance covenants, tested semi-annually:

- maximum net debt to EBITDA; and
- minimum cash flow interest coverage ratio.

**Redemption for tax,
illegality and other**

reasons: If at any time the Issuer satisfies the Note Trustee that:

- (a) due to a change of law, it would be required to make any withholding or deduction for or on account of any taxes from payments in respect of the Notes and such obligation cannot be avoided by the Issuer without incurring material additional costs;
- (b) the Issuer or any Paying Agent would be required to deduct or withhold any amount from any payment in respect of any Notes pursuant to FATCA;
- (c) the Intercompany Borrower would on the next Interest Payment Date be required to make any withholding or deduction for or on account of any taxes from payments in respect of the Intercompany Loans corresponding to the Notes; or
- (d) by reason of any change in law which becomes effective on or after the Issue Date the effect of which would cause to become unlawful for the Issuer (in its capacity as the Intercompany Lender) to perform any of its obligations under the Intercompany Loan Agreement relating to, or to fund or maintain its participation in, the Intercompany Loans corresponding to the Notes,

then the Issuer may, upon giving not more than 15 and no less than 5 Business Days' prior written notice to the Note Trustee and the Noteholders in accordance with the Conditions, redeem all (but not some only) of the relevant class of the Notes on any Interest Payment Date (or, in the case of paragraph (d) above, any date on or following that it becomes unlawful for the Issuer to perform such obligations or fund or maintain such participation), in an amount equal to the principal amount outstanding of the Notes plus any accrued and unpaid interest.

Withholding tax on the

Notes:

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

Purchase of the

Notes:

Provided that no Event of Default (as defined in Condition 9.1 (*Events of Default*)) has occurred and is continuing, the Issuer or either Guarantor may at any time purchase Notes in the open market or otherwise and at any price. If any purchase is made by tender it shall be made available to all Noteholders alike.

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

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

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

Note Trustee:

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

Registrar:

Deutsche Bank Luxembourg S.A. will be appointed as registrar to the Issuer with respect to the Global Notes (in such capacity, the **Registrar**).

Principal Paying

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

OVERVIEW OF SENIOR FINANCING AND SHAREHOLDER FINANCING

The repayment of the Existing Bank Facilities (together with any related hedging cost) referred to above in “*Summary—Transaction Overview*” will also be met by the incurring of debt at the level of the operating companies of the Group (as further detailed in “—*Overview of Senior Financing*” below) and the contribution by shareholders of loans (as further detailed in “—*Overview of Shareholder Financing*” below). The meaning of the defined terms which are contained in this section but not defined herein can be found by referring to the Index of Defined Terms on page 354 or, where the context requires, such terms shall have the same meanings as for the purposes of the Common Terms Agreement as set out in the section entitled “*Defined Terms for the purposes of the Common Terms Agreement*”.

Overview of Senior Financing

The entry into by the Senior Borrower of the Senior Issuer/Borrower Facilities and the Senior FinCo/Borrower Facilities and the issue by the Senior Issuer of the first series of the Senior Secured Notes and the borrowing by Senior FinCo of the Senior Term Facilities (each as defined below) (and together with the related transactions, the **Senior Financing**) is to raise funds to refinance existing senior and junior bank debt of Arqiva Financing No 1 Limited (formerly Macquarie UK Broadcast Ventures Ltd) (**AF No 1**) and the Intermediate Guarantor respectively (the **Existing Bank Facilities**) and for AF No 1 to novate all or part of the associated interest rate hedges to Senior FinCo (as defined below) and to retain all or part of the associated inflation linked hedges provided to AF No 1 by the existing senior hedge counterparties (the **Senior Existing Hedge Counterparties**) under certain agreements (the **Senior Existing Hedging Agreements**). See “—*Overview of Senior Hedging*”.

Senior Financing Group

Arqiva Group Parent Limited (the **Senior Parent** and together with its Subsidiaries, the **Senior Financing Group**) will raise debt at the level of the operating companies of the Group. The Senior Financing Group comprises a ring-fenced group consisting of the Senior Parent, Arqiva Group Intermediate Limited (the **Senior Intermediate Parent**), AF No 1 (the **Senior Borrower**) and all of the Senior Borrower’s direct and indirect subsidiaries, including Arqiva Group Holdings Limited (**Operating HoldCo**), Arqiva UK Broadcast Holdings Limited, MUKBL Digital Limited, Arqiva Telecoms Investment Limited, Arqiva Holdings Ltd, Arqiva Limited, Arqiva Services Limited, Arqiva No.2 Ltd, Arqiva No.3 Limited and Arqiva Aerial Sites Limited (together with the Senior Borrower, Senior Intermediate Parent and the Senior Parent, the **Senior Obligors** and each a **Senior Obligor**).

The Senior Financing Group, Senior FinCo and the Senior Issuer (together the **Senior Group**) are ring-fenced from (a) a Intermediate HoldCo, the Intermediate Guarantor, the Parent Guarantor, AF No 3 and ABHL (together with Intermediate HoldCo, the Intermediate Guarantor, the Parent Guarantor and AF No 3, the **Holding Companies** and each a **Holding Company** for the purposes of the Senior Financing) and (b) the Group Companies outside the Senior Group.

Arqiva Financing plc (the **Senior Issuer**) is a special purpose vehicle incorporated as a public limited company under the laws of England and Wales. The Senior Issuer does not form part of the Senior Financing Group. The shares of the Senior Issuer are held by the Senior Intermediate Parent.

The Senior Issuer will issue notes (the **Senior Secured Notes**) from time to time. The proceeds of the Senior Secured Notes will be on-lent by the Senior Issuer to the Senior Borrower under facilities (the **Senior Issuer/Borrower Facilities** and the loans made under such facilities, the **Senior Issuer/Borrower Loans** and the agreement under which such facilities are provided, the **Senior Issuer/Borrower Facilities Agreement**) to be applied towards: (a) in the case of the first series of the Senior Issuer/Borrower Loans to be made on 28 February (the **Senior Issue Date**): (i) repaying the Existing

Bank Facilities, (ii) funding break costs (if any) under any Senior Existing Hedges which are to be terminated and not retained by the Senior Borrower or novated to Senior FinCo and amended on the Senior Issue Date, (iii) paying down accretion under the Senior Existing Hedging Agreements, (iv) funding any fees and expenses incurred in respect of the refinancing of the Existing Bank Facilities and (v) if there is any surplus, for general corporate purposes; and (b) in the case of subsequent Senior Issuer/Borrower Loans, (i) whilst Senior FinCo/Borrower Loans remain outstanding, repaying such Senior FinCo/Borrower Loans and paying any related termination amounts under the related Senior FinCo/Borrower Hedges and (ii) if there is any surplus, for general corporate purposes.

Senior Term Loans and Senior FinCo/Borrower Loans

Arqiva Senior Finance Limited (**Senior FinCo**) is a special purpose vehicle incorporated as a private limited company under the laws of England and Wales, which does not form part of the Senior Financing Group either. The shares of Senior FinCo are held by the Senior Intermediate Parent.

Senior FinCo will enter into the term facilities (the **Senior Term Facilities** and the loans made under such facilities, the **Senior Term Loans** and the agreement under which such facilities are provided, the **Senior Term Facilities Agreement**) on the Senior Issue Date and on-lend the proceeds to the Senior Borrower under corresponding term facilities (the **Senior FinCo/Borrower Facilities** and the loans made under such facilities, the **Senior FinCo/Borrower Loans** and the agreement under which such facilities are provided, the **Senior FinCo/Borrower Facilities Agreement**), the proceeds of which will be used by the Senior Borrower to (i) repay the Existing Bank Facilities, (ii) fund break costs (if any) under any Senior Existing Hedges which are to be terminated and not retained by the Senior Borrower or novated to Senior FinCo and amended on the Senior Issue Date, (iii) to pay down accretion under the Senior Existing Hedging Agreements, (iv) fund any fees and expenses incurred in respect of the refinancing of the Existing Bank Facilities and (v) if any surplus, for general corporate purposes.

Senior Hedges

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

As part of the refinancing, the Senior Existing Interest Rate Hedges will be novated from the Senior Borrower to Senior FinCo. The Senior Existing Inflation Linked Hedges will remain at the Senior Borrower and will rank senior in point of payment and security to (among other things) the Senior FinCo/Borrower Loans and the Senior Issuer/Borrower Loans.

The Senior Issuer, Senior FinCo or the Senior Borrower (as applicable) may enter into new hedges (the **New Senior Hedges** and together with the Senior Existing Hedges, the **Senior Hedges**) on or after the Senior Issue Date as may be required to ensure compliance with the Hedging Policy.

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

Senior Liquidity Facility

A syndicate of lenders (the **Senior Liquidity Facility Providers**) will agree to provide a 364 day debt service reserve liquidity facility (including any replacement or additional facility, the **Senior Liquidity Facility**) to the Senior Borrower and the Senior Issuer for the making of revolving loans under a liquidity facility agreement (including any replacement or additional agreement, the **Senior Liquidity Facility Agreement**) in an amount of £200 million initially, being an amount as at the Senior Issue

Date at least equal to the amount required to enable the Senior Borrower to (among other things) service interest and scheduled principal due on the Senior FinCo/Borrower Facilities and the Senior Issuer to service interest and scheduled principal on the Senior Secured Notes (as applicable), together with certain scheduled swap payments (other than accretion and exchange payments) and certain senior ranking expenses owed to other parties to the Senior Financing, in the event of there being insufficient cash flow received by either the Senior Borrower or the Senior Issuer.

Senior Capex Facility and Senior Working Capital Facility

A syndicate of lenders (the **Senior Capex Facility Providers**) will agree to provide the Senior Borrower a capex facility (the **Senior Capex Facility**) in an aggregate amount of £400 million under a facility agreement (the **Senior Capex and Working Capital Facilities Agreement**).

A syndicate of lenders (the **Senior Working Capital Facility Providers**) will agree to provide the Senior Borrower a working capital facility (the **Senior Working Capital Facility**) in an aggregate amount of £100 million under the Senior Capex and Working Capital Facilities Agreement.

Senior Obligor Guarantees and Senior Obligor Security

The liabilities of the Senior Borrower under the Senior Capex Facility, the Senior Working Capital Facility, the Senior Liquidity Facility, the Senior FinCo/Borrower Facilities, the Senior Issuer/Borrower Facilities, the Senior Existing Inflation Linked Hedges, the Senior Borrower/FinCo Hedges and any further authorised facilities raised by the Senior Borrower from time to time will be cross-guaranteed by the Senior Obligors (the **Senior Obligor Guarantees**). Each Senior Obligor will grant in favour of a security trustee (the **Senior Obligor Security Trustee**) first ranking fixed and floating security over all (or substantially all) of its assets (including, in the case of the Senior Parent, the share capital of the Senior Intermediate Parent and, in the case of the Senior Intermediate Parent, the share capital of the Senior Borrower, Senior FinCo and the Senior Issuer) in support of its financial obligations under the Senior Obligor Guarantees (the **Senior Obligor Security**).

Senior Issuer Security

The Senior Issuer will create security over its assets (including its rights under the Senior Issuer/Borrower Facilities Agreement, the Senior/Issuer Hedges, the Common Terms Agreement and the STID) (the **Senior Issuer Security**) in favour of a security trustee (the **Senior Issuer Security Trustee**) on behalf of the holders of the Senior Secured Notes, the Senior Liquidity Facility Providers (in their capacity as lenders to the Senior Issuer) and the other secured creditors of the Senior Issuer.

Senior FinCo Security

Senior FinCo will create security over its assets (including its rights under the Senior FinCo/Borrower Facilities Agreement, the Common Terms Agreement and the STID) in favour of a security trustee (the **Senior FinCo Security Trustee**) on behalf of the Senior Term Facility Providers, the Senior Term Facility Agent, the Senior FinCo Hedge Counterparties and the other secured creditors of Senior FinCo.

Senior Common Documents

Each of the Senior FinCo/Borrower Facilities, the Senior Issuer/Borrower Facilities, the Senior Capex Facility and the Senior Working Capital Facility will be subject to common representations and warranties, covenants, trigger events and events of default to be set out under a common terms agreement (the **Common Terms Agreement**), including in particular, the ratios set out in the table “—*Senior Financial Covenant Ratios and Senior Trigger Events*” below. The Senior Obligor Guarantees and the Senior Obligor Security will be held by the Senior Obligor Security Trustee on trust for the Senior Issuer, Senior FinCo, the Senior Capex Facility Providers, the Senior Working Capital

Facility Providers, the Senior Liquidity Facility Providers (in their capacity as lenders to the Senior Borrower) and the other secured creditors of the Senior Obligors (together, the **Senior Obligor Secured Creditors**) under the terms of a security trust and intercreditor deed (the **STID**) which will also set out the voting and intercreditor arrangements amongst the Senior Obligor Secured Creditors.

Senior Financial Covenant Ratios and Senior Trigger Events

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

Senior Trigger Events

Ratio

The Senior Historic Net Debt to EBITDA Ratio or the Senior Projected Net Debt to EBITDA Ratio exceeds 6.50:1

OR

The Senior Historic Cashflow DSCR or the Senior Projected Cashflow DSCR is lower than 1.30:1.

OR

The Senior Historic Cashflow ICR or the Senior Projected Cashflow ICR is lower than:
 > Up to (and including) June 2013: 1.80:1;
 > From (and including) December 2013 to (and including) June 2014 : 1.90:1; and
 > From (and including) December 2014: 2.00:1.

Consequence of breach

Occurrence of a Senior Trigger Event: (among other consequences) no Senior Financing Group Company may make a Senior Restricted Payment and, for so long as a Senior Trigger Event is continuing, the Senior Borrower will credit the Lock-Up Account with all Excess Cash Flow in respect of each Semi-Annual Test Period from the Semi-Annual Test Period in which the Senior Trigger Event occurred and, in certain circumstances, make prepayments of Senior Debt.

In the event that no Senior Financing Group Company may make a Senior Restricted Payment, this will mean that no Excess Cash Flow could be paid by the Senior Financing Group to the Intermediate Guarantor, thereby ultimately affecting the ability of the Issuer to make payments on the Notes.

A Senior Obligor may make a Disposal Cure to either remedy or improve such breach.

Senior Events of Default

Ratio

The Senior Historic Net Debt to EBITDA Ratio is higher than 7.50:1.

The Senior Historic Cashflow DSCR is lower than 1.05:1.

The Senior Historic Cashflow ICR is lower than 1.55:1.

Consequence of breach

Occurrence of a Senior Obligor Event of Default and a Senior Trigger Event: (among other consequences) (i) no Senior Financing Group Company may make a Senior Restricted Payment and, for so long as the Senior Obligor Event of Default is continuing, the Senior Borrower will credit the Lock-Up Account with all Excess Cash Flow in respect of each Semi-Annual Test Period from the Semi-Annual Test Period in which the Senior Obligor Event of Default occurred and make prepayments of Senior Debt; and (ii) a Senior Obligor Enforcement Notice may be served and the Senior Obligor Security enforced which may result in a sale of the Senior Financing Group.

A Senior Obligor Event of Default may be remedied by way of Equity Cure. In the event that such breach is remedied by way of Equity Cure, the relevant Senior Financial Covenant Ratio will be recalculated on a *pro forma* basis.

Senior Modified Net Debt to EBITDA Ratio

Ratio

The Senior Historic Net Debt to EBITDA Ratio or the Senior Projected Net Debt to EBITDA Ratio is higher than 6.0:1.

Consequence of breach

Provided that no Senior Trigger Event has occurred and is continuing, a Senior Financing Group Company may make Senior Restricted Payments to the extent that such Senior Restricted Payments are used exclusively to allow the Issuer to pay interest on the Notes and senior expenses.

Rating Downgrade Event

Event

So long as any Senior Secured Notes are outstanding, the occurrence of either:

(i) one or both of the ratings assigned to the Senior Secured Notes (in the case where the Senior Secured Notes are rated by two rating agencies); or

(ii) two or more ratings assigned to the Senior Secured Notes (in the case where the Senior Secured Notes are rated by three or more rating agencies), fall below BBB /Baa3 (or equivalent) by a rating agency.

Consequence of occurrence

Provided that no Senior Trigger Event has occurred and is continuing, a Senior Financing Group Company may only make Senior Restricted Payments to the extent used exclusively to allow the Senior Issuer to pay interest on the Notes and senior expenses.

Please also see “*Description of Certain Financing Arrangements*”.

Overview of Shareholder Financing

In addition to the funds provided pursuant to the issue of the Notes and the Senior Financing, shareholders will contribute for an amount of approximately £866 million towards the repayment of the Existing Bank Facilities and the novation of certain of the Senior Existing Hedges referred to above.

Such shareholder contribution will be funded by: (i) £466 million cash held at ABHL (which otherwise would be available to be paid as dividend to the Current Shareholders, who have not received any dividend (or any other distribution) since 2009) and (ii) funding in the form of shareholder loan notes issued by AF No 3 and subscribed by the Current Shareholders for an amount of approximately £400 million (the **Shareholder Loan Notes**).

The proceeds of the Shareholder Loan Notes and other Shareholder contribution will be on-lent by AF No 3 to the Parent Guarantor (the **Subordinated Loans** and together the Subordinated Debt and AF No 3 in its capacity as the lender thereof, the **Subordinated Lender** and the Parent Guarantor in its capacity as the borrower thereof, the **Subordinated Borrower**).

The Shareholder Loan Notes will be issued by, and will constitute unsecured obligations of, AF No 3. Unless previously repaid or purchased, the Shareholder Loan Notes will be repaid by AF No 3 at par on the later of: (i) the eighth anniversary of the issuance of such Shareholder Loan Notes; and (ii) the first anniversary of the latest maturity of the Notes (including any New Notes or Further Notes).

Interest will accrue on the Shareholder Loan Notes, provided that interest will be payable by AF No 3 only to the extent that there is sufficient available cash coming from the repayment by the Parent Guarantor of the Subordinated Loans (so that repayment of the Shareholder Loan Notes will be structurally subordinated to repayment of indebtedness of the Group under both the Senior Financing and the Notes). In the event that AF No 3 does not have sufficient funds on any given interest payment date to pay interest on the Shareholder Loan Notes, such interest shortfall will become payable on the following interest payment date.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables present the Group's consolidated financial information. The following consolidated financial information should be read in conjunction with the audited consolidated financial statements, unaudited interim condensed consolidated financial statements and notes thereto contained in this Offering Memorandum and the sections entitled "Use of Proceeds", "Capitalisation" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

The summary financial information provided below was extracted from the Group's audited consolidated financial statements as at and for the years ended 30 June 2010, 2011 and 2012 prepared in accordance with UK GAAP and the Group's unaudited interim condensed consolidated financial statements as at 31 December 2012 and for the six months ended 31 December 2012 and 2011 prepared in accordance with best practice as extracted from IAS 34, "Interim Financial Reporting". The information below is not necessarily indicative of the results of future operations.

Unaudited information for the last twelve months ended 31 December 2012 is calculated by taking the results of operations for the six months ended 31 December 2012 and adding it to the difference between the results of operations for the full year ended 30 June 2012 and the six months ended 31 December 2011. The unaudited financial information for the last twelve months ended 31 December 2012 (i) is a non-UK GAAP measure, (ii) has been prepared solely for the purposes of this Offering Memorandum, (iii) is not prepared in the ordinary course of the Group's financial reporting, (iv) is not necessarily indicative of the results that may be expected for the year ending 30 June 2013, (v) should not be used as the basis for or a prediction of an annualised calculation and (vi) has not been audited.

The data presented below includes consolidated financial data which has been adjusted to reflect certain effects of the sale of the Notes, the use of proceeds and the Senior Financing on the Group's senior and junior cash interest expense, gross senior and junior borrowings, cash at bank in hand, net senior and junior borrowings, net senior and junior borrowings to EBITDA, cashflow to senior and junior cash interest expense, senior cash interest expense, gross senior borrowings, senior cash at bank in hand, net senior borrowings, net senior borrowings to EBITDA and senior cashflow to senior cash interest expense as at and for the last twelve months ended 31 December 2012. The Group's consolidated pro forma financial data has been prepared for illustrative purposes only and does not purport to represent what the Group's actual senior and junior cash interest expense, gross senior and junior borrowings, cash at bank in hand, net senior and junior borrowings, net senior and junior borrowings to EBITDA, cashflow to senior and junior cash interest expense, senior cash interest expense, gross senior borrowings, senior cash at bank in hand, net senior borrowings, net senior borrowings to EBITDA and senior cashflow to senior cash interest expense would have been if the sale of the Notes, the use of proceeds and the Senior Financing had occurred on 31 December 2012, nor does it purport to project the Group's senior and junior cash interest expense, gross senior and junior borrowings, cash at bank in hand, net senior and junior borrowings, net senior and junior borrowings to EBITDA, cashflow to senior and junior cash interest expense, senior cash interest expense, gross senior borrowings, senior cash at bank in hand, net senior borrowings, net senior borrowings to EBITDA and senior cashflow to senior cash interest expense at any future date. The unaudited pro forma adjustments and the unaudited pro forma financial data set forth in this Offering Memorandum are based on available information and certain assumptions and estimates that the Group believes are reasonable and may differ materially from the actual adjusted amounts.

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

Summary Consolidated Profit and Loss Data

	Year Ended 30 June			Six Months Ended 31 December		Twelve Months Ended 31 December
	2010	2011	2012	2011	2012	2012
	(unaudited) (£ millions)					(unaudited)
Continuing Operations						
Turnover (including share of joint venture)	824.9	830.7	843.8	412.0	409.3	841.1
Less share of joint venture turnover	(1.7)	(5.0)	(12.2)	(6.1)	(5.0)	(11.1)
Group turnover	823.2	825.7	831.7	405.9	404.3	830.1
Cost of sales	(362.3)	(335.0)	(314.5)	(160.1)	(145.2)	(299.6)
Gross profit	460.9	490.7	517.1	245.9	259.1	530.3
Depreciation	(80.5)	(89.2)	(99.7)	(42.7)	(51.6)	(108.7)
Amortisation	(160.5)	(155.4)	(155.2)	(77.6)	(79.3)	(156.9)
Operating expenses	(118.2)	(130.0)	(114.5)	(53.9)	(56.0)	(116.6)
Exceptional administrative expenses ¹	—	—	(23.7)	(8.4)	(11.9)	(27.2)
Group operating profit	101.7	116.1	124.1	63.3	60.3	121.1
Share of operating (loss)/profit in joint venture and associates ²	(0.7)	(0.3)	3.9	2.5	0.3	1.7
Total operating profit: Group and share of joint venture and associates	100.9	115.8	128.0	65.8	60.6	122.8
Income from investments ³	0.1	0.1	0.1	0.1	0.1	0.1
Fundamental reorganisation ⁴	(4.2)	(8.8)	—	—	—	—
Loss on disposal of assets	—	(2.1)	—	—	—	—
Non-operating profit exceptional items ⁵	(4.2)	(10.9)	—	—	—	—
Profit on ordinary activities before taxation and interest	96.9	104.9	128.1	65.8	60.7	123.0
Interest receivable and similar income	1.0	0.4	1.7	0.2	0.2	1.7
Net bank loan interest ⁶	(216.2)	(234.7)	(221.3)	(117.3)	(109.9)	(213.9)
Other interest ⁷	(23.9)	(30.4)	(32.4)	(15.1)	(18.6)	(35.9)
Share of joint venture interest payable	—	—	(2.3)	(1.4)	(1.2)	(2.1)
Net third party interest payable	(239.3)	(264.7)	(254.2)	(133.6)	(129.4)	(250.0)
Interest payable to parent undertakings ⁸	(219.6)	(232.8)	(242.5)	(123.0)	(120.7)	(240.2)
Loss on ordinary activities before taxation	(361.9)	(392.6)	(368.6)	(190.8)	(189.4)	(367.2)
Tax on loss on ordinary activities ⁹	9.6	9.2	16.5	8.5	10.0	18.0
Loss on ordinary activities after taxation	(352.2)	(383.4)	(352.1)	(182.2)	(179.3)	(349.2)
Equity minority interests	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Loss for the financial year/period	(352.4)	(383.5)	(352.2)	(182.3)	(179.4)	(349.3)

(1) Includes certain one-off items the Group considers not indicative of its ongoing operations.

- (2) Represents the Group's percentage share of turnover generated by the Group's joint venture companies. Joint ventures are accounted for using the gross equity method. The consolidated financial statements include the appropriate share of those undertakings' results and reserves.
- (3) Reflects dividend payments received from investments in companies over which the Group does not have control, and are therefore excluded from the consolidation in accordance with accounting standards.
- (4) Subset of non operating profit exceptional items.
- (5) Represents those material items derived from events or transactions which require separate disclosure in the profit and loss accounts under accounting standards in order to fairly present the results for the financial period.
- (6) Included within bank loan interest is the increase in the accrued liabilities on the Group's ILS which were non-cash charges. These amounted to £61.2 million, £76.8 million and £54.0 million for the years ended 30 June 2010, 2011 and 2012 respectively.
- (7) Includes the amortisation of debt issue costs, finance lease interest payable and imputed interest on advance payments from customers.
- (8) Interest payable to parent undertakings is the interest payable on loans to parent companies on intra-group funding arrangements. This is deeply subordinated and payments under it will count as a Restricted Payment under the Terms and Conditions of the Notes offered hereby, and will be a payment in kind. See "*Terms and Conditions—4.2 Lock-Up*". Under the terms of these loan agreements, the parent undertakings are only entitled to demand repayment of loans to the extent surplus cash is available to do so and provided that such a repayment would not cause the Company and Group to become insolvent.
- (9) The deferred tax credit generated in the Group during each period represents a reduced level of capital allowances claimed in respect of the Group's fixed assets in comparison with Group depreciation policy. Such allowances are available to be claimed in future periods.

Summary Consolidated Balance Sheet Data

	As at 30 June			As at 31 December
	2010	2011	2012	2012
				(unaudited)
	(£ millions)			
Fixed assets				
Intangible assets	2,459.6	2,304.1	2,148.9	2,098.1
Tangible assets	1,481.0	1,565.5	1,628.7	1,629.1
Investments				
<i>Investments in joint venture</i>				
—Share of gross assets	4.0	20.2	15.6	15.9
—Share of gross liabilities	(5.0)	(21.6)	(15.2)	(16.4)
—Goodwill on acquisition	5.8	5.8	10.5	9.0
Investment in associated undertakings	0.1	0.1	0.1	0.1
	4.9	4.6	11.1	8.7
Total fixed assets	3,945.5	3,874.2	3,788.7	3,735.9
Current assets				
Debtors	174.4	190.2	211.9	252.0
Cash at bank and in hand	25.2	32.1	78.5	28.6
Total current assets	199.6	222.3	290.4	280.6
Creditors: falling due within one year to non-group undertakings	(449.3)	(366.2)	(348.6)	(352.3)
Creditors: falling due within one year to group undertakings	(1,238.4)	(1,386.1)	(1,631.2)	(1,690.0)
Net current liabilities	(1,488.2)	(1,530.0)	(1,689.4)	(1,761.7)
Total assets less current liabilities	2,457.3	2,344.2	2,099.3	1,974.2
Creditors: falling due after more than one year to non-group undertakings	(2,970.2)	(3,113.5)	(3,446.1)	(3,500.6)
Creditors: falling due after more than one year to group undertakings	(992.2)	(1,126.1)	(903.4)	(903.4)
Provisions for liabilities and charges	(61.8)	(57.4)	(60.5)	(60.0)
Net liabilities excluding pension (deficit) / asset	(1,566.8)	(1,952.9)	(2,310.7)	(2,489.7)
Pension (deficit)/asset	(8.9)	2.7	(2.3)	(2.8)
Net liabilities including pension (deficit) / asset	(1,575.7)	(1,950.2)	(2,313.0)	(2,492.5)
Capital and reserves				
Called up share capital	—	—	—	—
Merger Reserve	(188.5)	(188.5)	(188.5)	(188.5)
Profit and loss reserve	(1,387.4)	(1,762.0)	(2,124.7)	(2,304.3)
Total shareholders' deficit	(1,575.9)	(1,950.5)	(2,313.2)	(2,492.8)
Minority interest	0.2	0.3	0.3	0.3
Capital employed	(1,575.7)	(1,950.2)	(2,313.0)	(2,492.5)

Summary Consolidated Cash Flow Statement Data

	<u>Year Ended 30 June</u>			<u>Six Months Ended 31 December</u>		<u>Twelve Months Ended 31 December</u>
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2012</u>
				(unaudited)		(unaudited)
				(£ millions)		
Consolidated cash flow data						
Net cash inflow from operating activities	318.2	315.9	378.5	103.4	88.3	363.5
Dividends from investments	1.7	0.2	0.1	0.1	0.1	0.1
Returns on investment and servicing of finance	(162.9)	(164.9)	(171.5)	(84.5)	(88.7)	(175.7)
Tax paid	(0.5)	(1.4)	(0.2)	—	(0.2)	(0.4)
Net capital expenditure and financial investment ⁽¹⁾	(208.7)	(173.9)	(161.5)	(81.6)	(51.0)	(130.9)
Acquisitions and disposals	(1.2)	(2.1)	(2.1)	(1.1)	(27.9)	(28.9)
Equity dividends paid	—	(0.1)	(0.2)	—	—	(0.2)
Financing	51.8	33.2	3.3	63.3	29.4	(30.6)
(Decrease)/Increase in net cash	(1.7)	7.0	46.3	(0.5)	(49.9)	(3.1)

(1) Net capital expenditure and financial investment comprises cash capital expenditure and cash sales of fixed assets.

Other Financial Data

	Year Ended 30 June			Six Months Ended 31 December		Twelve Months Ended 31 December
	2010	2011	2012	2011	2012	2012
				(unaudited) (£ millions)		(unaudited)
EBITDA ⁽¹⁾	342.7	366.7	402.6	192.0	203.6	414.3
Net corporate taxation paid ⁽²⁾						(0.4)
Dividends received ⁽³⁾						0.1
Other ⁽⁴⁾						—
Cashflow before maintenance capital expenditure ⁽⁵⁾						414.0
Maintenance capital expenditure ⁽⁶⁾						(35.3)
Cashflow ⁽⁷⁾						378.7
EBITDA Margin ⁽⁸⁾	42%	44%	48%	47%	50%	50%
Pro forma financial data						
Pro forma senior and junior cash interest expense ⁽⁹⁾						227.5
Pro forma gross senior and junior borrowings ⁽¹⁰⁾						2,950.5
Pro forma cash at bank in hand ⁽¹¹⁾						58.2
Pro forma net senior and junior borrowings ⁽¹²⁾						2,892.3
Ratio of pro forma net senior and junior borrowings to EBITDA ⁽¹⁾⁽¹²⁾						6.98
Ratio of cashflow to pro forma senior and junior cash interest expense ⁽⁷⁾⁽⁹⁾						1.66

(1) EBITDA is presented to enhance a prospective investor's understanding of the Group's results of operations and financial condition. The Group defines EBITDA as Group operating profit (taken from the Group's consolidated profit and loss data) before depreciation and amortisation, exceptional administrative expenses and one-off items where the earnings or charges are not considered to be indicative of the Group's ongoing operations.

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

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

The following table provides a reconciliation of profit on ordinary activities before interest to EBITDA for the periods indicated:

	Year Ended 30 June			Six Months Ended 31 December		Twelve Months Ended 31 December
	2010	2011	2012	2011	2012	2012
				(unaudited) (£ millions)		(unaudited)
Group operating profit	101.7	116.1	124.1	63.3	60.3	121.1
Depreciation	80.5	89.2	99.7	42.7	51.6	108.7
Amortisation	160.5	155.4	155.2	77.6	79.3	156.9
Exceptional operating expenses ^(a)	—	6.0	23.7	8.4	11.9	27.2
Other (including loss on disposal of fixed assets and non-interest finance costs including bank charges)	—	—	—	—	0.5	0.6
EBITDA	342.7	366.7	402.6	192.0	203.6	414.3

(a) The following table sets forth certain information about exceptional administrative expenses for the periods indicated:

	Year Ended 30 June			Six Months Ended 31 December		Twelve Months Ended 31 December
	2010	2011	2012	2011	2012	2012
				(unaudited) (£ millions)		(unaudited)
Costs associated with senior and junior debt						
issuance ⁽ⁱ⁾	—	—	5.4	0.9	0.8	5.3
Office restructuring and closure ⁽ⁱⁱ⁾	—	—	5.9	—	—	5.9
Exceptional bid costs ⁽ⁱⁱⁱ⁾	—	—	2.7	2.0	5.0	5.7
Severance payments ^(iv)	—	—	5.6	2.6	6.3	9.3
Business closure costs ^(v)	—	—	2.0	1.7	—	0.3
Consultancy costs for a strategic and organisational review ^(vi)	—	3.3	1.4	—	—	1.4
Other (including telepoint closures) ^(vii)	—	2.7	0.6	1.1	(0.2)	(0.7)
	—	6.0	23.7	8.4	11.9	27.2

(i) These costs represent certain one-off non-financing expenses associated with the refinancing of certain of the Group's senior and junior debts.

(ii) These costs relate to the closure of the Warwick office together with associated severance payments to those employees made redundant as a result of the reorganisation.

(iii) These costs relate to the significant bid activity related to the DECC smart metering wireless procurement process.

(iv) These costs relate to severance payments made to certain employees leaving the Group.

(v) These costs relate to closure of certain parts of the Group's operations. In addition, in the year ended 30 June 2012 costs were incurred relating to the closure of the SeeSaw business regarding onerous contracts still in force at the time of closure and severance payments to SeeSaw employees.

(vi) These costs relate to a strategic review of the organisation and processes within the Group. In the year ended 30 June 2011 a company wide strategic review was carried out to change the structure and processes of the Group, which lead to the fundamental reorganisation of the Group in the same year.

(vii) These costs relate to the closure of the Group's US teleports in the year ended 30 June 2011 and the London telepoint in the year ended June 2012, both within the satellite division. In addition, there were other small one-off items including the loss on disposal of fixed assets.

(2) All amounts of corporation tax paid net of any tax rebate or refund for corporation tax.

(3) Represents any dividends or other distributions received in cash by any Senior Financing Group Company from any entity which is not a Senior Financing Group company, including any cash receipts from partnerships and joint ventures.

(4) Includes insurance proceeds related to business interruption and third party liability and finance lease payments in respect of interest payable and equivalent financial charges included in the Net Cash Flow.

(5) Cashflow before maintenance capital expenditure is calculated as EBITDA less all amounts of corporation tax paid net of any tax rebate or refund for corporation tax plus any insurance proceeds related to business interruption and third party liability plus any finance lease payments in respect of interest payable and equivalent financial charges included in Net Cash Flow plus any dividends or other distributions received in cash by any Senior Financing Group Company from any entity which is not a Senior Financing Group Company, including any cash receipts from partnerships and joint ventures.

(6) Expenditures required to provide replacement equipment for the Group's infrastructural assets. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital expenditures".

(7) Cashflow is calculated as cashflow before maintenance capital expenditure less maintenance capital expenditure.

(8) EBITDA margin is defined as EBITDA divided by group turnover.

(9) *Pro forma* senior and junior cash interest expense is calculated as follows: (i) consolidated cash interest expense for AF No 2 for the last twelve months ended 31 December 2012 of £217.0 million less (ii) cash interest costs associated with the existing junior and senior bank facilities (including derivative instruments) being refinanced for the last twelve months ended 31 December 2012 of £214.8 million plus (iii) estimated cash interest costs associated with the Notes offered hereby, the junior and senior bank facilities and the Senior Secured Notes (including derivative financial instruments) of £225.3 million. Excludes non-cash interest expense and any interest expense related to intercompany indebtedness. For the avoidance of doubt, this excludes principal accretion on the ILS.

(10) *Pro forma* gross senior and junior borrowings is senior and junior indebtedness before debt issuance costs excluding deeply subordinated amounts due to parent undertaking as of 31 December 2012 adjusted to give *pro forma* effect to the refinancing, the offering of the first series of Senior Secured Notes and the offering of the Notes hereby.

(11) *Pro forma* cash at bank and in hand is cash at bank and in hand as of 31 December 2012 adjusted to give *pro forma* effect to the refinancing, the offering of the first series of Senior Secured Notes and the offering of Notes hereby. Under the Conditions, the Group is required to maintain sufficient cash within the Issuer to cover six months interest on the Notes offered hereby. It is the Group's intention that any cash in excess of this is held in the Senior Financing Group.

(12) *Pro forma* net senior and junior borrowings is *pro forma* gross senior and junior borrowings less *pro forma* cash at bank and in hand as of 31 December 2012.

Other Senior Financial Data⁽¹⁾

	Twelve months Ended 31 December 2012 (unaudited) (£ millions)
EBITDA ⁽²⁾	414.3
Net corporate taxation paid ⁽³⁾	(0.4)
Dividends received ⁽⁴⁾	0.1
Other ⁽⁵⁾	—
Senior cashflow before maintenance capital expenditure ⁽⁶⁾	414.0
Maintenance capital expenditure ⁽⁷⁾	(35.3)
Senior cashflow ⁽⁸⁾	<u>378.7</u>
<i>Pro forma</i> senior financial data	
<i>Pro forma</i> senior cash interest expense ⁽⁹⁾	170.5
<i>Pro forma</i> gross senior borrowings ⁽¹⁰⁾	2,350.5
<i>Pro forma</i> senior cash at bank in hand ⁽¹¹⁾	29.5
<i>Pro forma</i> net senior borrowings ⁽¹²⁾	2,321.0
Ratio of <i>pro forma</i> net senior borrowings to EBITDA ⁽²⁾⁽¹²⁾	5.60
Ratio of senior cashflow to <i>pro forma</i> senior cash interest expense ⁽⁸⁾⁽⁹⁾	2.22

(1) The other senior financial data set forth in this table is for the Senior Financing Group.

(2) EBITDA is presented to enhance a prospective investor's understanding of the Group's results of operations and financial condition. The Group defines EBITDA as group operating profit before depreciation and amortisation, exceptional administrative expenses and one-off items where the earnings or charges are not considered to be indicative of the Group's ongoing operations.

(3) All amounts of corporation tax paid net of any tax rebate or refund for corporation tax.

(4) Represents any dividends or other distributions received in cash by any Senior Financing Group Company from any entity which is not a Senior Financing Group company, including any cash receipts from partnerships and joint ventures.

(5) Includes insurance proceeds related to business interruption and third party liability and finance lease payments in respect of interest payable and equivalent financial charges included in the Senior Net Cash Flow.

(6) Senior cashflow before maintenance capital expenditure is calculated as EBITDA less all amounts of corporation tax paid net of any tax rebate or refund for corporation tax plus any insurance proceeds related to business interruption and third party liability plus any finance lease payments in respect of interest payable and equivalent financial charges included in Senior Net Cash Flow plus any dividends or other distributions received in cash by any Senior Financing Group Company from any entity which is not a Senior Financing Group Company, including any cash receipts from partnerships and joint ventures.

(7) Expenditures required to provide replacement equipment for the Group's infrastructural assets. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital expenditures*".

(8) Senior cashflow is calculated as Senior cashflow before maintenance capital expenditure less maintenance capital expenditure.

(9) *Pro forma* senior cash interest expense is calculated as follows: (i) consolidated cash interest expense for AF No 1 for the last twelve months ended 31 December 2012 of £192.2 million less (ii) cash interest costs associated with the existing senior debt facility (including derivative instruments) being refinanced of £190.1 million for the last twelve months ended 31 December 2012 plus (iii) estimated cash interest costs associated with the new senior bank facilities and the Senior Secured Notes (including derivative instruments) of £168.3 million. Excludes non cash interest expense and any interest expense related to intercompany indebtedness. For the avoidance of doubt, this excludes principal accretion on the ILS.

(10) *Pro forma* gross senior borrowings is senior indebtedness before debt issuance costs excluding deeply subordinated amounts owed to ABHL, AF No 3 and Primrose No.1 Limited as of 31 December 2012 adjusted to give *pro forma* effect to the refinancing and issuance of the Senior Secured Notes.

(11) *Pro forma* senior cash at bank and in hand is consolidated cash at bank and in hand for AF No 1 as of 31 December 2012 adjusted to give *pro forma* effect to the refinancing and issuance of Senior Secured Notes.

(12) *Pro forma* net senior borrowings is *pro forma* gross senior borrowings less *pro forma* senior cash at bank and in hand as of 31 December 2012.

Summary of Capital Expenditure and Financial Investment

	Year Ended 30 June			Six Months Ended 31 December	
	2010	2011	2012	2011	2012
				(unaudited)	
				(£ millions)	
Maintenance	28.9	24.8	30.2	10.2	15.3
DSO	118.7	112.4	72.5	41.7	14.6
Growth ⁽¹⁾	61.1	36.7	58.8	29.7	21.1
Total net capital expenditure and financial investment	208.7	173.9	161.5	81.6	51.0

(1) Growth capital expenditure also includes cash sales of fixed assets.

Supplementary Division Financial Information

	Year Ended 30 June			Six Months Ended 31 December		Twelve Months Ended 31 December
	2010	2011	2012	2011	2012	2012
	(unaudited) (£ millions)					(unaudited)
Turnover by division and business unit						
Broadcast and Media	472.5	474.3	464.4	227.7	227.7	464.5
Terrestrial Broadcast	232.7	260.3	267.0	126.6	141.1	281.6
Satellite	239.8	214.0	197.4	101.1	86.7	182.9
Digital Platforms	79.4	109.5	121.6	58.7	63.6	126.6
GME	271.2	241.9	245.7	119.6	113.0	239.0
Site Share	230.4	211.3	223.2	108.1	102.4	217.4
Government	40.8	30.6	22.5	11.5	10.6	21.5
Total Group turnover	823.2	825.7	831.7	405.9	404.3	830.1

RISK FACTORS

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

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

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

BUSINESS AND INDUSTRY RISKS

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

The Group operates in a number of highly regulated industries. Key regulations applicable to the Group include: the availability and licensing of spectrum and ongoing charges for its utilisation; the commercial framework for the Group's commercialisation of its terrestrial broadcast assets; and its Undertakings to the UK Competition Commission. For a general overview of regulation of the communications industry in the UK, see "*Regulation of the Communications Industry in the United Kingdom*".

Terrestrial Broadcast. The Group's terrestrial broadcast infrastructure is regulated by Ofcom, and as at 2008 (as a result of the acquisition of National Grid Wireless by Arqiva in April 2007) is subject to the Competition Commission Undertakings. In 2006 the UK government, national broadcasters, and the Group agreed the Group would carry out the digital switchover (**DSO**) conversion. The Group's long-term contracts, agreed in the context of the Reference Offer negotiated with Ofcom, govern the revenues it charges its customers for access to its broadcast infrastructure assets. This framework allows the Group to charge based on factors that include (i) an agreed-upon return on the Group's existing and projected regulated asset base, (ii) the Group's real and estimated costs for the DSO and (iii) annual indexing in line with the RPI, as well as allowing the Group to pass through certain of the Group's costs, including rent, taxes and electricity. The framework also allows the Group's customers to receive service credits in the event the Group fails to meet certain service level agreement (**SLA**) targets, or in more limited instances, terminate their contracts or to activate break clauses that terminate the relationship prior to the completion of contracts. To date, the Group has not had any agreements terminated for failure to meet SLA targets and service fees have been nominal. The framework also provides for the adjudicator appointed by Ofcom in the context of the Competition Commission Undertakings (**Adjudicator**) to determine any dispute with any customer. For additional

detail see “—If the Group is unable to provide uninterrupted or quality services, its reputation may be negatively affected, the Group could incur penalties or the Group could lose important contracts”.

The Reference Offer calculates returns on the Group’s Network Access (**NA**) assets as a percentage of the Weighted Average Cost of Capital (**WACC**), currently set at 7.71% real pre-tax. Should the WACC change in the future, it could impact the returns the Group would receive on its assets. Returns from the Group’s MTS assets are not based on WACC but are based on fair, reasonable and non-discriminatory pricing. In addition, various components of the Group’s terrestrial broadcast contracts are Retail Price Index (**RPI**)-linked, and should the formula by which RPI is calculated change, it could impact the Group’s returns on these assets.

Digital Platforms. The Group is highly dependent on the availability of broadcast spectrum, which it obtains through commercial licences for UK frequency spectrum issued by the UK government or Ofcom (**Multiplexes**). The Group’s Digital Terrestrial Television (**DTT**) Multiplex licences were both recently renewed for a further 12 years from the current expiry date in 2014, and will expire in 2026. When these licences expire, there can be no assurance the Group will be able to renew them on acceptable commercial terms or at all. Should the Group fail to renew its DTT Multiplex licences past 2026, the Group will be unable to continue its digital platforms business, which would have a material adverse effect on the Group’s business, financial condition and results of operations.

To date, the Group has had to pay only minor administrative cost-based fees for its Multiplexes and this situation is not expected to change prior to the end of the current licence term in 2014. However, Ofcom announced that on the renewal date of the DTT Multiplex licences in 2014, it intends to introduce more significant spectrum fees to encourage efficient use of Multiplex capacity, which it has termed “AIP”. Ofcom has indicated that these fees may be calculated using a formula that incorporates the cost of denying the use of spectrum to other users, and that the level of AIP to be applied will need to be calculated closer to 2014 on the basis of the best information available at that time. Therefore, the Group is exposed to the risk of these fees being introduced and at a higher level than currently expected. Although the Group intends to pass through a proportion of AIP costs to customers and includes AIP clauses in its current contracts, the Group may not be able to pass these costs on in significant proportions or include similar clauses in future contracts. A significant increase in fees could impact the digital platform division’s profitability or reduce the competitiveness of the DTT platform relative to competing platforms (such as DTH satellite or cable), which could have a material adverse effect on the Group’s business, financial condition and results of operations.

UK Competition Undertaking. As the Group is the sole owner of national terrestrial broadcast infrastructure necessary for television and radio transmission in the UK and since the Group’s digital platforms division is a customer of the Group’s terrestrial broadcast sub-division, the UK Competition Commission required the Group to give Undertakings, which include strict information barriers between the terrestrial broadcast sub-division and the digital platforms division and subject the Group to regular audit. A breach of competition law or the Group’s regulatory obligations could give rise to a range of potential penalties including fines of up to 10% of the Group’s turnover and, in exceptional circumstances, structural remedies including the enforced sale of components of the Group. Additionally, any purchaser of the majority of these assets would be required to give the same or similar Undertakings, which could restrict the Group’s ability to dispose of any such assets, including following an enforcement action. For additional detail on the Undertakings see “*Regulation of the Communications Industry in the United Kingdom*”.

Wireless. The licensing, construction, operation, sale, resale and interconnection arrangements for the Group’s mobile wireless sites in the UK, and the wireless industry within which the Group operates, are regulated to varying degrees by government or regulatory authorities. Any of these authorities having jurisdiction over the Group’s businesses could adopt or change rules or regulations or take other actions that could make it more difficult or costly for the Group to conduct its site share business, and

have a material adverse effect on the Group's business, financial condition and results of operations. For additional detail on these regulations, see "*Regulation of the Communications Industry in the United Kingdom*".

Satellite. The licences required to transmit satellite signals on the relevant frequency and for relevant satellites are regulated by Ofcom.

Although the Group believes it is currently in compliance with all of its material regulatory obligations, the Group may not be able to remain in compliance with such obligations in the future. Changes in laws, regulations or government policy affecting the Group's business activities such as decisions by regulators as to the granting, amendment, renewal, revocation or termination of licences or broadcast agreements, could be adopted that make compliance more difficult or expensive. Additionally, the Group may wish to engage in new businesses in the future for which it may be necessary to obtain licences or approvals from national authorities that the Group may not be able to obtain. If regulatory changes impact any of the Group's businesses and thereby impair the Group's ability to provide its products, or current regulations obstruct the Group's current business or future projects undertaken by the Group, such regulatory change could have a material adverse effect on the Group's business, financial condition and results of operations. For additional detail on the regulatory regime in the UK, see "*Regulation of the Communications Industry in the United Kingdom*".

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

The Group and its customers are highly dependent on the availability of sufficient spectrum and the renewal of existing spectrum licences for the long-term competitive strength of DTT as a broadcast platform relative to other platforms, but the amount of spectrum available in the UK is limited and the process for obtaining it is highly complex. The Group can therefore not guarantee it will have sufficient access to spectrum in the long term to maintain and develop its services.

Ofcom, which governs allocation of spectrum in the UK, has recently completed a consultation regarding the re-allocation of the 600 and 700 MHz bandwidth following the completion of the DSO and is continuing consultation regarding the allocation of the 700 MHz bandwidth range currently used by DTT to mobile data usage. Ofcom is likewise considering the allocation of the 600 MHz range to DTT in the longer term. There can be no assurance that Ofcom will allocate spectrum to such uses, and that if it does so it will not seek to re-allocate such spectrum in the future. In the event Ofcom reduced the number of Multiplexes available for DTT, the Group could lose some of its current DTT Multiplex spectrum currently licensed until 2026, which could limit the number of video streams the Group can provide. Therefore, the Group cannot guarantee that it will be able to meet the demand from broadcasters for SD channels, additional HD channels, or other emerging spectrum-intensive broadcast technologies such as Ultra-HD TV or interactivity, on DTT in the UK. Failure to meet future viewer demand for SD channels, additional HD channels or other spectrum-intensive products could diminish the long-term competitiveness of DTT relative to competing platforms such as satellite, cable and IPTV, and adversely impact the Group's business, financial condition and results of operation. For additional detail see "*—The Group's customers' demand for the Group's broadcast and telecommunication services could decline*".

The Group's customers' demand for the Group's broadcast and telecommunication services could decline

The Group's business includes the ownership and provision of broadcast and mobile wireless sites, spectrum and satellite transponder capacity, and related passive infrastructure, to third-party broadcasters and wireless service providers, typically under long-term, high-value contracts. Therefore, factors adversely affecting the demand for such infrastructure in the UK in general could have a

material adverse effect on the Group's business, financial condition and results of operations, particularly over the medium and long-term as such contracts come up for renewal. Such factors could include:

- a decrease in consumer demand for broadcast and wireless communications services due to adverse general economic conditions or other factors;
- a deterioration in the financial condition of broadcasters and wireless communications service providers generally due to declining advertising revenues, viewership, declining user tariffs, media convergence or other factors;
- reduction in public funding for PSBs (BBC and Channel 4);
- a deterioration in the market share of DTT (Freeview) or the satellite DTH platform due to increased viewership of television programmes delivered via the internet; loss of DTT market share to satellite or cable broadcasters; or reduced demand from advertising funded, transactional, Pay TV or news channels;
- a slowdown in the take-up of Digital Audio Broadcast (**DAB**) services by consumers, which could impact the attractiveness of DAB to radio broadcasters;
- a decrease in the ability or willingness of wireless communications service providers to maintain or increase operating or capital expenditures;
- a decrease in the growth rate of wireless communications generally or of a particular area of the wireless communications sector;
- adverse developments with respect to regulatory licensing of spectrum and changes in broadcast and telecommunications regulations;
- mergers or consolidations among broadcasters, content providers and MNOs;
- increased use of network sharing, roaming or resale arrangements by wireless service providers among themselves;
- delays or changes in the decommissioning of 2G and the deployment of 3G, 4G, or other communications technologies;
- declining user tariffs due to intense MNO competition;
- changing strategies of wireless service providers with respect to owning or sharing passive infrastructure;
- adverse developments with regard to zoning, environmental, health and other government regulations;
- technological changes; and
- general economic conditions.

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

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

The Group relies on sophisticated technical and information technology infrastructure to operate its business and deliver critical services to its customers (including operation of its infrastructure, management of key networks, accounting, billing and other matters) and accurately and efficiently provide information to management and prepare financial reports. These systems are also an important means of internal communication and communication with customers and suppliers. These systems and services are vulnerable to interruptions or other failures resulting from, among other things, natural disasters, terrorist attacks, software, equipment or telecommunications failures, processing errors, computer viruses and malware, hackers or other security issues or supplier defaults. For example, a breach of security could impair the ability of the Group to adequately provide products and services, reduce performance by one or more of the Group's businesses, or damage the Group's reputation. Additionally, a security breach or intrusion upon the Group's information technology infrastructure could compromise the security of information stored in or transmitted through the Group's systems, or compromise the integrity of the Group's technical systems more broadly.

While the Group seeks to protect its computer systems and network infrastructure from physical intrusion as well as security breaches and other disruptions that could affect the Group's telecommunication and information infrastructure, security, backup and disaster recovery measures may not be adequate or implemented properly to avoid such errors, processing inefficiencies, security breaches, inability to use the systems or process transactions, loss of customers or other business disruptions. In particular, to provide its various services, the Group generally allows clients and customers to access certain elements of the Group's data and telecommunications infrastructure. The Group's technical or information infrastructure could be attacked or compromised by means of such broadly accessible networks. While the Group takes measures to maintain the security of these externally-facing networks, it is impossible to eliminate the risk created by the need for such accessible information infrastructure. There can be no assurance that the Group's security measures will be adequate or successful, and the costs of maintaining adequate security measures may increase substantially. Any such breach, or actions taken to repair or prevent a breach, could result in significant cost to the Group or harm the ability of the Group to successfully compete in one or more of its businesses, which could in turn have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

Capital expenditure amounts vary significantly from year to year as expenditures for renewals, new projects and planned expansion expenditures represent a significant portion of capital expenditures. For example, the Group is currently bidding for a long-term smart metering contract. If the Group is successful in winning this contract, the Group expects to incur significant capital expenditure for which it will require sufficient cash flow from operations as well as external financing. For additional detail on the Group's capital expenditures see also "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting the Group's Results of Operations and Financial Condition—Impact of capital expenditures".

In the past, the Group has financed these expenditures through a variety of means, including internally generated cash flows, external borrowings and shareholder contributions. In the future, the Group expects to utilise a combination of these sources, including banking and capital markets transactions, to manage its balance sheet and meet its financing requirements, although additional financing may be more costly or otherwise more difficult in the future as a result of the Group's significant leverage. See “—*Financing Risks—The Group's significant debt obligations could limit its flexibility in operating its business and expose it to additional risks*”. The Group's ability to obtain such financing could be limited by, among other causes, its leverage, its then-current or prospective financial condition or results of operations or its inability for any reason to raise further bank debt or to issue further securities in the capital markets after the Issue Date. The actual amount and timing of the Group's future capital requirements may also differ from estimates as a result of, among other things, unforeseen delays or cost overruns in establishing, expanding or upgrading its networks, unanticipated expenses, regulatory reform, engineering and design changes and technological changes. There can be no assurance that financing from external sources will be available at the time or in the amounts necessary or at competitive rates to meet the Group's requirements. If the Group were unable to obtain financing for capital expenditures, this could limit the Group's ability to maintain its current operations or expand in the future, which could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, the expansion, development, renewal and maintenance of the Group's infrastructure is subject to risks and uncertainties which could delay the introduction of services in some areas and increase the cost of infrastructure construction. The Group's ability to maintain a certain quality of service in connection with the agreed-upon SLA is critical to its ability to retain its customers and contracts. If any of these risks transpire and the Group's infrastructure cannot sustain satisfactory operations, it could have a material adverse effect on the Group's business, financial condition and results of operations.

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

- shortages of materials, equipment and specialist labour required to maintain and develop its infrastructure;
- failure by sub-contractors to complete projects on time, on budget, or meet appropriate quality standards due to various factors, including any of the conditions described herein;
- labour disputes and disputes with sub-contractors, or litigation by sub-contractors resulting from any of the risks herein described;
- inadequate infrastructure, including as a result of failure by third parties to fulfil their obligations relating to the provision of utilities and transportation links that are necessary or desirable for the successful operation of a project;
- failure to complete projects according to specifications;
- adverse weather conditions and natural disasters;
- accidents;
- unauthorised, rogue, or other illicit use of spectrum or telecommunication capacity;
- failure to attract customers to products to which capital expenditures must be committed prior to client contracting;
- changes in governmental priorities, spending programmes, or procurement processes; and
- an inability to obtain and maintain project development permission or requisite regulatory licences, permits or approvals.

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

The Group may be unable to generate revenues from its new assets or products, or revenues may be insufficient to cover the associated construction and development costs, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group reviews on an annual basis, or more frequently where the circumstances require, the value of its asset base to assess whether carrying values of its assets can be supported by the future cash flows expected to be derived from such assets. If the Group considers that due to changes in the economic, regulatory, business or political environment, its goodwill, intangible assets or fixed assets may be impaired, the Group may perform certain valuation tests, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may not win contracts for its proposed new projects and new product offerings may fail to be competitive or accepted by customers

The Group's future growth strategy depends in part on its ability to leverage its engineering competence, gained in part from the DSO, to offer new technical solutions in areas adjacent to its existing businesses. However, should the types of new products and services offered by the Group fail to find acceptance with customers or should the Group fail to successfully execute growth projects, the Group may fail to win new business. For example, the Group may not successfully predict which technology solution proves to be the most economical, efficient or capable of attracting customers, or the Group may develop or implement technology that does not achieve commercial success or that is not compatible with other newly developed technologies. Any such occurrence could impair the growth potential of the Group's new offerings.

In addition, the Group may not receive the necessary licences to provide services based on these new technologies or the Group may be negatively impacted by unfavourable regulation regarding the usage of the solutions it proposes to offer. For additional detail on governmental licensing in the UK see "*Regulation of the Communications Industry in the United Kingdom*". If the Group is unable to effectively anticipate or react to technological developments, it could lose customers, fail to attract new customers or incur substantial costs and investments in order to maintain its competitive position, any of which could have a material adverse effect on the Group's business, financial condition and results of operations.

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

Each of the Group's business segments—broadcast and media, digital platforms and GME—derives a significant proportion of its revenue from a limited number of customers, many of which are long-term and have a high value. For the year ended 30 June 2012 and the last twelve months ended 31 December 2012, the Group's top three customers represented approximately 28% and approximately 29% of the Group's turnover, respectively. The Group depends upon a small-number of long-term, high-value contracts with PSBs to provide terrestrial broadcast services, with key customers for DTT spectrum for channel use, and with key users of the Group's mobile sites. There can be no assurance that the Group will be able to renew any contracts to provide its products or services to these customers on commercially attractive terms, or at all. In the terrestrial broadcast sub-division, the Group heavily relies on contracts with the PSB customers (BBC, ITV and Channel 4), which run until 2030 or 2034. In the wireless business, the Group's revenues come largely from a small number of large customers. Turnover from the top five wireless customers comprised approximately 73% of wireless turnover during the last twelve months ended 31 December 2012, which is supported by a recent move towards MNO consolidation and site sharing. For additional discussion regarding the

consolidation among wireless service providers see “*Industry—Wireless Industry in the UK—Tower Supply and Competition—Competitive Dynamics*”. Because of this concentration of the MNO market, in these businesses the Group is heavily dependent on a small number of high value contracts. If any of the Group’s key customers experience a general decline in demand due to economic or other forces or if any such customer is not satisfied with its services (for breach of SLAs or other factors), such key customer may reduce the number of service orders it has with the Group (subject to contracted payments), terminate its relationship with the Group (subject to certain early termination fees) or fail to renew its contractual relationship with the Group upon expiration. As a result of these or other factors, if customers choose to cease using the Group’s products or reduce their usage, it could have a material adverse effect on the Group’s business, financial condition and results of operations. For additional detail see “—*The Group is subject to UK government and other regulations that govern the way it conducts its businesses, and effects of or changes in regulations could have a material adverse effect on the Group’s business, financial condition and results of operations*” and “—*If the Group is unable to provide uninterrupted or quality services, its reputation may be negatively affected, the Group could incur penalties or the Group could lose important contracts*” and “*Business—Divisions—Broadcast and Media Division—Terrestrial Broadcast Sub-division—Customers and contracts*”.

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

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

If the Group is unable to provide uninterrupted or quality services, its reputation may be negatively affected, the Group could incur penalties or the Group could lose important contracts

The Group depends on the efficient, uninterrupted and high quality operation of its systems. The Group’s service offerings are often complex, depend on the successful integration of sophisticated in-house and third-party technology and services and must meet stringent quality requirements. In particular, the Group could incur contractual penalties if the Group’s service is not in line with agreed SLAs. For example, under the competition undertaking, if terrestrial broadcast service levels are poor enough on a continuous basis to establish a persistent failure, the Group could be required to pay service credit penalties of up to 10% of annual fees received from the customer. Additionally, if any of the Group’s services has reliability or quality problems, its reputation could be damaged significantly and customers might be reluctant to employ its services, which could result in a decline in revenues or the loss of existing customers. Furthermore, should any of these requirements, undertakings, or SLAs be modified or updated in the future, there is no guarantee the Group would be able to satisfy them.

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

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

The Group's towers and other facilities are subject to risks associated with natural disasters and other catastrophic events, such as ice and wind storms, tornadoes, floods, hurricanes, earthquakes, power loss, telecommunications failures, network software flaws and acts of vandalism, arson, or terrorism, theft and fuel shortages as well as other unforeseen events or damage. Any damage or destruction to the Group's towers or other facilities, including major office or administrative facilities, as a result of these or other events would impact its ability to provide services to its customers. While the Group believes it maintains adequate insurance coverage for natural disasters and other catastrophic events and the Group has in place disaster recovery plans, it may not have adequate insurance to cover all of the associated costs of repair or reconstruction for a major future event. Further, the Group carries business interruption insurance that may cover the increased cost of working but would not cover lost revenues. If the Group is unable to provide services to its customers as a result of damage to its towers, it could lead to customer loss. Additionally, if the loss of service is not deemed due to an unforeseeable force majeure event, the Group could be held responsible for failing to satisfy service obligations under its transmission contracts, which could result in service credit penalties or suspension of normal fees and annual charges. As a result of such an impact on the Group's ability to provide services or customers' continued use of such services, a natural disaster or other unforeseen events could result in a material adverse effect on the Group's business, financial condition and results of operations.

If the level of capacity in satellite networks grows more slowly than demand, the Group may not be able to obtain leased transmission capacity on competitive terms

The Group leases satellite capacity primarily from SES and Eutelsat and uses this capacity as part of a package together with its other services, or resells it to other users of satellite capacity. In 2010, the level of available capacity on satellites was outstripped by demand, in part due to the increased demand for such capacity by HD television channels and in part due to the retirement of certain satellites from service without an alternative satellite being put in place of the retired satellite. If new capacity is not available by the time the Group's current satellite capacity contracts expire, the Group may be unable to obtain new capacity on competitive terms, or at all. Additionally, fibre networks, including optical and copper-based networks, and the increased use of IP for the delivery of video and audio programming on such networks, are continuously evolving and expanding and becoming more cost-effective.

The Group may be adversely affected if the amount of satellite capacity available for video and audio decreases. The Group needs to renew its existing leases and enter into additional leases for such capacity in order to provide continuity of service to its existing customers, enter into contracts with new customers and expand its transmission service offerings. There can be no assurance, however, that the Group will be able to maintain its capacity as needed to provide services to its customers on highly demanded satellites. For example, HD television broadcasts and Ultra-HD TV require substantially

greater bandwidth than conventional television broadcasts, and the success of HD television and Ultra-HD TV broadcasts may lead to a reduction in the quantity of available capacity. If transponders used by third parties become unavailable due to satellite technical failures, providers of satellite capacity could pre-empt the Group's use of transponders, which would reduce the Group's satellite capacity. Additionally, providers of satellite transponders could elect not to renew satellite capacity leases, could increase transmission costs and therefore reduce the Group's margins, or could increase costs to an extent that its potential customers would be less likely to purchase services or require the Group to incur more long-term commitments for capacity without any corresponding assurance of customers for this capacity. The ultimate effect of such a capacity shortage for the Group could be the inability of the Group's satellite business to continue competing effectively or a reduction in customer reliance on the Group's satellite services, either of which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group relies on third parties for key equipment and services, and the failure of third parties to properly maintain these assets could adversely affect the quality of the services the Group offers

The Group depends upon third-party suppliers to provide key equipment and services, some of which is only available from a limited number of third parties. The Group does not have operational or financial control over these partners, and the Group has no influence with respect to the manner in which these partners conduct their business. If these partners fail to provide equipment or services on a timely basis, the Group may be unable to provide services to its customers until an alternative source can be found. In addition, as some of the markets in which the Group competes gain new entrants, it is possible that some of them (or existing market players) may compete for similar services from suppliers that the Group uses, and may gain more favourable terms from particular suppliers than the Group. Additionally, it is possible that current vendors of services could become competitors, therefore competing as consumers of services they provide. Either of these occurrences could result in upward pricing pressure on these contracts and the Group may not be able to renew its contracts at all or at the same rate as in the past, and could lose market share. If any of these contracts are terminated or the Group is unable to renew them on favourable terms or negotiate agreements for replacement services with other providers at comparable rates, this could have a material adverse effect on the Group's business, financial condition and results of operations.

For example, the Group relies on transmission capacity and other critical facilities that are owned by third parties. All of the Group's satellite transponder capacity and circuits for broadcast transmission are leased. The Group is dependent on the quality of service provided by these third parties. The degradation of the quality of these services could significantly impair the Group's ability to maintain its current levels of service.

Damage to a satellite on which the Group leases transponders could significantly degrade the satellite's performance and result in a partial or total loss of the Group's transmission capacity on that satellite. Similarly, the loss of a satellite on which the Group leases transponders would result in the total loss of its transmission capacity on that satellite. The Group cannot guarantee that the satellites on which the Group leases capacity will perform properly or remain in operation for the duration of their expected commercial lives. Should a satellite or transponder lose the ability to transmit, the Group's ability to provide services to its customers may be harmed, which could negatively impact the Group's margins. In addition, damage to the fibre line or network on which the Group leases transmission capacity could damage the service the Group provides to its customers.

If the Group suffered a partial or total loss of leased capacity on a satellite, the Group would need to obtain capacity on other satellites with a comparable footprint or geographic coverage. The Group may not be able to obtain alternative capacity on economical terms or at all. The Group would likely need a significant amount of time and would incur substantial expense to replace the capacity. During any

period of time in which any of its transponders is not fully operational, the Group would likely lose most or all of the revenues that the Group otherwise would have derived from the leased capacity on that transponder. Similar risks apply to the Group's leased terrestrial fibre transmission capacity. Such a failure of either satellite or terrestrial fibre infrastructure could impact the ability of the Group to continue providing these products to customers or the desirability of these products to customers, which could have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

The UK wireless telecommunication industry continues to experience consolidation, as MNOs in the UK have increasingly sought to reduce costs through network sharing. For further description of consolidation in the wireless telecommunications industry see "*Industry—Wireless Industry in the UK*". Further consolidation could result in fewer wireless telecommunication networks and reduced capital expenditures due to the overlap in network coverage and in expansion plans. In case of any further sharing or consolidation, certain parts of the Group's actual or potential customers' merged networks may be deemed to be duplicative and these customers may attempt to eliminate these duplications. The Group's future results of operations could be negatively impacted if a significant number of sites the Group provides are deemed duplicative and are eliminated from its ongoing contractual revenues and its growth prospects may be limited if such consolidations occur and eliminate what the Group currently believes to be potential markets for its services. Similar consequences might occur if wireless communications service providers seek to engage in extensive sharing, roaming or resale arrangements and thus provide their own towers as an alternative to licensing infrastructure from third-party operators such as the Group. Should further MNO consolidation occur, it could result in overlapping site coverage, and the subsequent decommissioning of sites which have become redundant, including sites currently licensed from the Group. There can be no assurance that there will be no further consolidation of UK wireless telecommunication operators in the future, which could decrease the Group's revenue or profit margin from key customers and could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group faces competitive and technology pressures, which could result in lower prices for the Group's products and services and the loss of current and potential customers

In some areas of activity, the Group may face significant competition from established and new competitors that provide wireless and satellite telecommunications services and DTT spectrum in the UK.

Broadcast and Media Division: DTT faces competition for digital broadcast media from competing platforms, such as satellite, cable, or IPTV delivered over broadband, which may emerge as technically superior or more appealing alternatives. For example, satellite broadcast has been expanding its range of services, and currently offers greater HD capacity than DTT, which could increase viewer appeal of satellite in relation to DTT. In the event consumers shift away from the reliance on terrestrial broadcast

for television and radio and turn in greater numbers to these alternative platforms, it could affect the long-term profitability or sustainability of DTT. Should DTT's market position suffer, it could have a material adverse effect on the Group's business, financial condition and results of operations. DAB could be challenged or replaced as the primary means of broadcasting digital radio content by internet radio or another medium, particularly if DAB fails to establish an adequate listener base in the short or medium-term, which could result in DAB being abandoned by broadcasters and customers. The Group's major direct competitor as a third-party provider of satellite telecommunications and uplink services is Globecast, and Sky also provides satellite and uplink services for its own network and channels.

Digital Platforms Division: The Group faces DTT Multiplex market competition from SDN, the owner of the commercial DTT Multiplex not owned by the Group, and potentially from PSB Multiplex owners. For example, the BBC is selling a limited amount of capacity for commercial use, which could result in additional Multiplex bandwidth. Additionally, should alternate platforms, such as satellite and cable, emerge as the dominant means of content delivery, it could reduce the general demand for DTT Multiplex capacity. The Group could also face competitive pricing changes if technology were to significantly affect supply and demand of Multiplex capacity.

In addition, the Group may face downward pricing pressure associated with its digital platforms division, which will be influenced by demand for DTT spectrum from broadcasters and the Group's ability to negotiate appropriate carriage fees with customers either initially or on contract renewal (the majority of existing contracts are fixed price, RPI-linked and typically have lengths of three to six years).

GME Division: The Group currently operates a significant portion of independent wireless sites in the UK. As at 31 December 2012 the Group believes it had more than four times the number of active sites compared to its three nearest independent wireless sites competitors in the UK, the next largest of which is the Wireless Infrastructure Group, which the Group believes is the next largest independent infrastructure provider. However, MNOs may in the future elect to provide a higher proportion of their own sites, rather than use those available from independent site providers such as the Group. The Group may also face increased competition from picocell and microcell technology in urban areas, which could render the wireless infrastructure the Group provides less commercially viable or profitable. For a further description of competition among existing wireless technologies see "*Business—Divisions—GME Division—Competition*".

The Group also faces the risk that its customers may not adopt the technologies it invests in. For example, as communications technology continues to develop, competitors may be able to offer wireless telecommunication infrastructure products and services that are, or that are perceived to be, substantially similar or better than those the Group offers, or offer technologies that provide similar functionality with competitive prices and with comparable or superior quality. The Group cannot be certain that existing, proposed or as yet undeveloped technologies (including, for example, microcells, picocells or wide spectrum radio) will not become dominant in the future and render the technologies and infrastructure the Group uses obsolete. Should the Group's competitors develop and commercialise new technologies designed to improve and enhance the range and effectiveness of wireless telecommunication networks occur, it could significantly decrease demand for existing and additional telecommunication infrastructure. Additionally, alternative content distribution platforms may emerge for some of the Group's sectors. For example, DTT could be challenged by or lose market share to IPTV. If the Group is not successful in anticipating and responding to technological change and resulting consumer preferences in a timely and cost-effective manner, it could have a material adverse effect on the Group's business, financial condition and results of operations.

The emergence of such new technologies also poses a risk that the Group's products and resources could become obsolete, particularly if the pace of technological change increases or the Group does not invest in technologies that become preferred by consumers. New technological developments may

make the Group's existing resources less profitable or less desirable to consumers, or require significant capital expenditures in order to provide preferred solutions. For example, future development of IPTV, internet radio or catch-up television could reduce demand for broadcast television, which could in turn reduce demand for the Group's terrestrial broadcast infrastructure. Additionally regulatory and competitive factors could require the Group to invest in new technology generations of radio and TV broadcast equipment, to maintain the relevance of its platform beyond the duration of existing contracts, which could impose significant costs on the Group.

Competition from the competitors described above or from new entrants and new technologies (including, but not limited to, internet-based services) could create downward pressure on prices across all the Group's business lines, resulting in a decrease in its revenues and profitability, or create pressure to deliver improved or upgraded services at the same prices, resulting in greater expenditures by the Group with no guarantee of increased revenues. The Group's success in the marketplace is affected by the actions of its competitors and those of its customers' competitors. In particular, there could be a material adverse effect on the Group's business, financial condition and results of operations if the Group's competitors, or its customers' competitors:

- offer lower prices, more attractive services or higher quality services, features or content;
- more rapidly develop and deploy new or improved products and services; or
- more rapidly enhance their networks.

To compete effectively, the Group needs to successfully design and market its services, and anticipate and respond to various competitive factors affecting all its markets and customers such as pricing strategies adopted by its competitors (including aggressive long-term promotions that the Group may be unable to match), changes in consumer preferences and general economic and social conditions. If the Group is unable to compete effectively with its competitors or effectively anticipate or respond to customer needs or consumer sentiment, the Group could lose existing and potential customers, which could result in reduced operating margins and its results of operations could fall substantially short of its current expectations.

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

The Group's ability to operate its business and implement its strategies depends, in part, on the continued contributions of its executive officers and other key employees. The loss of any of the Group's key senior executives could have an adverse effect on its business unless and until a replacement is found. A limited number of persons exist with the requisite experience and skills to serve in the Group's senior management positions. The Group may not be able to locate or employ qualified executives on acceptable terms. In addition, the Group believes that its future success will depend on its continued ability to attract and retain highly skilled personnel with experience in its key business areas. Competition for these persons is intense and the Group may not be able to successfully recruit, train or retain qualified managerial personnel.

The Group may not be able to attract and retain skilled and experienced employees and, should it fail to do so, or lose any of its key personnel, its business and growth prospects may be harmed and it could have a material adverse effect on the Group's business, financial condition and results of operations.

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

As of 31 December 2012, approximately 32% of the Group's employees were covered by collective bargaining agreements (including 151 of the Group's employees who were unionised through BECTU). Unionisation through BECTU requires consultation with BECTU for certain key labour-related business

and administrative decisions, including restructuring. While the Group strives to maintain good relationships with its employees and their unions and has not had any work stoppages in many years, there can be no assurance that such relationships will continue to be cooperative or that it will not be affected by strikes or other types of conflict with labour unions and employees. The Group may not be able to renew its collective bargaining agreements on satisfactory terms or at all. This could result in strikes or work stoppages, which could impair the Group's ability to deliver the services it provides and result in a substantial loss of revenue. The terms of existing or renewed collective bargaining agreements could also significantly increase the Group's costs or negatively affect the Group's ability to increase operational efficiency.

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

Environmental and health regulation imposes additional costs and may affect the Group's results of operations

Like other companies in the broadcast and telecommunication infrastructure industry, the Group is subject to various environmental laws and regulations in the UK concerning issues such as damage caused by air emissions, noise emissions and electro-magnetic radiation. These laws can impose liability for non-compliance with regulations, are increasingly stringent and may in the future create substantial environmental compliance or remediation liabilities and costs.

For example, the Group may face liability related to the presence of lead paint on structures, which may affect its older sites and larger structures. Inhalation of lead paint particles may produce health problems, such as lead poisoning, to workers or people in the vicinity of these structures. There is a risk that the actual or perceived health risk associated with structures containing lead paint could lead to litigation or hinder operation of existing infrastructure. In addition, the Group may face risks associated with the aboveground and underground bulk storage of fuel for back up diesel generators. Leaks or spills may cause soil or groundwater contamination. Some sites may have areas of ground contamination due to historical use. Additionally, there is risk of asbestos exposure, as asbestos could be present in buildings constructed before 1990. The Group may also face risks associated with working at height and with perceived or actual harm caused by electro-magnetic radiation.

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

While the Group believes it is currently in compliance in all material respects with all applicable and environmental laws and regulations, the discharge of materials that are chemical in nature, of radiation or of other hazardous substances or other pollutants into the air, soil or water may nevertheless cause the Group to be liable where its telecommunication towers are located. If the Group is found to have breached any relevant environmental law or regulation, it could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's reputation could suffer if it is perceived as engaging in business practices that do not reflect adequate corporate social responsibility

The Group has a comprehensive corporate social responsibility programme that aims to minimise the Group's negative impact on the environment and maximise the Group's positive impact on its customers, suppliers, local community and employees. In particular, as an operator of approximately 8,700 active licensed wireless sites in the UK as at 31 December 2012, the Group has created a community relations team to engage local communities to address concerns over the Group's plans for site development. However, there can be no assurance that the Group's efforts to maintain its reputation for corporate citizenship will be successful, and a decline in public perceptions of the Group could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's costs could increase and its revenues could decrease due to perceived health risks from electromagnetic radiation, especially if these perceived risks are substantiated

Public perception of possible health risks associated with wireless communications technology could slow the growth of wireless companies, which could in turn slow the Group's growth. In particular, negative public perception of, and regulations regarding, these perceived health risks could slow the market acceptance of wireless communications services and increase opposition to the development and expansion of tower sites. The potential connection between electromagnetic radiation and certain negative health effects has been the subject of substantial study by the scientific community in recent years, and numerous health-related lawsuits have been filed against wireless carriers and wireless device manufacturers in several countries. If a scientific study or court decision resulted in a finding that electromagnetic radiation poses health risks to consumers, it could negatively impact the market for wireless services, as well as the Group's customers, and it could have a material adverse effect on the Group's business, financial condition and results of operations. The Group's insurance with respect to the potential harm from electromagnetic radiation may not be sufficient to cover all or a substantial portion of its liability.

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

The Group has defined benefit obligations in the UK. As at 31 December 2012, the Group's net pension obligations (consisting of pension obligations less pension plan assets), according to the accounting valuation performed on a UK GAAP basis, amounted to a net deficit of £2.8 million (post-tax). These existing obligations are financed predominantly through externally invested pension plan assets. In January 2005, the Group established a legally independent trust fund under contractual trust arrangements for the funding of pension obligations.

The triennial valuation of the Group's defined benefit pension obligations as at 30 June 2011, for actuarial funding purposes, has resulted in an assessed deficit of £17.4 million. Gross plan liabilities at the valuation date were £130.5 million compared to gross plan assets of £113.1 million. Arqiva Limited has agreed with the trustee to make deficit recovery payments into the plan of £5.7 million in July 2013, £5.7 million in July 2014 and £4.1 million in July 2015, after taking into account payments already made under the previous recovery plan since the date of the valuation. See Note 24 to the Group's unaudited condensed consolidated financial statements as at and for the six months ended 31 December 2012.

The Group's externally invested pension plan assets are invested via externally managed funds and insurance companies. Trustees of the trust fund, in consultation with the Group, generally prescribe the investment strategies applied by these funds, and thus the Group does not determine their individual investment alternatives. The assets may be invested in different asset classes including equity, fixed-income securities, real estate and other investment vehicles. The values attributable to the externally invested pension plan assets are subject to fluctuations in the capital markets that are beyond the Group's influence. Unfavourable developments in the capital markets could result in a substantial

coverage shortfall for these pension obligations, resulting in a significant increase in the Group's net pension obligations. In addition, deterioration in the Group's financial condition could lead to an increased funding commitment to the trustee, which could further exacerbate any financial difficulties the Group could face at such time. Any such increases in its net pension obligations could adversely affect the Group's financial condition due to an increased additional outflow of funds to finance the pension obligations. Also, the Group is exposed to risks associated with longevity and interest rate and inflation rate changes in connection with its pension commitments as an interest rate decrease or increase in longevity could have an adverse effect on its liabilities under these pension schemes. Furthermore, a strengthening of the regulatory funding regime could increase requirements for cash funding, demanding more financial resources to meet governmentally mandated pension requirements. The realisation of any of these risks could require the Group to make significant additional payments to meet its pension commitments, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is exposed to risks in connection with the Pensions Act 2004

Under the Pensions Act 2004 a person that is "connected with" or an "associate" of an employer under an occupational pension scheme can be subject to either a contribution notice or a financial support direction. The Issuer (or any of the Guarantors) may be treated as connected to one or more employers under an occupational pension scheme which is within the Group.

A contribution notice could be served on the Issuer (or any of the Guarantors) if it was party to an act, or a deliberate failure to act, the main purpose or one of the main purposes of which was either (i) to prevent the recovery of the whole or any part of a debt which was, or might become, due from the employer under section 75 of the Pensions Act 1995 or (ii) otherwise than in good faith, to prevent such a debt becoming due, to compromise or otherwise settle such a debt, or to reduce the amount of such a debt which would otherwise become due.

A financial support direction could be served on the Issuer (or any of the Guarantors) where the employer is either a service company or insufficiently resourced. An employer is insufficiently resourced if the value of its resources is broadly less than 50% of the pension scheme's deficit calculated on an annuity buy-out basis and there is a connected or associated person whose resources at least cover that difference. A financial support direction can only be served where the Pensions Regulator considers it is reasonable to do so, having regard to a number of factors.

It should be noted that, following the decision of the Court of Appeal in *Bloom and others v The Pensions Regulator and others* [2011] EWCA Civ 1124, it was held that a liability arising from a financial support direction (or a related contribution notice) will be an expense of the administration or liquidation (as the case may be) if the financial support direction or contribution notice is issued after the company goes into administration or liquidation. As a result, if the Pensions Regulator did issue a financial support direction or contribution notice against the Issuer (or any of the Guarantors) then, depending on when such a direction or notice was issued (and whether the entity in receipt of such notice was in liquidation or administration at that time), any corresponding liability incurred by the Issuer (or any of the Guarantors) in complying with the financial support direction or contribution notice may be an expense of the administration or liquidation. As a result, such a claim would be payable out of the general estate and floating charge assets of the Issuer (or the general estate and floating charge assets of the relevant Guarantor if a financial support direction or contribution notice has been issued in respect of a Guarantor) in priority to the claims of the Security Trustee in respect of the floating charge assets. The matter is, however, not yet settled and on 2 November 2011 permission to pursue an appeal to the Supreme Court was granted and such appeal is expected to be heard in the first half of 2013.

If a contribution notice or financial support direction were to be served on the Issuer (or any of the Guarantors), this could adversely affect the interests of the Noteholders.

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

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

The Group is subject to UK and global economic conditions

Negative developments in the macro-economic situation, such as the ongoing UK and global economic slowdown, could adversely impact the Group's business, financial condition and results of operations. The global economy has recently been experiencing a period of significant turbulence and uncertainty. The Group's performance depends to a certain extent on a number of macro-economic factors outside its control which impact consumer and commercial spending, including political, financial and economic conditions. Factors which impact disposable consumer income and terms of trade include, among other things, gross domestic product growth, unemployment rates, consumer and business confidence, social and industrial unrest, the availability and cost of credit, interest rates, taxation, regulatory changes, oil and utility prices and terrorist attacks. Each of these factors could have an adverse effect on the Group's business, financial condition and results of operations.

The future and long-term impact that the European and global financial slowdown will have on the Group is difficult to predict. The recessionary conditions in the UK have led to deterioration in consumer confidence and commercial spending which could in the future reduce the level of demand for, and supply of, its services. In particular, there can be no assurance as to levels of future economic growth, which is an important factor affecting the demand for certain of the Group's services. For example, the growth of the wireless communication industry and demand for digital broadcast media and advertised products and services is tied to consumer discretionary spending. Mobile devices, telecom services, television, other products and services, and products and services advertised over these media may be viewed by consumers as conveniences rather than necessities. During times of economic uncertainty, consumers are more likely to curtail such purchases and expenses. As a result, the Group's business may be sensitive to changes in general economic conditions that impact discretionary consumer spending.

In addition, due to the current economic slowdown in the UK and globally, there is an increased risk that third parties may face financial difficulties or become insolvent. The slowdown has also severely impacted the availability of credit and the terms on which credit is available which may have the same effect, which could have a material adverse effect on the Group's business, financial condition and results of operations. For further detail see "*—The Group currently depends, and expects to continue to depend, upon a small number of customers for a significant percentage of its revenue under long-term contracts*" and "*—The Group is exposed to changes in the creditworthiness and financial strength of its key customers*".

Fluctuations in currency exchange rates and related risks may adversely affect the Group's results of operations

The Group focuses primarily on securing the sterling value, in cash terms, of projected foreign currency items, and exchange rate fluctuations may have both transaction and translation effects. Transaction effects occur when the Group generates sales and incurs expenses in currencies other than the pound, and is unable to match sales received in foreign currencies with costs paid in the same currency, which exposes the Group's results of operations to currency exchange rate fluctuations. Such transaction effects could cause the Group to suffer significant cash loss, due to a change in the value of a foreign currency transaction between the time the transaction is forecast with some certainty and it is realised. For the year ended 30 June 2012 and the six months ended 31 December 2012 respectively the Group generated approximately 15.5% and 17.3% of total net turnover, and incurred approximately 32.9% and 28.4% of its expenses including capital expenditure, in currencies other than the pound, the Group's reporting currency. As such, although the Group has hedged much of its exposure to foreign currency fluctuations, the Group has historically remained subject to some currency fluctuation. These foreign currencies are predominantly U.S. dollar and euro.

Currency translation effects occur when the financial statements of the Group's consolidated Subsidiaries are recorded in their respective local currency and converted into pounds, whereby translation effects can diminish the impact of positive results or increase the impact of negative results recorded by such consolidated Subsidiaries. Such translation effects can cause the Group to suffer material balance sheet or profit and loss deterioration due to a change in the value of its foreign currency net assets. In particular, the Group may observe a negative impact caused by translation effects when the pound is strong in comparison to the euro or U.S. dollar, which could have a material adverse effect on the Group's business, financial condition, and results of operations.

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

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

The interests of the Group's principal shareholders may be inconsistent with the interests of the investors in the Notes

Investment funds affiliated with or advised or managed by CPP Investment Board, Macquarie (MEIF 2), Industry Funds Management, Health Super and MTAA Superannuation Fund (NTL Broadcast) Utilities Pty Ltd own 98.5% of the Group's share capital. As a result, these shareholders collectively have, directly or indirectly, power, among other things, to affect the Group's legal and capital structure and its day-to-day operations, as well as the ability to elect and change its management and to approve any other changes to its operations. The interests of CPP Investment Board, Macquarie (MEIF 2), Industry Funds Management, Health Super and MTAA Superannuation Fund (NTL Broadcast) Utilities Pty Ltd and their affiliates could, in certain circumstances, conflict with the interests of the Noteholders, particularly if the Group encounters financial difficulties or is unable to pay its debts when due. For example, the shareholders could, subject to the Common Terms Agreement, vote to cause

the Group to incur additional indebtedness. CPP Investment Board, Macquarie (MEIF 2), Industry Funds Management, Health Super and MTAA Superannuation Fund (NTL Broadcast) Utilities Pty Ltd and their affiliates could, subject to the Common Terms Agreement, also have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investments, although such transactions might involve risks to investors in the Notes. In addition, CPP Investment Board, Macquarie (MEIF 2), Industry Funds Management, Health Super and MTAA Superannuation Fund (NTL Broadcast) Utilities Pty Ltd and their affiliates may own businesses that directly compete with those of the Group or may own businesses with interests that conflict with the Group. For further discussion of the Group's shareholders see "*Certain Relationships and Related Party Transactions*".

Regulatory prohibition or limitation of the disposal of certain of the Group's central assets may reduce the value received for the Notes by the Noteholders if the Group enters into administration

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

FINANCING RISKS

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

The Issuer is not required to fully or perfectly hedge its present or future interest rate or inflation exposure and may not in practice do so. The Issuer is subject to the creditworthiness of, and in certain circumstances early termination of the hedging arrangements by, any Hedge Counterparties (as defined in the Common Terms Agreement).

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

The Group is highly leveraged and has significant debt service obligations. As of 31 December 2012, after giving *pro forma* effect to the offering of the Notes hereby and the Senior Financing, the Group's *pro forma* net senior and junior borrowings would have been £2,892.3 million. In addition, the Group may incur further indebtedness under the Senior Transaction Documents.

The Group's ability to make scheduled payments on time and to refinance its debt and to fund future operations and capital expenditures will depend on the Group's future operating performance and ability to generate sufficient cash. This depends, to some extent, on general economic, financial, competitive, market, legislative, regulatory and other factors, many of which are beyond the Group's control, as well as the other factors discussed in this "*Risk Factors*" section and elsewhere in this Offering Memorandum. The Group cannot assure investors that its business will generate sufficient cash flows from operations, that currently anticipated cost savings, revenue and earnings growth and operating improvements will be realised or that future debt and equity financing will be available to the

Group in an amount sufficient to enable it to pay the principal, premium, if any, and interest on the Group's indebtedness, including the Notes and the Senior Secured Notes, and the Group's other indebtedness and hedging or to fund its other liquidity needs. The Group's continued access to debt financing as a source of funding for its operations and for refinancing maturing debt is subject to many factors, many of which are outside the Group's control. For example, interest rate fluctuations, an economic downturn, social unrest or changes in the UK regulatory environment or broadcasting and telecommunications industry structure (such as technological change or reduction in spectrum available) which weaken the strength of the Group's competitive position or prospects could increase the Group's cost of borrowing or restrict the Group's ability to obtain debt financing. In addition, disruptions in global capital and credit markets such as the ones that began in the second half of 2008 as a result of uncertainty or failures of significant financial institutions could adversely affect the Group's access to financing. The Group cannot guarantee that it will be able to arrange financing on acceptable terms, if at all. The inability of the Group to obtain financing from banks and other financial institutions or from capital markets would have a material adverse effect on its business, financial condition and results of operations.

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

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

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

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

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

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

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

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

- (a) finance future capital expenditure; and
- (b) enable it to refinance existing senior debt, junior debt and other debt.

See “—*Business and industry risks—The Group is exposed to certain risks in respect of the development, expansion and maintenance of its broadcast and wireless telecommunications infrastructure, including the need for ongoing capital expenditure, which could have a material adverse effect on its business, financial condition and results of operations*”.

There can be no assurance that the Group will be able to raise future finance on terms that are economically viable or at all. For instance, events in the credit markets in 2007 and 2008 have significantly restricted the supply of credit.

In particular, if the Group were not able to refinance the Senior Term Facilities, either upon the maturity of Facility A (three years after the Issue Date) or of Facility B (five years after the Issue Date), then such payment default would constitute a non payment event of default by Senior FinCo under the Senior Term Facilities, which would entitle the Senior FinCo Security Trustee to declare that all amounts owed under the Senior Term Facilities become due and payable and for the Senior Term Facility Providers to make a demand under the Intermediate HoldCo Guarantee which if not paid will entitle the Senior Term Facility Providers to direct the Intermediate HoldCo Security Trustee to enforce the Intermediate HoldCo Security.

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

The Group's interest rate inflation and currency hedging strategies involve entering into derivative contracts that require the Group to fund cash payments in certain circumstances. The extent of these liabilities depend on financial market conditions and expectations of future rate movements that are beyond the Group's control. These payments are contingent liabilities and therefore may not appear on the Group's balance sheet. Based on information provided by the Existing Hedge Counterparties, management estimates that as at 31 December 2012, the Group's mark to market value of its ILS and IRS was £1,115.8 million (as shown in Note 16 of the Group's unaudited condensed consolidated financial statements for the six months ended 31 December 2012 included in this Offering

Memorandum). This comprised £480.9 million for the IRS and £634.9 million for the ILS. As at 31 December 2012, the present value of adding one basis point (**PV01**) to the rate payable was estimated by the Group to be £2.46 million for ILS and £1.65 million for IRS (prior to refinancing ILS). The Group estimates that after giving *pro forma* effect to the refinancing and rollover, the PV01 on the ILS would have been £2.46 million and the PV01 on the IRS would have been £1.29 million as at 31 December 2012. The PV01 represents the present value of adding one basis point to the fixed rate payable by the Senior Borrower, and is a function of interest rates and time (which means that the PV01 will vary from time to time). Management estimates that as at 31 December 2012, after giving *pro forma* effect to the restructuring and rollover, the mark to market value of the ILS would have increased by approximately £420 million and after break costs of £106 million, the mark to market value of the IRS would have decreased by approximately £35 million. For further detail, see “*Capitalisation*”. Management believes that its estimates are reliable and based upon reasonable assumptions, although such assumptions have not been independently verified. The Group’s ability to fund these contingent liabilities will depend on the liquidity of the Group’s assets and access to capital at the time, and the need to fund these contingent liabilities could adversely impact the Group’s financial condition. For further detail, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Off-Balance Sheet Arrangements*”.

The Security Trustee will not monitor the Obligors’ compliance with warranties and covenants or the occurrence of Events of Default

The Intercreditor Agreement provides that the Security Trustee will be entitled to assume, unless it is otherwise informed, that no Event of Default has occurred or is continuing. The Security Trustee will not itself monitor whether any such event has occurred.

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

Any amounts credited to the Liquidity Reserve Account are intended to cover certain shortfalls in the ability of the Issuer to service payments under the Notes. However, there is no assurance that any such shortfalls will be met in whole or in part by amounts standing to the credit of the Liquidity Reserve Account.

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

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

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

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

LEGAL RISKS

A change in the governing law of the Notes may adversely affect Noteholders

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

The validity of subordination provisions under English law is uncertain

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

The English Supreme Court has held that a flip clause as described above is valid under English law. Contrary to this, however, the U.S. Bankruptcy Court has held that such a subordination provision is unenforceable under U.S. bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a U.S. bankruptcy of the counterparty. The implications of this conflicting judgment are not yet known, particularly as the U.S. Bankruptcy Court approved, in December 2010, the settlement of the case to which the judgment relates and subsequently the appeal was dismissed.

If a creditor of the Issuer or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales (including, but not limited to, the U.S.), and it is owed a payment by the Issuer, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English law governed Transaction Documents. In particular, based on the decision of the U.S. Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under U.S. bankruptcy laws. Such laws may be relevant in certain circumstances with respect to a range of entities which may act as hedging counterparty, including U.S. established entities and certain non-U.S. established entities with assets or operations in the U.S. (although the scope of any such proceedings may be limited if the relevant non-U.S. entity is a bank with a licensed branch in a U.S. state). In general, if a subordination provision included in the Transaction Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Noteholders, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

Lastly, given the general relevance of the issues under discussion in the judgments referred to above and that the Transaction Documents will include terms providing for such subordination, there is a risk

that the final outcome of the dispute in such judgments (including any recognition action by the English courts) may result in negative rating pressure in respect of the Notes. If any rating assigned to the Notes is lowered, the market value of the Notes may decline.

TAX RISKS

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

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

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

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

The EU Savings Directive may affect payments on the Notes

Under EC Council Directive 2003/48/EC (the **Directive**) on the taxation of savings income, a Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required, subject to certain exceptions (unless during that period they elect to provide information in accordance with the Directive) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with

respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

Foreign Account Tax Compliance withholding may affect payments on the Notes

The U.S. “Foreign Account Tax Compliance Act” imposes a new reporting regime and, potentially, a 30% withholding tax with respect to (i) certain payments from sources within the United States, (ii) “foreign passthru payments” made to certain non-U.S. financial institutions that do not comply with this new reporting regime and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. The Issuer may be classified as a financial institution for these purposes. Although the Issuer does not expect this withholding tax to apply to payments in respect of the Notes, if an amount in respect of such withholding tax were to be deducted or withheld either from amounts due to the Issuer or from interest, principal or other payments made in respect of the Notes, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected. Prospective investors should refer to the section “*Certain Tax Considerations—Foreign Account Tax Compliance Act.*”

INSOLVENCY CONSIDERATIONS

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

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

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

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

The Insolvency Act 1986 contains provisions that continue to allow for the appointment of an administrative receiver in relation to certain transactions in the capital markets. The relevant exception provides that the appointment of an administrative receiver is not prohibited if it is made in pursuance of an agreement which is or forms part of a capital market arrangement (as defined in the Insolvency

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

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

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

The Transaction Documents to be entered into limit the Obligors' and Intermediate HoldCo's ability, among other things, with respect to:

- the incurrence or guarantee of additional indebtedness;
- the merger or consolidation with other entities;
- the acquisition, or the disposal of, certain assets, except in limited circumstances; or
- the changing of the nature of the business carried out by the Obligors and Intermediate HoldCo.

A breach of any of these restrictive covenants or the inability to comply with the Financial Covenant Ratios could result in an Event of Default.

Events of Default may occur without the knowledge of the Security Trustee or the Note Trustee (as applicable) if the Security Trustee or the Note Trustee (as applicable) does not receive notice of such event

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

Certain other payments will rank pari passu with or ahead of the Notes in respect of the payment waterfall under the Intercreditor Agreement

Amounts payable to certain other Secured Creditors will rank *pari passu* with or senior to interest and principal payments on the Notes. In particular, amounts due to, amongst others, the Security Trustee and the Note Trustee and certain agents of the Issuer appointed by the Issuer in connection with the issue of the Notes rank senior to interest and principal on the Notes.

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

A liquidator or administrator of a Guarantor could apply to the court to unwind the issuance of its guarantee if such liquidator or administrator believed that issuance of such constituted a transaction at

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

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

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

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

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

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

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

If the fixed security interests are recharacterised as floating security interests, the claims of (i) the unsecured creditors of the relevant Obligor and (ii) certain statutorily defined preferential creditors of

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

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

ISSUER AND NOTE CONSIDERATIONS

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

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

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

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

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

The ability of the Guarantors' Subsidiaries to make such distributions and other payments depends on their earnings and may be subject to statutory or contractual restrictions. As an equity investor in its

Subsidiaries, each Guarantor's right to receive assets upon their liquidation or reorganisation will be effectively subordinated to the claims of creditors of their Subsidiaries. To the extent that a Guarantor is recognised as a creditor of any such Subsidiary, such Guarantor's claims may still be subordinated to any security interest in or other lien on the assets of such Subsidiaries and to any of their debt or other obligations.

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

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

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

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

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

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

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

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

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

The Notes will be represented on issue by one or more Global Notes that may be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will

maintain records of the beneficial interest in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

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

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

There may be conflicts of interest between certain transaction parties

Conflicts of interest may arise for as long as the Notes are outstanding as a result of various factors involving certain transaction parties. For example, such potential conflicts may arise because one or more agents of the Issuer may also act in other capacities under the Transaction Documents, although the relevant rights and obligations under the Transaction Documents are not contractually conflicting and are independent from one another.

There may be conflicts of interest between the holders of the different classes of the Notes and the Issuer may not be able to repay the Notes issued under this Offering Memorandum

The Note Trust Deed requires the Note Trustee to have regard to the interests of all the Noteholders (so long as any of the Notes remain outstanding) equally as regards all powers, trusts, authorities, duties and discretions of the Note Trustee as if they formed a single class (except where expressly required otherwise).

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

There can be no assurances as to:

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

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

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

Although an application has been made for the Notes to be listed on the Official List and to be admitted to trading on the Euro MTF Market, there can be no assurance that the Notes will become or remain listed. Although no assurance is made as to the liquidity of the Notes as a result of the admission to

trading on the Euro MTF Market, failure to be approved for listing or the delisting of the Notes, as applicable, from the Official List of the Luxembourg Stock Exchange may have a material effect on a holder's ability to resell the Notes, as applicable in the secondary market.

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

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

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

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

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

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

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

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

Credit ratings may not reflect all risks relating to the Notes

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

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

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

Implementation of, and amendments to, the Basel II Framework may affect the regulatory capital and liquidity treatment of the Notes

The regulatory capital framework published by the Basel Committee on Banking Supervision (the **Basel Committee**) in 2006 (the **Basel II Framework**) has not been fully implemented in all participating countries. The implementation of the framework in relevant jurisdictions may affect the risk-weighting of the Notes for investors who are or may become subject to capital adequacy requirements that follow the framework. It should also be noted that the Basel Committee has approved significant changes to the Basel II Framework (such changes being commonly referred to as **Basel III**), including new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions. In particular, the changes refer to, amongst other things, new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions and the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity (referred to as the **Liquidity Coverage Ratio** and the **Net Stable Funding Ratio**). Member countries will be required to implement the new capital standards from January 2013 (with a phase-in period of six years), the new Liquidity Coverage Ratio from January 2015 and the Net Stable Funding Ratio from January 2018. The European Commission (the **European Commission**) published corresponding proposals to implement Basel III (through amendments to the Capital Requirements Directive known as CRD IV) on 20 July 2011. The changes approved by the Basel Committee may have an impact on incentives to hold the Notes for investors that are subject to requirements that follow the revised framework and, as a result, they may affect the liquidity and/or value of the Notes.

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

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

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

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

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

The effect on repayment of the Notes in the event that the UK becomes a participating member state in the European Economic and Monetary Union is uncertain

It is possible that prior to the maturity of the Notes, the United Kingdom may become a participating member state in the European economic and monetary union and the euro may become the lawful currency of the United Kingdom. In that event (a) all amounts payable in respect of the Notes may become payable in euro and (b) applicable provisions of law may allow or require the Issuer to redenominate the Notes into euro and take additional measures in respect of the Notes. It cannot be said with certainty what effect, if any, adoption of the euro by the United Kingdom would have on investors in the Notes.

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

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

Noteholders may not be able to recover in civil proceedings for U.S. securities laws violations

Noteholders may not be able to recover in civil proceedings for U.S. securities laws violations. The Notes will be issued by the Issuer, which is incorporated under the laws of the United Kingdom. All of

the Issuer's board members and executive officers currently reside outside the United States and substantially all of the assets of the Issuer and the Guarantors are currently located outside the United States. As a result, Noteholders may be unable to effect service of process within the United States or to recover on judgments of U.S. courts in any civil proceedings under U.S. federal securities laws. In addition, English or other courts may not impose civil liability on the directors or executive officers in any original action based solely on U.S. securities law brought against the Issuer, the Guarantors or any of their directors in a court of competent jurisdiction in England or other countries.

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

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

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

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

USE OF PROCEEDS

The Group estimates that net proceeds (net of transaction fees and expenses) from the issuance of the Notes offered hereby will be approximately £581.1 million.

The Group intends to apply the proceeds of the Notes offered hereby to refinance the Existing Bank Facilities and to meet any related hedging and transaction costs.

The following table describes the sources and uses in connection with the refinancing as if they occurred as at 31 December 2012 and based on amount estimated to be raised by the Senior Term Facilities, the first series of the Senior Secured Notes and the Notes offered hereby. The actual amounts as compared to those set out in the table and in the accompanying footnotes are subject to adjustments and may differ at the date of issuance of the first series of Senior Secured Notes and Notes offered hereby depending on several factors, including differences from the estimation of fees and expenses.

Sources	Amount (£ millions)	Uses	Amount (£ millions)
Senior Term Facilities ⁽¹⁾	1,585.7	Existing senior bank facilities ⁽⁵⁾	2,843.3
Notes offered hereby ⁽²⁾	600.0	Existing junior bank facilities ⁽⁶⁾	462.7
Senior Secured Notes ⁽³⁾	750.0	Inflation hedging accretion	277.3
Shareholder contribution ⁽⁴⁾	866.7	Hedge break costs ⁽⁷⁾	106.0
Cash at bank and in hand from balance sheet	28.6	Cash ⁽⁸⁾	58.2
		Fees and expenses ⁽⁹⁾	83.5
Total sources	3,831.0	Total uses	3,831.0

(1) Represents the gross proceeds from the Senior Term Facilities. See “Description of Certain Financing Arrangements—Senior Term Facilities”.

(2) Represents the gross proceeds from the issuance of Notes of £600.0 million. See “Terms and Conditions”.

(3) Represents the gross proceeds from the issuance of Senior Secured Notes of £750.0 million. See “Description of Certain Financing Arrangements—Senior Secured Notes”.

(4) Represents a shareholder contribution from AF No 3 in the form of a deeply subordinated intercompany loan. This was funded by £400 million Shareholder Loan Notes into AF No 3 and £466 million cash at bank at ABHL and £0.7 million cash at bank at a Subsidiary of ABHL, Primrose No. 1 Limited.

(5) Represents amounts due under the existing senior bank facilities, including an amount of £2.6 million representing senior debt held by a subsidiary of ABHL, Primrose No.1 Limited.

(6) Represents amounts due under the Group’s existing junior bank facilities, including an amount of £147.0 million representing junior debt held by a subsidiary of ABHL, Primrose No.1 Limited.

(7) Represents the estimated hedge break costs which are based on the mark to market value of the AF No 1 existing derivative portfolio as at 31 December 2012 and the notional amount of which is required to be broken to ensure AF No 1 is not overhedged.

(8) Amount of cash at bank and in hand expected to remain in the Group following the refinancing and the Notes offered hereby. Under the Conditions, the Group is required to maintain sufficient cash within the Issuer to cover six months interest on the Notes offered hereby. It is the Group’s intention that any cash that is held in excess of this is held within the Senior Financing Group.

(9) Represents the estimated fees and expenses associated with the refinancing, the issue and sale of the first series of the Senior Secured Notes and of the Notes offered hereby, including the Joint Global Coordinators and Joint Bookrunners’ fees and commissions, financing fees, advisory fees and other transaction costs and professional fees. The Group estimates that the fees and expenses associated with the issue of the Notes offered hereby will be £18.9 million.

CAPITALISATION

The following table sets out the consolidated cash at bank and in hand and capitalisation of the Group as at 31 December 2012 on (1) an actual basis based on the Group's unaudited condensed consolidated interim financial statements at 31 December 2012, and (2) as adjusted to reflect the refinancing, the offering of the first series of the Senior Secured Notes and the offering of the Notes offered hereby.

No assurance can be given that the additional transactions described above will be completed or that a particular principal amount of the Notes will be issued. These adjustments have been prepared for illustrative purposes only and address a hypothetical situation as at 31 December 2012, and therefore do not represent the Group's actual cash at bank and in hand and capitalisation as at that date.

Except as set forth below, there have been no material changes to the Group's capitalisation since 31 December 2012.

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

	As at 31 December 2012	
	Actual	As Adjusted for the refinancing, the issuance and sale of Senior Secured Notes and the offering of Notes hereby ⁽¹⁾
	Unaudited (£ millions)	
Cash at bank and in hand⁽²⁾	28.6	58.2
Borrowings excluding deeply subordinated amounts due to parent undertakings		
Senior Borrowings		
Existing senior bank facility ⁽³⁾	2,843.3	—
New Senior Term Facilities ⁽⁴⁾	—	1,585.7
New Capex and Working Capital Facilities ⁽⁵⁾	—	—
Senior Secured Notes	—	750.0
Accrued liability on inflation rate swap ⁽⁶⁾	277.3	—
Less: Issue costs	(6.4)	—
Finance lease obligations	14.8	14.8
Senior borrowings	3,129.0	2,350.5
Junior Borrowings		
Existing junior bank facility ⁽³⁾	462.7	—
Notes offered hereby ⁽⁷⁾	—	600.0
Junior borrowings	462.7	600.0
Debt issuance costs ⁽⁸⁾	—	(86.0)
	3,591.7	2,864.5
Amounts due to parent undertakings ⁽⁹⁾	2,443.7	2,443.7
Shareholder contribution ⁽¹⁰⁾	—	866.7
Less: Issue costs	(0.3)	—
Deeply subordinated amounts due to parent undertakings	2,443.4	3,310.4
Capital employed⁽¹¹⁾	(2,492.5)	(2,499.2)
Total capitalisation⁽¹²⁾	3,542.6	3,675.7

- (1) The figures contained in the 'As adjusted' column reflect the refinancing, the issuance and sale of the Senior Secured Notes, the offering of the Notes hereby and the proposed use of proceeds from such offering as described in "Use of Proceeds".
- (2) Under the Conditions, the Group is required to maintain sufficient cash within the Issuer to cover six months interest on the Notes offered hereby. It is the Group's intention that any cash that is held in excess of this is held within the Senior Financing Group.
- (3) Amounts reflect the total outstanding indebtedness (current and non current) under the Group's existing senior and junior debt facility, including an amount of £2.6 million representing senior debt and £147.0 million representing junior debt held by Primrose No.1 Limited. As part of the refinancing, the Group expects all outstanding indebtedness under its existing senior facility and junior facility to be repaid (and existing revolving credit facilities to be repaid and cancelled).
- (4) The Senior Term Facilities consist of a £800.0 million 3 year facility and £785.7 million 5 year facility. See "Description of Certain Financing Arrangements—Senior Term Facilities".
- (5) The Senior Capex Facility is a £400.0 million facility with a five year maturity and the Senior Working Capital Facility is a £100.0 million facility with a five year maturity. See "Description of Certain Financing Arrangements—Senior Capex and Senior Working Capital Facility Agreement".
- (6) Based on information provided by the Existing Hedge Counterparties, management estimates that as at 31 December 2012, the Group's mark to market value of its ILS and IRS was £1,115.8 million (as shown in Note 16 of the Group's unaudited condensed consolidated financial statements for the six months ended 31 December 2012 included in this Offering Memorandum). This comprised £480.9 million for the IRS and £634.9 million for the ILS. As at 31 December 2012, the PV01 to the rate payable was estimated by the Group to be £2.46 million for ILS and £1.65 million for IRS (prior to refinancing ILS). The Group estimates that, after giving *pro forma* effect to the refinancing and rollover, the PV01 on the ILS would have been £2.46 million and the PV01 on the IRS would have been £1.29 million as at 31 December 2012. The PV01 represents the present value of adding one basis point to the fixed rate payable by the Senior Borrower and is a function of interest rates and time (which means that the PV01 will vary from time to time). Management estimates that as at 31 December 2012, after giving *pro forma* effect to the refinancing and rollover, the mark to market value of the ILS would have increased by approximately £420 million and, after break costs of £106 million, the mark to market value of the IRS would have decreased by approximately £35 million. Management believes that its estimates are reliable and based upon reasonable assumptions, although such assumptions have not been independently verified.
- (7) The Notes offered hereby have been reflected in the table at their Outstanding Principal Amount at the Issue Date and exclude original issue discount, if any.
- (8) Debt issuance costs represents the costs that are incurred directly in connection with the issue of a capital instrument, that is those costs that would have not have been incurred had the specific capital instrument not been issued and includes £2.5 million reclassified from prepaid expenses.
- (9) Amounts due to parent undertakings represent intercompany loans which are deeply subordinated to the Group's senior and junior borrowings, and exclude amounts of £147.0 million and £2.6 million representing junior and senior debt held, respectively by a subsidiary of ABHL, Primrose No. 1 Limited.
- (10) Represents a shareholder contribution from AF No 3 in the form of a deeply subordinated intercompany loan. This was funded by £400 million Shareholder Loan Note into AF No 3 and £466 million cash at bank at ABHL and £0.7 million cash at bank at a subsidiary of ABHL, Primrose No. 1 Limited.
- (11) Relates to the Group's called up share capital, merger reserve, profit and loss reserve and minority interest.
- (12) Total capitalisation is senior borrowings plus junior borrowings less debt issuance costs plus deeply subordinated amounts due to parent undertakings plus capital employed.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The following tables present the Group's consolidated financial information. The following consolidated financial information should be read in conjunction with the audited consolidated financial statements, unaudited interim condensed consolidated financial statements and notes thereto contained in this Offering Memorandum and the sections entitled "Use of Proceeds", "Capitalisation" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

The summary financial information provided below was extracted from the Group's audited consolidated financial statements as at and for the years ended 30 June 2010, 2011 and 2012 prepared in accordance with UK GAAP and the Group's unaudited interim condensed consolidated financial statements as at 31 December 2012 and for the six months ended 31 December 2012 and 2011 prepared in accordance with best practice as extracted from IAS 34, "Interim Financial Reporting". The information below is not necessarily indicative of the results of future operations.

Unaudited information for the last twelve months ended 31 December 2012 is calculated by taking the results of operations for the six months ended 31 December 2012 and adding it to the difference between the results of operations for the full year ended 30 June 2012 and the six months ended 31 December 2011. The unaudited financial information for the last twelve months ended 31 December 2012 (i) is a non-UK GAAP measure, (ii) has been prepared solely for the purposes of this Offering Memorandum, (iii) is not prepared in the ordinary course of the Group's financial reporting, (iv) is not necessarily indicative of the results that may be expected for the year ending 30 June 2013, (v) should not be used as the basis for or a prediction of an annualised calculation and (vi) has not been audited.

Selected Consolidated Profit and Loss Data

	Year Ended 30 June			Six Months Ended 31 December		Twelve Months Ended 31 December
	2010	2011	2012	2011	2012	2012
	(unaudited) (£ millions)					(unaudited)
Continuing Operations						
Turnover (including share of joint venture)	824.9	830.7	843.8	412.0	409.3	841.1
Less share of joint venture turnover	(1.7)	(5.0)	(12.2)	(6.1)	(5.0)	(11.1)
Group turnover	823.2	825.7	831.7	405.9	404.3	830.1
Cost of sales	(362.3)	(335.0)	(314.5)	(160.1)	(145.2)	(299.6)
Gross profit	460.9	490.7	517.1	245.9	259.1	530.3
Depreciation	(80.5)	(89.2)	(99.7)	(42.7)	(51.6)	(108.7)
	(160.5)	(155.4)	(155.2)	(77.6)	(79.3)	(156.9)
Operating expenses	(118.2)	(130.0)	(114.5)	(53.9)	(56.0)	(116.6)
	—	—	(23.7)	(8.4)	(11.9)	(27.2)
Group operating profit	101.7	116.1	124.1	63.3	60.3	121.1
Share of operating (loss)/profit in joint venture and associates	(0.7)	(0.3)	3.9	2.5	0.3	1.7
Total operating profit: Group and share of joint venture and associates	100.9	115.8	128.0	65.8	60.6	122.8
Income from investments	0.1	0.1	0.1	0.1	0.1	0.1
Fundamental reorganisation	(4.2)	(8.8)	—	—	—	—
Loss on disposal of assets	—	(2.1)	—	—	—	—
Non-operating profit exceptional items	(4.2)	(10.9)	—	—	—	—
Profit on ordinary activities before taxation and interest	96.9	104.9	128.1	65.8	60.7	123.0
Interest receivable and similar income	1.0	0.4	1.7	0.2	0.2	1.7
	(216.2)	(234.7)	(221.3)	(117.3)	(109.9)	(213.9)
	(23.9)	(30.4)	(32.4)	(15.1)	(18.6)	(35.9)
Share of joint venture interest payable	—	—	(2.3)	(1.4)	(1.2)	(2.0)
Net third party interest payable	(239.3)	(264.7)	(254.2)	(133.6)	(129.4)	(250.0)
Interest payable to parent undertakings ⁽¹⁾	(219.6)	(232.8)	(242.5)	(123.0)	(120.7)	(240.2)
Loss on ordinary activities before taxation	(361.9)	(392.6)	(368.6)	(190.8)	(189.4)	(367.2)
Tax on loss on ordinary activities	9.6	9.2	16.5	8.5	10.0	18.0
Loss on ordinary activities after taxation	(352.2)	(383.4)	(352.1)	(182.2)	(179.3)	(349.2)
Equity minority interests	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Loss for the financial year/period	(352.4)	(383.5)	(352.2)	(182.3)	(179.4)	(349.3)

(1) Interest payable to parent undertakings is the interest payable on loans to parent companies on intra-group funding arrangements.

Selected Consolidated Balance Sheet Data

	As at 30 June			As at 31 December
	2010	2011	2012	2012
	(£ millions)			(unaudited)
Fixed assets				
Intangible assets	2,459.6	2,304.1	2,148.9	2,098.1
Tangible assets	1,481.0	1,565.5	1,628.7	1,629.1
Investments				
<i>Investments in joint venture</i>				
– <i>Share of gross assets</i>	4.0	20.2	15.6	15.9
– <i>Share of gross liabilities</i>	(5.0)	(21.6)	(15.2)	(16.4)
– <i>Goodwill on acquisition</i>	5.8	5.8	10.5	9.0
<i>Investment in associated undertakings</i>	0.1	0.1	0.1	0.1
	4.9	4.6	11.1	8.7
Total fixed assets	3,945.5	3,874.2	3,788.7	3,735.9
Current assets				
Debtors	174.4	190.2	211.9	252.0
Cash at bank and in hand	25.2	32.1	78.5	28.6
Total current assets	199.6	222.3	290.4	280.6
Creditors: falling due within one year to non group undertakings	(449.3)	(366.2)	(348.6)	(352.3)
Creditors: falling due within one year to group undertakings	(1,238.4)	(1,386.1)	(1,631.2)	(1,690.0)
Net current liabilities	(1,488.2)	(1,530.0)	(1,689.4)	(1,761.7)
Total assets less current liabilities	2,457.3	2,344.2	2,099.3	1,974.2
Creditors: falling due after more than one year to non Group undertakings	(2,970.2)	(3,113.5)	(3,446.1)	(3,500.6)
Creditors: falling due after more than one year to Group undertakings	(992.2)	(1,126.1)	(903.4)	(903.4)
Provisions for liabilities and charges	(61.8)	(57.4)	(60.5)	(60.0)
Net liabilities excluding pension (deficit) / asset	(1,566.8)	(1,952.9)	(2,310.7)	(2,489.7)
Pension (deficit)/asset	(8.9)	2.7	(2.3)	(2.8)
Net liabilities including pension (deficit) / asset	(1,575.7)	(1,950.2)	(2,313.0)	(2,492.5)
Capital and reserves				
Called up share capital	–	–	–	–
Merger Reserve	(188.5)	(188.5)	(188.5)	(188.5)
Profit and loss reserve	(1,387.4)	(1,762.0)	(2,124.7)	(2,304.3)
Total shareholders' deficit	(1,575.9)	(1,950.5)	(2,313.2)	(2,492.8)
Minority interest	0.2	0.3	0.3	0.3
Capital employed	(1,575.7)	(1,950.2)	(2,313.0)	(2,492.5)

Selected Consolidated Cash Flow Statement Data

	Year Ended 30 June			Six Months Ended 31 December		Twelve Months Ended 31 December
	2010	2011	2012	2011	2012	2012
				(unaudited) (£ millions)		(unaudited)
Consolidated cash flow data						
Net cash inflow from operating activities	318.2	315.9	378.5	103.4	88.3	363.5
Dividends from investments	1.7	0.2	0.1	0.1	0.1	0.2
Returns on investment and servicing of finance	(162.9)	(164.9)	(171.5)	(84.5)	(88.7)	(175.7)
Tax paid	(0.5)	(1.4)	(0.2)	–	(0.2)	(0.4)
Total net capital expenditure and financial investment	(208.7)	(173.9)	(161.5)	(81.6)	(51.0)	(130.9)
Acquisitions and disposals	(1.2)	(2.1)	(2.1)	(1.1)	(27.9)	(28.9)
Equity dividends paid	–	(0.1)	(0.2)	–	–	(0.2)
Financing	51.8	33.2	3.3	63.3	29.4	(30.6)
(Decrease)/Increase in net cash	(1.7)	7.0	46.3	(0.5)	(49.9)	(3.1)

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

The following discussion should be read in conjunction with the sections entitled "Presentation of Financial and Other Information" and "Selected Historical Consolidated Financial Information" as well as with the consolidated financial statements and notes thereto contained in this Offering Memorandum". The Group's audited consolidated financial statements as at and for the years ended 30 June 2010, 2011 and 2012 were audited by PricewaterhouseCoopers LLP and prepared in accordance with UK GAAP and the Group's unaudited condensed consolidated interim financial statements as at and for the six months ended 31 December 2011 and 2012 were prepared in accordance with best practice as extracted from the guidance in IAS 34, "Interim Financial Reporting".

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

Overview

The Group is the UK's national provider of essential television and radio broadcast infrastructure as well as a key provider of communications services to major distributors of media and wireless voice and data services in the UK. The Group's core tower business (comprising terrestrial broadcast and wireless site share infrastructure) generates predictable operating profits (which management estimates constituted over two-thirds of the Group's gross profits for the year ended 30 June 2012), supported by diverse revenue streams, long-life assets and a significant proportion of revenues being driven by long term contracts.

The Group has the following key competitive positions:

- regulated position as the sole UK national provider of network access (**NA**) and managed transmission services (**MTS**) for terrestrial television broadcasting, the most popular television broadcast platform in the UK, owning and operating all television transmission towers used for digital terrestrial television (**DTT**) broadcasting in the UK under long term contracts with public service broadcaster (**PSB**) customers (who depend on the Group to meet the obligations under their licences to extend coverage to 98.5% of the UK population) as well as commercial broadcasters, with a recently upgraded digital network as a result of the £600 million digital switchover (**DSO**), which the Group recently completed under budget and on schedule in October 2012;
- market leader for commercial spectrum on DTT, owning two of the three commercial Multiplexes (out of a total of six DTT Multiplexes) used for transmission of DTT services in the UK, carrying 33 out of 53 total commercially broadcast DTT channels in the UK as at 31 December 2012, and benefitting from significant demand for channel space due to the constrained number of DTT video streams at approximately 50, compared to approximately 500 and approximately 250 channels available over satellite and cable respectively;
- ownership of over 90% of the radio transmission towers for terrestrial broadcasting in the UK and operator of the only commercial national digital radio Multiplex and, as at 31 December 2012, 20 of the 47 local radio Multiplexes;
- largest independent (non-MNO) portfolio of wireless tower sites in the UK, which are licensed to national Mobile Network Operators (**MNOs**) and other wireless network operators, with approximately 24% of the total active licensed macrocell site market and, the Group believes, approximately four times the active licensed macrocell sites compared to the next largest independent operator as at 31 December 2012, and holding a strong and difficult to replicate position

in rural and suburban regions where cost, economies of scale, planning permission restrictions and regulations that limit a landlord's ability to terminate the leases for the Group's sites provide barriers to entry for competitors;

- largest owner of independent satellite uplink infrastructure and satellite distribution services in the UK in terms of the number of channels uplinked for UK Direct-to-Home (**DTH**) satellite broadcast that serves as an alternative for customers who do not wish to use BSkyB's uplinking services, with a 46% market share of channels uplinked as at 31 December 2012; and
- significant proportion of revenue attached to long term contracts with automatic RPI-linked increases.

The Group has demonstrated stable turnover and strong EBITDA growth over the past three years, as it improved its service mix by replacing relatively low margin satellite, government and installation service businesses with higher margin DTT and other businesses. Turnover was stable at £823.2 million, £825.7 million, £831.7 million for the years ended 30 June 2010, 2011 and 2012. EBITDA grew from £342.7 million to £366.7 million (a 7.0% increase) between the years ended 30 June 2010 and 2011 and to £402.6 million in 2012 (a 9.8% increase) for the year ended 30 June 2012. Turnover for the six months ended 31 December 2011 and 2012 was £405.9 million and £404.3 million and EBITDA grew by 6.0% from £192.0 million to £203.6 million over the same period.

Capital expenditures of the Group declined over the periods as the Group completed the DSO rollout and were £208.7 million, £173.9 million, £161.5 million for the years ended 30 June 2010, 2011 and 2012, and £81.6 million and £51.0 million for the six months ended 31 December 2011 and 2012, respectively.

Recent Developments

Ofcom published a statement regarding the future use of the 600/700 MHz spectrum in November 2012, indicating that Ofcom is likely to consult on clearing DTT from the 700 MHz spectrum for possible future mobile use and the possible use of the spectrum in the 600 MHz band, which has been vacated by analogue TV, for digital terrestrial television. This will require realignment of the physical infrastructure of affected multiplexes, although the cost of realignment in the past has been borne by Ofcom. In addition, the Group continues to pursue bids for national smart metering and WiFi infrastructure projects, and expects to undertake significant capital expenditure in respect thereof only upon successfully being awarded a contract. In the medium to long-term, the Group expects to continue focusing on maximising the value of its core infrastructure in terrestrial broadcasting, multiplex assets and wireless portfolio, and pursuing scalable growth opportunities.

On 6 February 2013, Ofcom published a consultation on the award of the short-term DTT Multiplexes in the 600 MHz band. Ofcom proposed that one licence should be made available for DTT services using the same technical standards as the current HD DTT Multiplex. This licence would have a minimum term until 31 December 2018, followed by a rolling duration with 12 months notice and an final end date of 2026. Ofcom has stated the licensee will be required to cover 10% of UK households within 12 months and 50% of UK households within two years, including 25% coverage in each of the four countries in the United Kingdom (England, Scotland, Wales and Northern Ireland), and the licensee will be required to launch one video stream within 12 months. The consultation contains a Notice of Intention to Apply for the licence which must be submitted by 4 April 2013. If Ofcom receives more than one Notice of Intention to Apply, Ofcom has announced it will hold a single-round sealed-bid auction with a reserve price of £180,000 (which is also the licence fee if there is only one applicant). Ofcom has stated the single payment will cover until 31 December 2018, with no additional annual fee. The Group expects to apply for the licence. Ofcom has announced the consultation will close on 4 April 2013 and intends to publish a statement in April or May 2013. If there is to be an auction Ofcom has suggested that the process would take place 13 weeks after the statement has been announced.

The Group is participating in a bid for the smart metering project, which is overseen by the UK Department of Energy and Climate Change (**DECC**). Smart metering is a project to install smart energy meters in every home in Great Britain in order to improve efficiency and facilitate monitoring of gas and electricity use by consumers. In cooperation with BT, Sensus, and BAE Systems Detica, the Group has formed a consortium called Smart Reach to supply the communications framework to monitor these utilities. In January 2013, it was announced that the Group, as part of this consortium, had been selected for the final bidding round for smart metering, which if successful will provide a new business opportunity that utilises the Group's existing physical broadcast infrastructure and network management and labour skills. The consortium is one of four remaining bidders competing in the government procurement process (divided into three regions, with the Group's consortium making bids for all three regions). The contract is currently expected to be awarded in the summer of 2013. If successful, the Group currently believes smart metering contracts would have a duration of 15 years with the potential to extend to 20 years.

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

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

Growth in digital platform turnover

Turnover for the Group's digital platforms division has increased at a compound annual growth rate (**CAGR**) of 23.8% from the year ended 30 June 2010 to the year ended 30 June 2012 growing from £79.4 million to £121.6 million, which has been primarily driven by increased demand for Freeview channels from broadcasters, an increase in DTT coverage in connection with the DSO and advances in compression technology that have increased the number of video streams available for sale on the Group's DTT Multiplexes. The pricing of Multiplex video streams is determined by: (1) the amount of revenues (predominantly advertising, but also transactions and subscriptions, that can be generated) based on the size and demographic make up of the audience that the broadcaster can reach; and (2) the balance between supply of video streams and demand from broadcasters wishing to get their channels on air. For the last eight years, the Group has experienced virtually full utilisation of its DTT Multiplex capacity. The recent completion of the DSO has enabled a change in operating mode, which has in turn enabled the Group to provide certain new capacity that the Group plans to strategically sell to maximise its long-term commercial viability.

Impact of capital expenditures

The Group has significant infrastructure requirements and therefore its operating results and cash flows are significantly affected by its capital expenditure investment. The following table sets forth the Group's DSO- and non-DSO-related capital expenditure for the periods indicated:

	Year Ended 30 June			Six Months Ended 31 December	
	2010	2011	2012	2011	2012
	(unaudited)				
	(£ millions)				
Maintenance	28.9	24.8	30.2	10.2	15.3
DSO	118.7	112.4	72.5	41.7	14.6
Growth ⁽¹⁾	61.1	36.7	58.8	29.7	21.1
Total net capital expenditure and investment	208.7	173.9	161.5	81.6	51.0

(1) Growth capital expenditure also includes cash sales of fixed assets.

Following the Group's completion of the final digital TV switchover in October 2012, the Group is shifting its focus to leverage its engineering capabilities towards new engineering projects such as smart metering and WiFi infrastructure projects. "*Business—Future projects*". The Group expects that smart metering projects will be driven by contract so that, aside from some capital expenditure for trials and certain exceptional bid costs, the Group will only incur capital expenditure to the extent it wins bids for smart metering projects, in which case the Group's returns on its capital expenditure would be contracted. For WiFi infrastructure, the Group expects to incur capital expenditure of approximately £10 million in the near term to deliver a credible wholesale offering to the MNOs. Thereafter, the Group expects WiFi capital expenditure would only be committed once the Group has customer contracts in place. Therefore, in the long term, the Group does not expect to incur significant capital expenditure for growth projects without corresponding contracted turnover. See "*Business—Future projects*".

Capital expenditures in connection with the DSO

Between 2007 and 2008 the Group signed contracts with the National TV broadcasters and DTT multiplex operators to carry out the UK Government's DSO programme. The DSO programme consisted of the nationwide replacement of existing analogue and low-power DTT transmitters with high-power DTT equipment. Transmission agreements with the BBC and ITV/C4 obligated the Group to roll out DSO in accordance with the mandatory rollout timetable. The DSO process commenced with a trial in Whitehaven in Cumbria, in 2007. London DSO was completed in April 2012 and the final region (Northern Ireland) was switched over in October 2012. Work to decommission redundant analogue equipment will continue for 24 months beyond this date. See "*Business—Divisions—Broadcast and Media Division—Terrestrial Broadcast Sub-division—Digital switchover programme*". Following the completion of DSO, DTT now reaches 98.5% of the population as at the date of this Offering Memorandum. The Group's capital expenditures related to the DSO amounted to £118.7 million, £112.4 million and £72.5 million in the years ended 30 June 2010, 2011 and 2012 and £41.7 million and £14.6 million in the six months ended 31 December 2011 and 2012. For the years ended 30 June 2013, 30 June 2014 and 30 June 2015 the Group has budgeted £28.1 million, £3.8 million and £2.3 million respectively for capital expenditure associated with the DSO core programme.

Other significant capital expenditures and related funding requirements

The Group is a business with significant infrastructure requirements and therefore its operating results and cash flows are significantly affected by its capital expenditure investment. The Group's total non-DSO-related capital expenditures amounted to £90.0 million, £61.5 million and £89.0 million in the fiscal years ended 30 June 2010, 2011 and 2012, respectively, of which £28.9 million, £24.8 million and £30.2 million, respectively, were related to maintenance. In addition, the Group's total non-DSO-related capital expenditures amounted to £39.9 million and £36.4 million in the six months ended 31 December 2011 and 2012, respectively, of which £10.2 million and £15.3 million, respectively, were related to maintenance. Significant non-DSO growth capital expenditures included expenditures relating to the development of the Arqnet fibre network and the SeeSaw business for the year ended 30 June 2010, the expenditures for the Channel 61/62 Clearance engineering project to clear frequency spectrum in the UK in the years ended 30 June 2011 and 2012, and investment associated with smart metering for the year ended 30 June 2012. In addition there was continued investment on Satellite activities and the conversion of one of the BBC's high power television multiplexes to HD. See "*—Capital Expenditures*".

In the periods under review, the Group has used a combination of bank financing and operating cash flow to fund capital expenditure. Cumulative drawings under the Group's principal capital expenditure facility amounted to £251.2 million, £424.5 million, and £657.2 million in the years ended 30 June 2010, 2011 and 2012. Cumulative drawings under the Group's principal capital expenditure facility amounted

to £508.7 million and £684.8 million in the six months ended 31 December 2011 and 2012. Total net indebtedness of the Group, to non-Group counterparties, amounted to £2,914.1 million, £2,985.5 million and £3,238.8 million as at 30 June 2010, 2011 and 2012 respectively, with interest payable of £240.1 million, £265.1 million and £253.7 million in the fiscal years ended 30 June 2010, 2011 and 2012, respectively. Total net indebtedness of the Group, to non-Group counterparties, amounted to £3,413.3 million as at 31 December 2012, with non-group debt interest expense of £132.4 million and £128.5 million in the six months ended 31 December 2011 and 2012, respectively.

Decline in satellite turnover

Turnover for the Group's satellite division has decreased by £42.4 million, declining from £239.8 million to £197.4 million, from the year ended 30 June 2010 to the year ended 30 June 2012, and by £14.4 million, declining from £101.1 million to £86.7 million, from the six months ended 31 December 2011 to the six months ended 31 December 2012. These declines were primarily attributable to reductions in the Group's legacy low-margin wholesale satellite space resale business. This has led to decreased reliance on turnover from this business segment and, together with a reduction in the associated cost of sales, such as transponder capacity, has limited the negative impact on gross margin. The Group is targeting increased satellite turnover in future years through increased utilisation of its existing satellite teleport assets, along with sustained gross profit margins through further cost efficiencies. Going forward, the Group expects to focus the satellite business on higher-margin business opportunities such as media management, satellite data communication and managed networks. See "*Business—Business strategies—Simplify and standardise in order to optimise operational costs and efficiency*".

A large portion of the Group's activities for its terrestrial broadcast unit is regulated by Ofcom and subject to the Undertakings agreed with the UK Competition Commission

The Group's pricing framework for its NA and MTS offerings are subject to regulation in the form of Reference Offers. The Undertakings and procedures established by Ofcom require the Group to publish a Reference Offer setting out terms for access to its network whenever any relevant new spectrum becomes available for broadcast purposes or when an existing contract is renewed. A Reference Offer sets charges for the Group's transmission (NA and MTS) services using a predetermined formula based on a rate of return on invested capital and pass through of costs for elements such as rent, taxes and electricity. The key criteria used in setting prices for NA are the Group's existing and projected regulated asset base, real and estimated capital expenditure costs, an annual indexation linked to RPI and a return based on a real pre-tax 7.71% Weighted Average Cost of Capital (**WACC**). Returns from the Group's MTS assets are not based on WACC but are based on fair reasonable and non-discriminatory pricing. All new contracts for NA must refer to this cost methodology, and must be offered on a fair, reasonable and non-discriminatory basis. Existing customers can elect to either renew their contracts on their existing terms and conditions or accept the terms of the relevant Reference Offer. See "*Regulation of the Communications Industry in the United Kingdom—Transmission Systems—Service Provision Terms and Conditions—CC Undertakings—Undertaking to Provide Transmission Services*". The Group's current contracts for television broadcast services expire between 2026 and 2034. Therefore, the Reference Offer provides a stable framework for the negotiation of long-term RPI linked contracts with customers. There are no scheduled regulatory reviews of the customer contracts once contractually agreed, which the Group believes leads to long-term turnover visibility.

The Group's radio contracts run for terms of 8 to 12 years and generally include RPI linked fee increases. Once signed, there is no scheduled regulatory reviews for radio contracts. On contract renewal, existing radio customers may also elect to either renew their contracts on the existing terms and conditions or accept the terms of the relevant Reference Offer. See "*Regulation of the Communications Industry in the United Kingdom*".

Impact of network sharing and network outsourcing by MNOs on the Group's Wireless Site Share Business

MNOs in the UK have increasingly sought to reduce costs through network sharing. As a result of increased network sharing, the total number of wireless sites in the UK has fallen from approximately 41,000 in 2009 to approximately 36,000 as at 31 December 2012. This consolidation has led to increased demand for independent operators with attractive site infrastructure and scale. The Group has a market share of approximately 24% in the UK as at 31 December 2012. There is an additional market for microcells, which are smaller than more traditional macrocells and offer complementary coverage for smaller areas such as city blocks or transportation hubs. The Group has a predominantly rural and suburban portfolio of wireless network sites.

The consolidation of the 3 and T-Mobile networks through the Mobile Broadband Network Limited (**MBNL**) JV beginning in 2007 and the consolidation of Orange and T-Mobile to form Everything Everywhere in 2010 have resulted in a number of benefits for the Group. Following this consolidation, the Group increased its number of marketable sites (sites which are available to be offered to customers), expanded its share of the combined networks, thereby increasing its importance to the underlying MNOs, and secured longer-term contracts. In consideration for these benefits, the Group has allowed network sharing across its sites and the decommissioning of certain sites, as well as remaining neutral in terms of technology and frequency. Furthermore, O2 and Vodafone established a site sharing agreement called Cornerstone in 2009, and in 2012 Vodafone and Telefonica (O2's parent company) jointly developed the agreement into a JV expected to further increase network infrastructure and network equipment sharing, though as at the date of this Offering Memorandum Cornerstone has not undertaken significant consolidation. These customers combined represent a significantly lower proportion of site share turnover than that made up by the other MNO customers (who are under long-term contracts). Site share turnover (which is a component of GME turnover) decreased from £230.4 million for the year ended 30 June 2010 to £211.3 million for the year ended 30 June 2011 due to the impact of a delay between the decommissioning of certain sites, before the transfer of other sites were recognised under an assignment deal with a certain customer, and the effect of RPI-linked adjustments. However, site share turnover increased to £223.2 million for the year ended 30 June 2012 as a result of a new contract with a major customer, which commenced in the second quarter of the same year together with inflation-linked fee increases to many existing contracts. Turnover for the Group's site share business unit during the six months ended 31 December 2012 decreased to £102.4 million from £108.1 million during the six months ended 31 December 2011, primarily as a result of the expiry of a large site share contract for a major customer in Northern Ireland during the second half of the year ended 30 June 2012.

Allocation of 600/700 MHz spectrum

Ofcom published a statement regarding the future use of the 600/700 MHz spectrum in November 2012, indicating that Ofcom is likely to consult on clearing DTT from the 700 MHz spectrum for possible future mobile use and the possible use of the spectrum in the 600 MHz band, which has been vacated by analogue TV, for digital terrestrial television. This will require realignment of the physical infrastructure of affected multiplexes, although the cost of realignment in the past has been borne by Ofcom. See "*Business—Divisions—Digital Platforms Division*".

Seasonality

The Group's working capital movement is seasonal in nature due to the different contractual timings of debtors receipts and payments. The Group invoices the majority of its site share customers annually in advance, and these billings and subsequent cash collections are mainly centred upon the third quarter of the fiscal year. In addition, annual bonus payments are made in the first quarter of the fiscal year. As a result, the Group's cash inflow from operations in the second half of the year, historically, has been

approximately double the amount of the first half of the fiscal year, which is reflected in the working capital fluctuation. Consequently, working capital tends to be significantly higher in the first half of the year as a higher proportion of profit and loss revenues are non-cash. This is reflected by the large negative creditors movement in the first half of the fiscal year and is mainly driven by negative deferred income movements. See “—*Working capital movement*”.

Description of Certain Income Statement Line Items

Turnover

Turnover, which is stated net of value added tax, includes the value of charges made for transmission services, distribution services, products, facilities leasing, research and development contracts, external network services to national and international telecommunication operators, other contracts, rents from properties, capital works contributions from third parties and charges made under site sharing agreements.

Turnover and profit for the Group are recognised when services are provided. Cash received in advance from customers is accounted for as deferred income and recognised as turnover when service is provided. Turnover recognised in advance of cash received is accounted for as accrued income. See “—*Critical Accounting Policies*”.

Broadcast and Media

Turnover for the Group’s broadcast and media division comprises turnover from the Group’s terrestrial broadcast and satellite sub-divisions.

Terrestrial Broadcast

Turnover for the Group’s terrestrial broadcast business primarily comprises turnover from digital television broadcasting, analogue television broadcasting (up to the date of the completion of the DSO), digital and analogue radio broadcasting, and radio Multiplex services provided for Ofcom and broadcast clients.

Satellite

Turnover for the Group’s satellite business primarily comprises turnover from the UK DTH platform, satellite distribution platforms, satellite managed networks and other activities (media management, digital cinema, events, satellite data communications and wholesale space).

Digital Platforms

Turnover for the Group’s digital platforms division comprises turnover generated from sales of broadcast channel slots for DTT, radio and data services on the Group’s two licensed DTT Multiplexes.

GME

Turnover for the Group’s GME division primarily comprises turnover from the Group’s site share and government businesses.

Site Share

Turnover for the Group’s site share business primarily comprises turnover from wireless site share primarily to MNOs and their JVs as well as to customers who are not themselves MNOs, such as Airwave. Services provided through site share include site licensing, site access, network services and installation services.

Government

Turnover for the Group's government business primarily arises from providing mission-critical communications solutions to public sector organisations throughout the UK and Ireland, including frontline emergency services. Major customers include the Royal National Lifeboat Institution, the Maritime and Coastguard Agency and UK Border Agency and certain UK police authorities, including the UK's two largest police forces, the Metropolitan Police (through BAE Systems Detica) and Strathclyde Police.

Cost of sales

Cost of sales accounts for those costs that are either variable in line with changes in turnover or can be directly attributable to a single customer. This includes third-party project and power costs. Cost of sales also includes items such as the cost of rent, business rates, satellite and video stream capacity and charges relating to the movement of data around the Group's infrastructure, for example to the main transmission towers and multiplexing sites. However, for the Group's terrestrial broadcast (NA and MTS) contracts, the Group passes through certain of its costs for elements such as rent, taxes and electricity. See "*Business—Divisions—Broadcast and Media Division—Regulatory Framework and Contracting*". Also included are a number of maintenance (including internal staff costs), equipment hire, software maintenance and facility costs.

Depreciation

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

Amortisation

Amortisation includes amortisation of goodwill in respect of Subsidiaries that arises upon consolidation and amortisation of intangible assets. The amortisation charge is largely driven by goodwill amortisation which mainly relates to the acquisitions of NTL Broadcast by Macquarie Communications Infrastructure Group and National Grid Wireless by Arqiva in 2005 and 2007 respectively. The goodwill is amortised on a straight line basis over its estimated useful life, which is considered to be no longer than 20 years.

Operating expenses

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

Exceptional administrative expenses

Exceptional administrative expenses are one-off items where the earnings or charges are not considered to be indicative of the Group's ongoing operations.

Net third party interest payable

Net third party interest payable includes interest receivable and similar income, net bank loan interest, other interest and share of joint venture interest payable.

Interest receivable and similar income includes bank interest, finance lease interest receivable and other interest.

Bank loan interest includes bank loan interest, swap payments (including accrued liabilities on the inflation swaps).

Other interest

Other interest includes the amortisation of debt issue costs, finance lease interest payable and imputed interest on advance payments from customers, and includes imputed interest (relating to cash receipts collected in advance for some long-term contracts), amortisation of debt issue costs and finance lease interest. For the periods under review, other interest is almost entirely non-cash while a small cash element relates to payments for finance leases.

Joint venture turnover

Share of joint venture turnover represents the Group's percentage share of turnover generated by its joint venture companies. Joint ventures are accounted for using the gross equity method. The consolidated financial statements include the appropriate share of those undertakings' results and reserves.

Interest payable to parent undertakings

The Company and Group have inter-company loan agreements with parent undertakings. Parent undertakings refers to those legal entities within the Arqiva structure but which sit above the Group. Arqiva's shareholder investment in the Group was made by way of intercompany loans, which accrue interest. Cash interest payable to parent undertakings is the interest settled in cash on these shareholder intra-Group loans. Under the terms of these loan agreements, the parent undertakings are only entitled to demand repayment of loans to the extent surplus cash is available to do so and provided that such a repayment would not cause the Company and Group to become insolvent.

Exceptionals

Non-operating profit exceptional items represent those material items derived from events or transactions which require separate disclosure in the profit and loss accounts under accounting standards in order to fairly present the results for the financial period.

Fundamental reorganisation is a subset of non-operating profit exceptionals.

Results of Operations

The following table sets forth certain of the Group's profit and loss data for the periods indicated:

	Year Ended 30 June			Six Months Ended 31 December	
	2010	2011	2012	2011	2012
	(unaudited)				
	(£ millions)				
Continuing Operations					
Turnover (including share of joint venture)	824.9	830.7	843.8	412.0	409.3
Less share of joint venture turnover	(1.7)	(5.0)	(12.2)	(6.1)	(5.0)
Group turnover	823.2	825.7	831.7	405.9	404.3
Cost of sales	(362.3)	(335.0)	(314.5)	(160.1)	(145.2)
Gross profit	460.9	490.7	517.1	245.9	259.1
Depreciation	(80.5)	(89.2)	(99.7)	(42.7)	(51.6)
Amortisation	(160.5)	(155.4)	(155.2)	(77.6)	(79.3)
Operating expenses	(118.2)	(130.0)	(114.5)	(53.9)	(56.0)
Exceptional administrative expenses	—	—	(23.7)	(8.4)	(11.9)
Group operating profit	101.7	116.1	124.1	63.3	60.3
Share of operating profit / (loss) in joint venture and associates	(0.7)	(0.3)	3.9	2.5	0.3
Total operating profit: Group and share of joint venture and associates	100.9	115.8	128.0	65.8	60.6
Income from investments	0.1	0.1	0.1	0.1	0.1
Fundamental reorganisation	(4.2)	(8.8)	—	—	—
Loss on disposal of assets	—	(2.1)	—	—	—
Non-operating profit exceptional items	(4.2)	(10.9)	—	—	—
Profit on ordinary activities before taxation and interest	96.9	104.9	128.1	65.8	60.7
Interest receivable and similar income	1.0	0.4	1.7	0.2	0.2
Net bank loan interest	(216.2)	(234.7)	(221.3)	(117.3)	(109.9)
Other interest	(23.9)	(30.4)	(32.4)	(15.1)	(18.6)
Share of joint venture interest payable	—	—	(2.3)	(1.4)	(1.2)
Net third party interest payable	(239.3)	(264.7)	(254.2)	(133.6)	(129.4)
Interest payable to parent undertakings	(219.6)	(232.8)	(242.5)	(123.0)	(120.7)
Loss on ordinary activities before taxation	(361.9)	(392.6)	(368.6)	(190.8)	(189.4)
Tax on loss on ordinary activities	9.6	9.2	16.5	8.5	10.0
Loss on ordinary activities after taxation	(352.2)	(383.4)	(352.1)	(182.2)	(179.3)
Equity minority interests	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Loss for the financial year/period	(352.4)	(383.5)	(352.2)	(182.3)	(179.4)

Six Months Ended 31 December 2012 Compared to the Six Months Ended 31 December 2011

Turnover

For the six months ended 31 December 2012, turnover for the Group was £404.3 million, representing a 0.4% decrease from £405.9 million during the six months ended 31 December 2011, due primarily to a reduction in Satellite turnover as the Group continues to make strategic reductions to its low margin

wholesale space and outside broadcast areas, reductions in government spending in the government business unit, and the expiry of certain contracts in the site share business unit.

The following table sets forth the Group's turnover by division and business unit for the periods indicated:

	Six Months Ended 31 December		
	2011	2012	% Change
	(unaudited)		
	(£ millions, except percentages)		
Turnover by division and business unit			
Broadcast and Media	227.7	227.7	0%
Terrestrial Broadcast	126.6	141.1	11.5%
Satellite	101.1	86.7	(14.1)%
Digital Platforms	58.7	63.6	8.3%
GME	119.6	113.0	(5.5)%
Site Share	108.1	102.4	(5.3)%
Government	11.5	10.6	(7.8)%
Total Group turnover	405.9	404.3	(0.4)%

Broadcast and Media

Turnover for the Group's broadcast and media division during the six months ended 31 December 2012 was £227.7 million, which was unchanged from £227.7 million in the six months ended 31 December 2011. The main movements in turnover for terrestrial broadcast and satellite are detailed below.

Terrestrial Broadcast

Turnover for the Group's terrestrial broadcast business during the six months ended 31 December 2012 was £141.1 million, representing an 11.5% increase from £126.6 million during the six months ended 31 December 2011, due primarily to an increase in turnover generated from the Channel 61/62 Clearance programme, major broadcast projects and consultancy services. In addition, during the six months ended 31 December 2012 the technical delivery of DSO rollout was completed resulting in increased turnover for high power DTT, which was largely offset by a reduction in analogue television and low-powered DTT turnover compared to the previous year due to the continued switch to high power DTT services as part of the DSO rollout.

Satellite

Turnover for the Group's satellite business during the six months ended 31 December 2012 was £86.7 million, representing a 14.1% decrease from £101.1 million during the six months ended 31 December 2011, due primarily to exiting the low-margin wholesale satellite space resale business, together with a weakening of the euro and a reduction in outside broadcast (a business involving satellite trucks to broadcast from remote locations such as sports stadiums) turnover following the sale of that business.

Digital Platforms

Turnover for the Group's digital platforms division during the six months ended 31 December 2012 was £63.6 million, representing an 8.3% increase from £58.7 million during the six months ended 31 December 2011, due primarily to an increased number of video streams available and sold during the period together with inflation linked fee increases to many existing contracts.

GME

Turnover for the Group's GME division during the six months ended 31 December 2012 was £113.0 million, representing a 5.5% decrease from £119.6 million during the six months ended 31 December 2011, due primarily to the movements in turnover for site share and government detailed below.

Site Share

Turnover for the Group's site share business unit during the six months ended 31 December 2012 was £102.4 million representing a 5.3% decrease from £108.1 million during the six months ended 31 December 2011, due primarily to the expiry of a contract for a major customer in Northern Ireland and a reduction in installation services turnover as network consolidation activity has reduced. These reductions were partially offset by an inclusion of turnover from the WiFi business following the acquisition of Spectrum Interactive.

Government

Turnover for the Group's government business unit during the six months ended 31 December 2012 was £10.6 million, representing an 7.8% decrease from £11.5 million during the six months ended 31 December 2011, due primarily to a reduction in sales of mobile data terminals during the six months ended 31 December 2012, arising from a reduction in customer procurement budgets during this period.

Cost of Sales

For the six months ended 31 December 2012, cost of sales for the Group was £145.2 million, representing a 9.3% decrease from £160.1 million during the six months ended 31 December 2011, due primarily to a reduction in Satellite capacity costs as a result of the Group making strategic reductions in its low margin wholesale space business together with a reduction in the Group's cost base for installation services and government activities within GME, as a result of the corresponding declines in turnover for these businesses during the period as described above.

Gross profit

For the six months ended 31 December 2012, gross profit for the Group was £259.1 million, representing a 5.4% increase from £245.9 million during the six months ended 31 December 2011, due primarily to the reduction in cost of sales detailed above.

Depreciation

Depreciation for the Group during the six months ended 31 December 2012 was £51.6 million, representing a 20.8% increase from £42.7 million during the six months ended 31 December 2011, due primarily to continued investment in the DSO programme which resulted in additional DSO assets commencing service, and the depreciation of certain Channel 61/62 Clearance project assets with short useful economic lives.

Amortisation

Amortisation for the Group during the six months ended 31 December 2012 was £79.3 million, representing a 2.2% increase from £77.6 million during the six months ended 31 December 2011, due primarily to additional amortisation of goodwill on minor acquisitions. The amortisation charge in both half year periods continue to be driven mainly by the goodwill amortisation of the acquisitions of NTL Broadcast and National Grid Wireless.

Operating expenses

Operating expenses for the Group during the six months ended 31 December 2012 were £56.0 million, representing a 4.0% increase from £53.9 million during the six months ended 31 December 2011, due primarily to investment in strategy and business development teams and a reduction in capitalised labour following completion of the technical delivery of DSO.

Exceptional administrative expenses

Exceptional administrative expenses for the Group during the six months ended 31 December 2012 were £11.9 million, representing a 41.7% increase from £8.4 million during the six months ended 31 December 2011. The increase was due primarily to the cost of certain one-off activities, such as substantial costs relating to the smart metering contract bid and severance costs.

Share of operating (loss) / profit in joint ventures and associates

Share of operating (loss) / profit in joint ventures and associates for the Group during the six months ended 31 December 2012 was a £0.3 million profit which was a decrease from £2.5 million during the six months ended 31 December 2011, due primarily to the one off increase in levels of turnover and therefore the profitability of the joint venture companies in the prior period.

Income from investments

Income from investments for the Group during the six months ended 31 December 2012 was £0.1 million, which was unchanged from the six months ended 31 December 2011. This amount relates to dividend payments received from investments in companies over which the Group does not have control, and are therefore excluded from the consolidation in accordance with accounting standards. Fluctuations will occur depending on the timing of dividend payments.

Interest receivable and similar income

Interest receivable and similar income during the six months ended 31 December 2012 was £0.2 million, unchanged from the six months ended 31 December 2011.

Net bank loan interest

Bank loan interest for the Group during the six months ended 31 December 2012 was £109.9 million, representing a 6.3% decrease from £117.3 million during the six months ended 31 December 2011, due primarily to a reduction in the accretion element of the inflation linked swaps as a result of lower RPI, which was partially offset by an increase in the interest margin on capital expenditure and working capital facility drawings.

Interest payable to parent undertakings

Interest payable to parent undertakings for the Group during the six months ended 31 December 2012 was £120.7 million, representing a 1.9% decrease from £123.0 million during the six months ended 31 December 2011, relating to minor fluctuations in working capital advances from Group companies.

Other interest

Other interest payable for the Group during the six months ended 31 December 2012 was £18.6 million, representing a 23.2% increase from £15.1 million during the six months ended 31 December 2011, due primarily to the imputed interest on a significant cash payment that was received in advance but relates to future periods, and an acceleration of the amortisation of debt issue costs.

Tax on loss on ordinary activities

Tax on loss on ordinary activities during the six months ended 31 December 2012 was a £10.0 million credit, representing a 17.6% increase from a £8.5 million credit during the six months ended 31 December 2011, due primarily to an increase in the deferred tax credit. The Group's effective tax rate during the six months ended 31 December 2012 was 5.3%. This was higher than the Group's effective tax rate of 4.5% during the six months ended 31 December 2011. This was due primarily to an increase in the unrecognised deferred tax asset in the six months ended December 2011, representing unrecognised tax losses in that period. The deferred tax credit generated in the Group during each period represents a reduced level of capital allowances claimed in respect of the Group's fixed assets in comparison with Group depreciation policy. Such allowances are available to be claimed in future periods.

Loss for the financial period

Loss for the six months ended 31 December 2012 was £179.4 million, representing a 1.6% decrease from a £182.3 million loss during the six months ended 31 December 2011. This was due primarily to the reduction in interest payable, which was partially offset by a decrease in the Group's operating profit as a result of the increase in exceptional administrative expenses, described above.

Fiscal Year Ended 30 June 2012 Compared to the Year Ended 30 June 2011

Turnover

For the year ended 30 June 2012, turnover for the Group was £831.7 million, representing a 0.7% increase from £825.7 million during the year ended 30 June 2011, due primarily to increases in turnover generated from terrestrial broadcast (which is largely the result of increased digital TV transmission revenues), digital platforms (primarily as a result of increased video streams being available for sale) and GME (primarily as a result of a settlement with a major customer, along with increased utilities cost recovery, partially offset by a reduction in government turnover). This growth is largely offset by a decrease in satellite division turnover (particularly as a result of a strategic move away from low margin wholesale space business).

The following table sets forth the Group's turnover by division and business unit for the years indicated:

	Year Ended 30 June		
	2011	2012	% Change
	(£ millions, except percentages)		
Turnover by division and business unit			
Broadcast and Media	474.3	464.4	(2.1)%
Terrestrial Broadcast	260.3	267.0	2.6%
Satellite	214.0	197.4	(7.8)%
Digital Platforms	109.5	121.6	11.1%
GME	241.9	245.7	1.6%
Site Share	211.3	223.2	5.6%
Government	30.6	22.5	(26.5)%
Total Group turnover	825.7	831.7	0.7%

Broadcast and Media

Turnover for the Group's broadcast and media division during the year ended 30 June 2012 was £464.4 million, representing a 2.1% decrease from £474.3 million during the year ended 30 June 2011, due primarily to a decrease in satellite turnover partially offset by an increase in terrestrial broadcast turnover as detailed below.

Terrestrial Broadcast

Turnover for the Group's terrestrial broadcast business during the year ended 30 June 2012 was £267.0 million, representing a 2.6% increase from £260.3 million during the year ended 30 June 2011, due primarily to an increase in long-term contracted turnover from high power DTT broadcasting infrastructure resulting from the ongoing DSO rollout, which was 86.7% (based upon regions switched over) or 91.4% (based upon number of covered households) complete as at 30 June 2012 as compared to 53.3% (based upon regions switched over) or 64.0% (based upon number of covered households) complete as at 30 June 2011. This was in addition to a revenue uplift attributable to the Group's RPI-linked contracts. These were offset by a reduction in analogue television revenues due to the continued switch from analogue to DTT services as part of the DSO rollout. Additionally there were increases in turnover attributable to the full year effect of the turnover generated from certain broadcast engineering project contracts, which included the ongoing Channel 61/62 engineering project, which commenced during 2011.

Satellite

Turnover for the Group's satellite business during the year ended 30 June 2012 was £197.4 million, representing a 7.8% decrease from £214.0 million during the year ended 30 June 2011, due primarily to the Group's strategic reductions to its legacy low-margin wholesale satellite space resale business to focus on high-margin value added services. This was partially offset by small turnover increases for the Group's events and occasional services business together with an increase in distribution platforms product business turnover, a business which typically yields a higher gross margin than the wholesale satellite space resale business.

Digital Platforms

Turnover for the Group's digital platforms division during the year ended 30 June 2012 was £121.6 million, representing an 11.1% increase from £109.5 million during the year ended 30 June 2011, due primarily to engineering and technology improvements leading to an increased number of video streams available and sold during the year, together with revenue uplifts linked to inflation in many contracts.

GME

Turnover for the Group's GME division during the year ended 30 June 2012 was £245.7 million, representing a 1.6% increase from £241.9 million during the year ended 30 June 2011, due to an increase in site share turnover that was mostly offset by a decrease in government turnover as detailed below.

Site Share

Turnover for the Group's site share business during the year ended 30 June 2012 was £223.2 million, representing a 5.6% increase from £211.3 million during the year ended 30 June 2011, due primarily to increased recoveries of utility charges and rates in line with pass-through arrangements, inflation linked price increases and a settlement with a major customer. See "*Business—Divisions—GME Division—Mobile*". These were partially offset by small reductions in installation services activity and the expiry of a contract with a customer from Northern Ireland during the year.

Government

Turnover for the Group's government business during the year ended 30 June 2012 was £22.5 million, representing a 26.5% decrease from £30.6 million during the year ended 30 June 2011, due primarily

to a reduction in work for emergency services as they continue to migrate their networks to an alternative technology platform offered by a competitor of the Group, as well as reductions in government spending.

Cost of Sales

For the year ended 30 June 2012, cost of sales for the Group was £314.5 million, representing a 6.1% decrease from £335.0 million during the year ended 30 June 2011, due primarily to reductions in the satellite capacity costs, small reductions in circuits costs and the costs associated with installation services and government areas resulting from a decline in turnover for these businesses during the period as described above. These were partially offset by increases in rent, rates and power costs.

Gross profit

For the year ended 30 June 2012, gross profit for the Group was £517.1 million, representing a 5.4% increase from £490.7 million during the year ended 30 June 2011, due primarily to the changes in turnover and cost of sales detailed above.

Depreciation

Depreciation for the Group during the year ended 30 June 2012 was £99.7 million, representing a 11.8% increase from £89.2 million during the year ended 30 June 2011, due primarily to increases in depreciation as a result of continued investment in the DSO programme.

Amortisation

Amortisation for the Group during the year ended 30 June 2012 was £155.2 million which is in line with the year ended 30 June 2011 charge of £155.4 million.

Operating expenses

Operating expenses for the Group during the year ended 30 June 2012 were £114.5 million, representing an 11.9% decrease from £130.0 million during the year ended 30 June 2011, due primarily to a one-off payment to a digital platforms customer during the year ended 30 June 2011, which resulted in the release of certain of the Group's obligations that in turn enabled better utilisation capacity from the year ended 30 June 2011 onwards and other cost-saving initiatives.

Exceptional administrative expenses

Exceptional administrative expenses for the Group during the year ended 30 June 2012 were £23.7 million, compared with £nil during the year ended 30 June 2011. These costs of £23.7 million were associated with the Warwick office site closure, exceptional bid costs and refinancing.

Share of operating profit/loss in joint venture and associates

Share of operating profit in joint ventures and associates for the Group during the year ended 30 June 2012 was £3.9 million, representing an increase from a £0.3 million loss during the year ended 30 June 2011, due primarily to an increased shareholding in and a one-off increase in turnover that boosted the profits of Arts Alliance Media Investment Limited (**Arts Alliance**), which is a joint venture to sell the Group's digital cinema product, and an increased level of turnover coupled with a change in disclosure during the year to present share of joint venture interest payable as a separate line item within the statutory profit and loss account.

Exceptional items

Exceptional items for the Group during the year ended 30 June 2012 was £nil, representing a substantial decrease from £10.9 million during the year ended 30 June 2011, which included a fundamental reorganisation in connection with a strategic organisational review and loss on disposal of assets relating to a business closure.

Interest receivable and similar income

Interest receivable and similar income during the year ended 30 June 2012 was £1.7 million, representing a 325.0% increase from £0.4 million during the year ended 30 June 2011, due primarily to an increase in net finance income relating to the FRS 17 accounting standard's treatment of the Group's defined benefit pension scheme.

Net bank loan interest

Bank loan interest for the Group during the year ended 30 June 2012 was £221.3 million, representing a 5.7% decrease from £234.7 million during the year ended 30 June 2011, due primarily to a lower principal accretion charge on the RPI swaps, resulting from lower RPI compared to the prior year.

Interest payable to parent undertakings

Interest payable to parent undertakings for the Group during the year ended 30 June 2012 was £242.5 million, representing a 4.1% increase from £232.8 million during the year ended 30 June 2011, due primarily to increase in the principal balance owed due to the roll-up of unpaid interest.

Other interest

Other interest for the Group during the year ended 30 June 2012 was £32.4 million, representing a 6.5% increase from £30.4 million during the year ended 30 June 2011, due primarily to an increased imputed interest charge relating to the cash settlement with a major customer.

Share of joint venture interest payable

Share of joint venture interest payable for the Group during the year ended 30 June 2012 was £2.3 million, a substantial increase from £nil during the year ended 30 June 2011, due primarily to a change in disclosure with the prior year balance being included within share of operating loss/profit in joint ventures and associates.

Tax on loss on ordinary activities

Tax on loss on ordinary activities during the year ended 30 June 2012 was a £16.5 million credit, representing an increase from a £9.2 million credit during the year ended 30 June 2011, due primarily to a reduction in the capital allowances required to be claimed in the period to offset taxable profits. This resulted in the deferred tax liability in the year ended 30 June 2011 being converted into a deferred tax asset for the year ended 30 June 2012 along with an increase to the corresponding profit and loss account for the same year. The Group's effective tax rate during the year ended 30 June 2012 was negative 0.2%, which was unchanged from the year ended 30 June 2011. The deferred tax credit generated in the Group during each period represents a reduced level of capital allowances claimed in respect of the Group's fixed assets in comparison with Group depreciation policy. Such allowances are available to be claimed in future periods.

Loss for the financial year

The Group experienced a loss for the year ended 30 June 2012 of £352.2 million, representing an 8.2% decrease from a £383.5 million loss during the year ended 30 June 2011. This was due primarily to decrease in cost of sales during the year.

Fiscal Year Ended 30 June 2011 Compared to the Year Ended 30 June 2010

Turnover

For the year ended 30 June 2011, the Group's total turnover was £825.7 million, representing a 0.3% increase from £823.2 million during the year ended 30 June 2010, due primarily to growth in the terrestrial broadcast (as a result of increased contracted digital TV transmission turnover, along with turnover from the clearance project) and digital platforms businesses (due primarily to an increased average number of video streams being available for sale during the year ended 30 June 2011). This growth was partially offset by lower turnover in the satellite (particularly due to the Group making strategic reductions in its legacy low-margin wholesale satellite space resale business) and GME businesses (due primarily to reduced installation services activity while MNO consolidation was occurring, along with reduced government turnover).

The following table sets forth the Group's turnover by division and business unit for the periods indicated:

	Year Ended 30 June		
	2010	2011	% Change
	(£ millions, except percentages)		
Turnover by division and business unit			
Broadcast and Media	472.5	474.3	0.4%
Terrestrial Broadcast	232.7	260.3	11.9%
Satellite	239.8	214.0	(10.8)%
Digital Platforms	79.4	109.5	37.9%
GME	271.2	241.9	(10.8)%
Site Share	230.4	211.3	(8.3)%
Government	40.8	30.6	(25.0)%
Total Group turnover	823.2	825.7	0.3%

Broadcast and Media

Turnover for the Group's broadcast and media division during the year ended 30 June 2011 was £474.3 million, representing a 0.4% increase from £472.5 million during the year ended 30 June 2010, due to the increase in terrestrial broadcast, which was partially offset by a decrease in satellite as detailed below.

Terrestrial Broadcast

Turnover for the Group's terrestrial broadcast business during the year ended 30 June 2011 was £260.3 million, representing an 11.9% increase from £232.7 million during the year ended 30 June 2010, due primarily to an increase in turnover from high power DTT broadcasting resulting from the ongoing DSO rollout, which was 53.3% (based upon regions switched over) or 64.0% (based upon number of covered households) complete as at 30 June 2011 as compared to 33.3% (based upon regions switched over) or 24.4% (based upon number of covered households) complete as at 30 June 2010. RPI-linked fee increases also contributed to this increase. This was partially offset by a reduction in analogue television turnover due to the continued switch from analogue to DTT services as part of the DSO rollout. Additionally there were small increases in turnover generated from certain engineering project contracts, including the ongoing Channel 61/62 Clearance engineering project to clear frequency spectrum in the UK on behalf of Ofcom, which commenced during 2011.

Satellite

Turnover for the Group's satellite business during the year ended 30 June 2011 was £214.0 million, representing a 10.8% decrease from £239.8 million during the year ended 30 June 2010, due primarily

to the Group making strategic reductions in its legacy low-margin wholesale satellite space resale business. This was partially offset by small turnover increases for the Group's outside broadcast/ events and occasional services together with an increase in distribution platforms product turnover.

Digital Platforms

Turnover for the Group's digital platforms division during the year ended 30 June 2011 was £109.5 million, representing a 37.9% increase from £79.4 million during the year ended 30 June 2010, due primarily to additional channels being sold following the implementation of improvements in compression technology during the year as well as to RPI-linked fee increases under the Group's existing contracts.

GME

Turnover for the Group's GME division during the year ended 30 June 2011 was £241.9 million, representing a 10.8% decrease from £271.2 million during the year ended 30 June 2010, due to the movements in site share and government turnover as detailed below.

Site Share

Turnover for the Group's site share business during the year ended 30 June 2011 was £211.3 million, representing a 8.3% decrease from £230.4 million during the year ended 30 June 2010, due primarily to a reduction in installation services activity and a small reduction in the site sharing business due to network operator consolidation, partially offset by RPI-linked fee increases.

Government

Turnover for the Group's government business during the year ended 30 June 2011 was £30.6 million, representing a 25.0% decrease from £40.8 million during the year ended 30 June 2010, due primarily to reductions in government spending together with the expiry of a managed service contract with a major police force during the year ended 30 June 2010.

Cost of sales

For the year ended 30 June 2011, the Group's total cost of sales was £335.0 million, representing a 7.5% decrease from £362.3 million during the year ended 30 June 2010, due primarily to cost reductions in the satellite and GME divisions, which were partially offset by small increases in the terrestrial broadcast and digital platforms businesses due to increased energy and rent expenses. Cost of sales for the Group's terrestrial broadcast business during the year ended 30 June 2011 increased, due primarily to increases in rent, rates, utilities and circuit costs. Cost of sales for the Group's satellite business during the year ended 30 June 2011 decreased, due primarily to a reduction in satellite capacity costs in line with reduced turnover levels. Cost of sales for the Group's digital platforms division during the year ended 30 June 2011 increased, due primarily to increased costs of providing additional capacity. Cost of sales for the Group's site share business during the year ended 30 June 2011 decreased, due primarily to reduced rent and installation services project costs in line with reduced site share and installation services turnover, as well as a reduction in rates and utility costs. Cost of sales for the Group's government business during the year ended 30 June 2011 decreased, due primarily to reduced public safety-related project costs in line with reduced turnover.

Gross profit

For the year ended 30 June 2011, total gross profit for the Group was £490.7 million, representing a 6.5% increase from £460.9 million during the year ended 30 June 2010, due to the changes in turnover and cost of sales detailed above.

Depreciation

Depreciation for the Group during the year ended 30 June 2011 was £89.2 million, representing a 10.8% increase from £80.5 million during the year ended 30 June 2010, due primarily to increases in depreciation as a result of investment in the DSO programme.

Amortisation

Amortisation for the Group during the year ended 30 June 2011 was £155.4 million, representing a 3.2% decrease from £160.5 million during the year ended 30 June 2010, due primarily to decreases in amortisation of access rights.

Operating expenses

Operating expenses for the Group during the year ended 30 June 2011 were £130.0 million, representing a 10.0% increase from £118.2 million during the year ended 30 June 2010, due primarily to a one-off commercial agreement with a digital platforms customer in order to secure additional video stream capacity for future years.

Exceptional administrative expenses

Exceptional administrative expenses were £nil during the year ended 30 June 2011 and also £nil during the year ended 30 June 2010.

Exceptional items

Exceptional items for the Group during the year ended 30 June 2011 were £10.9 million, representing a 159.5% increase from £4.2 million during the year ended 30 June 2010, due primarily to the costs of business reorganisation taking place during the year together with the disposal of some redundant fixed assets at below book value.

Interest receivable and similar income

Interest receivable and similar income for the Group during the year ended 30 June 2011 was £0.4 million, representing a 60.0% decrease from £1.0 million during the year ended 30 June 2010, due primarily to lower interest rates and lower average cash balances.

Net bank loan interest

Bank loan interest for the Group during the year ended 30 June 2011 was £234.7 million, representing an 8.5% increase from £216.2 million during the year ended 30 June 2010, due primarily to a scheduled increase in loan margin costs and additional drawings on the capital expenditure facility during the year.

Interest payable to parent undertakings

Interest payable to parent undertakings for the Group during the year ended 30 June 2011 was £232.8 million, representing a 6.0% increase from £219.6 million during the year ended 30 June 2010, due primarily to an increase in the principal balance owed due to the roll-up of unpaid interest.

Other interest

Other interest for the Group during the year ended 30 June 2011 was £30.4 million, representing a 27.2% increase from £23.9 million during the year ended 30 June 2010, due primarily to the accelerated amortisation of debt issue costs in anticipation of the Group's refinancing and the unwinding of a discounted digital decommissioning provision.

Tax on loss on ordinary activities

Tax on loss on ordinary activities for the Group during the year ended 30 June 2011 was a £9.2 million credit, representing a 4.2% decrease from the £9.6 million credit during the year ended 30 June 2010, due primarily to a one-off benefit on current tax recoverable in the year ended 30 June 2010. The Group's effective tax rate during the year ended 30 June 2011 was negative 0.2%, which was unchanged from the year ended 30 June 2010.

Loss for the financial year

The Group experienced a loss for the year ended 30 June 2011 of £383.5 million, representing an 8.8% increase from a £352.4 million loss during the year ended 30 June 2010. This was primarily due to the increased interest costs detailed above.

Liquidity and Capital Resources

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

Net cash flows

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

	Year Ended 30 June			Six Months Ended 31 December	
	2010	2011	2012	2011	2012
	(£ millions)				
	(unaudited)				
Consolidated cash flow data					
Net cash inflow from operating activities	318.2	315.9	378.5	103.3	88.3
Dividends from investments	1.7	0.2	0.1	0.1	0.1
Returns on investment and servicing of finance	(162.9)	(164.9)	(171.5)	(84.5)	(88.7)
Tax paid	(0.5)	(1.4)	(0.2)	–	(0.2)
Net capital expenditure and financial investment					
DSO	(118.7)	(112.4)	(72.5)	41.7	14.6
Growth (net)	(61.1)	(36.7)	(58.8)	29.7	21.1
Maintenance	(28.9)	(24.8)	(30.2)	10.2	15.3
Total net capital expenditure and financial investment	(208.7)	(173.9)	(161.5)	(81.6)	(51.0)
Acquisitions and disposals	(1.2)	(2.1)	(2.1)	(1.1)	(27.9)
Equity dividends paid	–	(0.1)	(0.2)	–	–
Financing	51.8	33.2	3.3	63.3	29.4
(Decrease)/increase in net cash	(1.7)	7.0	46.3	(0.5)	(49.9)

Net cash inflow from operating activities

For the six months ended 31 December 2012, the Group's net cash inflow from operating activities was £88.3 million, consisting of cash inflows from operating activities of £203.6 million, less exceptional items of £11.9 million and movements in working capital of £103.4 million.

For the year ended 30 June 2012, the Group's net cash inflow from operating activities was £378.5 million, consisting of cash inflows from operating activities of £403.4 million, less exceptional items of £23.7 million and movements in working capital of £0.7 million.

For the year ended 30 June 2011, the Group's net cash inflow from operating activities was £315.9 million, consisting of cash inflows from operating activities of £362.8 million, less exceptional items of £10.9 million and movements in working capital of £36.0 million.

For the year ended 30 June 2010, the Group's net cash inflow from operating activities was £318.2 million, consisting of cash inflows from operating activities of £342.7 million, less exceptional items of £4.2 million and movements in working capital of £20.3 million.

Dividends from associates

For the six months ended 31 December 2012, the Group's dividends from associates was £0.1 million, consisting of amounts received from the Group's investment in MXR Holdings Limited, a company which owns and operates several regional digital radio multiplexes within the UK.

For the year ended 30 June 2012, the Group's dividends from associates was £0.1 million, consisting of amounts received from the Group's investment in MXR Holdings Limited.

For the year ended 30 June 2011, the Group's dividends from associates was £0.2 million, consisting of amounts received from the Group's investment in MXR Holdings Limited.

For the year ended 30 June 2010, the Group's dividends from associates was £1.7 million, consisting of amounts received from the Group's holdings in Digital One Limited. This dividend was received prior to full acquisition of Digital One Limited, which operates a national commercial digital radio Multiplex.

Net cash outflow from returns on investment and servicing of finance

For the six months ended 31 December 2012, the Group's returns on investment and servicing of finance was an outflow of £88.7 million, consisting of £0.3 million in interest received, less £88.4 million in interest paid to external sources, and less £0.6 million from the interest element of finance lease rentals.

For the year ended 30 June 2012, the Group's returns on investment and servicing of finance was an outflow of £171.5 million, consisting of £0.5 million in interest received, less £170.9 million in interest paid to external sources, and less £1.2 million from the interest element of finance lease rentals.

For the year ended 30 June 2011, the Group's returns on investment and servicing of finance was an outflow of £164.9 million, consisting of £0.4 million in interest received, less £164.0 million in interest paid to external sources, and less £1.2 million from the interest element of finance lease rentals.

For the year ended 30 June 2010, the Group's returns on investment and servicing of finance was an outflow of £162.9 million, consisting of £0.5 million in interest received, less £162.2 million interest paid to external sources, and less £1.2 million from the interest element of finance lease rentals.

Tax paid

For the six months ended 31 December 2012, the Group's tax paid was £0.2 million, consisting predominantly of amounts paid in overseas jurisdictions.

For the year ended 30 June 2012, the Group's tax paid was £0.2 million, consisting predominantly of amounts paid in overseas jurisdictions.

For the year ended 30 June 2011, the Group's tax paid was £1.4 million, consisting predominantly of amounts paid in overseas jurisdictions.

For the year ended 30 June 2010, the Group's tax paid was £0.5 million, consisting predominantly of amounts paid in overseas jurisdictions.

Acquisitions and disposals

For the six months ended 31 December 2012, the Group's acquisitions and disposals was negative £27.9 million, consisting mainly of certain acquisition costs.

For the year ended 30 June 2012, the Group's acquisitions and disposals was an outflow of £2.1 million, consisting entirely of purchases of subsidiary undertakings, relating to the deferred consideration on the acquisition of Digital One Limited, which operates a national commercial digital radio Multiplex.

For the year ended 30 June 2011, the Group's acquisitions and disposals was an outflow of £2.1 million, consisting entirely of purchases of subsidiary undertakings, relating to the deferred consideration on the acquisition of Digital One Limited.

For the year ended 30 June 2010, the Group's acquisitions and disposals was an outflow of £1.2 million, consisting of £3.3 million from the purchase of subsidiary undertakings (Digital One Limited) offset by £2.1 million from cash acquired with the same undertakings.

Equity dividends paid

For the six months ended 31 December 2012, the Group's equity dividends paid was £nil.

For the year ended 30 June 2012, the Group's equity dividends paid was £0.2 million consisting of £0.2 million by Now Digital (East Midlands) Limited and South West Digital Radio Limited, relating to the distribution of profits to minority interest shareholders.

For the year ended 30 June 2011, the Group's equity dividends paid was £0.1 million consisting of £0.1 million by Now Digital (East Midlands) Limited and South West Digital Radio Limited, relating to the distribution of profits to minority interest shareholders.

For the year ended 30 June 2010, the Group's equity dividends paid was £nil.

Net cash flow from financing

For the six months ended 31 December 2012, the Group's financing inflow was £29.4 million, consisting of £62.3 million of outflow from borrowings from parent undertakings, £92.0 million increase in external borrowings less £0.3 million in the capital element of finance lease payments.

For the year ended 30 June 2012, the Group's financing inflow was £3.3 million, consisting of £229.0 million from repayment of borrowings from parent undertakings and £232.7 million increase in external borrowings less £0.4 million in the capital element of finance lease payments.

For the year ended 30 June 2011, the Group's financing inflow was £33.2 million, consisting of repayment of £85.0 million from borrowings from parent undertakings, £173.3 million increase in external borrowings, less £0.3 million from loans to joint ventures, £54.4 million repayment of external borrowings and £0.4 million in the capital element of finance lease payments.

For the year ended 30 June 2010, the Group's financing inflow was £51.8 million, consisting of repayment of £78.7 million from borrowings from parent undertakings and £133.6 million increase in external borrowings less £0.8 million in the capital element of finance lease payments.

(Decrease)/increase in net cash

For the six months ended 31 December 2012, the Group's decrease in net cash was £49.9 million, due to the above factors.

For the year ended 30 June 2012, the Group's increase in net cash was £46.3 million, due to the above factors.

For the year ended 30 June 2011, the Group's increase in net cash was £7.0 million, due to the above factors.

For the year ended 30 June 2010, the Group's decrease in net cash was £1.7 million, due to the above factors.

Working capital movement

Working capital is part of "Net cash inflow from operating activities" in the Group's summary consolidated cash flow statement. In general, the Group defines working capital movement as the movement in current assets, current liabilities and certain long term liabilities including deferred income and provisions greater than one year that form part of the Group's net cash inflow from operating activities (but excluding non-working capital movements that are included in the balance sheet movements for these areas).

The table below sets out the Group's calculation of working capital as at the dates indicated.

	Year Ended 30 June			Six Months Ended 31 December	
	2010	2011	2012	2011	2012
				(unaudited)	
	(£ millions)				
Increase in debtors	(0.6)	(18.0)	(11.1)	(13.9)	(28.4)
Net increase/(decrease) in creditors	(20.0)	(23.4)	10.2	(66.0)	(73.6)
Net increase in provisions	0.3	5.5	0.3	(0.4)	(1.4)
Total working capital movement	(20.3)	(35.9)	(0.6)	(80.3)	(103.4)

The components of the Group's working capital are:

- *Debtors* comprising trade debtors, prepayments and accrued income;
- *Creditors* including trade creditors, sundry creditors, VAT creditors, accruals, and deferred income less than and greater than one year; and
- *Provisions* include provisions less than and greater than one year.

The Group's working capital movement is seasonal in nature due to the different contractual timings of debtors receipts and payments. The Group invoices the majority of its site share customers annually in advance, and these billings and subsequent cash collections are mainly centred upon the third quarter of the fiscal year. In addition, annual bonus payments are made in the first quarter of the fiscal year. As a result, the Group's cash inflow from operations in the second half of the year, historically, has been approximately double the amount of the first half of the fiscal year, which is reflected in the working capital fluctuation. Consequently, working capital tends to be significantly higher in the first half of the year as a higher proportion of profit and loss revenues are non-cash. This is reflected by the large negative creditors movement in the first half of the fiscal year and is mainly driven by negative deferred income movements.

The Group's working capital movement decreased by £103.4 million during the six months ended 31 December 2012, which represented a 29% adverse movement from a decrease of £80.3 million during the six months ended 31 December 2011. This was principally due to differences in timing of some cash receipts and payments from the prior year. Debtors receipts as at 31 December 2012 were lower due to late cash receipts (by one month) and creditor payments were higher in the first half of the year. Cash collection is generally significantly lower in the first half of the year as cash collections are mainly centred on the third quarter of the fiscal year as set out by contractual arrangements.

The Group's working capital movement during the year ended 30 June 2012 was a decrease of £0.6 million, which represented a substantial improvement from the negative working capital movement

£35.9 million the year ended 30 June 2011, due primarily to a one off advance lump sum receipt relating to a long term customer contract.

The Group's working capital movement during the year ended 30 June 2011 was a decrease of £35.9 million, which represented an increase of 76.8% from the negative working capital movement of £20.3 million in the year ended 30 June 2010, which was due primarily to the ongoing unwinding of various legacy contracted liabilities, which was partially offset by a one off lump receipt for a long term customer contract in the year ended 30 June 2010.

Capital expenditures

The Group's operations are capital intensive and the Group requires maintenance capital expenditure as well as additional capital spending to support its growth and development. This includes capital expenditure requirements in connection with the DSO as well as certain other significant requirements not related to the DSO, such as maintenance capital expenditures, which are expenditures required to provide replacement equipment for the Group's infrastructure.

Following the Group's completion of the DSO in October 2012, the Group is shifting its focus to leverage its engineering capabilities towards new engineering projects such as smart metering and WiFi infrastructure projects. See "*Business—Future projects*". The Group expects that smart metering projects will be driven by contract so that, aside from some limited capital expenditure for trials and certain exceptional bid costs, the Group will only incur capital expenditure to the extent it wins bids for smart metering projects, in which case the Group's returns on its capital expenditure would be contracted. For WiFi infrastructure, the Group expects to incur capital expenditure of approximately £10 million to £15 million in the near term to deliver a credible wholesale offering to the MNOs. Thereafter, the Group expects WiFi capital expenditure would only be committed once the Group has customer contracts in place. Therefore, in the long term, the Group does not expect to incur significant capital expenditure for growth projects without corresponding contracted turnover. See "*Business—Future projects*".

The Group's growth capital expenditure comprises ongoing satellite and BBC terrestrial site upgrade activities to enable HD broadcasts. 2010 was particularly high due to a one-off Arqnet (Arqiva network) project and spend on the Seesaw business. 2012 was also high due to commencement of 800 MHz Clearance project, which is a short term project and the ramp up of smart metering.

The table below sets out the Group's capital expenditures for the years ended 30 June 2010, 2011 and 2012 and the six months ended 31 December 2011 and 2012:

	Year Ended 30 June			Six Months Ended 31 December	
	2010	2011	2012	2011	2012
				(unaudited)	
				(£ millions)	
Maintenance	28.9	24.8	30.2	10.2	15.3
DSO	118.7	112.4	72.5	41.7	14.6
Growth ⁽¹⁾	61.1	36.7	58.8	29.7	21.1
Total net capital expenditure and financial investment	208.7	173.9	161.5	81.6	51.0

(1) Growth capital expenditure also includes cash sales of fixed assets.

For the six months ended 31 December 2012, the Group's capital expenditure and financial investment was £51.0 million, representing a 37.5% decrease from £81.6 million during the six months ended 31 December 2011. For the six months ended 31 December 2012, £15.3 million of capital expenditure and financial investment related to maintenance capital expenditure, £14.6 million related to DSO

capital expenditure and £21.1 million related to growth capital expenditure. The overall decrease in the six months ended 31 December 2012 was primarily attributable to completion of the technical delivery of the DSO project.

For the year ended 30 June 2012, the Group's capital expenditure and financial investment was £161.5 million, representing a 7.1% decrease from £173.9 million for the year ended 30 June 2011, of which £30.2 million related to maintenance capital expenditure, £72.5 million related to DSO capital expenditure and £58.8 million related to growth capital expenditure. The decrease was primarily attributable to the DSO.

For the year ended 30 June 2011, the Group's capital expenditure and financial investment was £173.9 million, representing a 16.7% decrease from £208.7 million for the year ended 30 June 2010, of which £24.8 million related to maintenance capital expenditure, £112.4 million related to DSO capital expenditure and £36.7 million related to growth capital expenditure. The decrease was primarily attributable to the DSO, and a decrease in growth capital expenditure from 2010 resulting from the development of the Arqnet fibre network and the SeeSaw business in the year ended 30 June 2010.

The Group expects to fund its budgeted capital expenditures principally through a combination of borrowings and cash from operations. The figures in the Group's capital expenditure plans are based on management's estimates and have not been appraised by an independent organisation. Since capital commitments that have been approved but not committed to contract may be subject to change, and because the Group may from time to time determine to undertake additional capital projects or decide not to proceed with others or not be awarded certain contracts, actual capital expenditures in future years may be significantly more or less than the historical amounts shown. There can be no assurance that the Group will execute its capital expenditure plans as contemplated at or below estimated costs. See "*Risk Factors—Business and industry risks—The Group is exposed to certain risks in respect of the development, expansion and maintenance of its broadcast and wireless telecommunications infrastructure, including the need for ongoing capital expenditures, which could have a material adverse effect on its business, financial condition and results of operations*".

Contractual Obligations and Commitments

The following table sets out the payments due by period under the Group's contractual obligations as at 31 December 2012:

	Payments due by Period				
	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
			(£ millions)		
Senior debt – A1	1,509.8	–	1,509.8	–	–
Senior debt – A2	581.8	–	581.8	–	–
Senior debt – facility C	684.8	–	684.8	–	–
Senior debt – working capital facility	64.3	64.3	–	–	–
Junior debt	315.7	–	315.7	–	–
Trade creditors	43.9	43.9	–	–	–
Accrued liability on IRS	277.3	–	277.3	–	–
Finance lease obligations ¹	14.8	0.5	0.7	0.8	12.8
Capital commitments	26.3	26.3	–	–	–
Operating lease commitments	147.8	18.8	31.5	22.9	74.6
Other creditors	367.0	243.5	28.0	25.4	70.1
Total non-Group	4,033.5	397.3	3,429.7	49.1	157.4
Amounts owed to Group undertakings ...	2,593.3	1,690.0	903.4	–	–
Total	5,117.1	2,087.3	4,333.1	49.1	157.4

(1) These amounts exclude future interest payments associated with these liabilities

Average interest rates on borrowed funds after adjusting to include the principal accretion on ILS was 5.32%, 5.08%, 4.89%, 4.88% and 4.92% in the years ended 30 June 2010, 2011 and 2012 and the six months ended 31 December 2011 and 2012, respectively.

Contingent liabilities

Under the terms of the Group debt facilities, the Group has entered into charges over its fixed and other assets as security under fixed and floating charges.

The Group is the lessee for various properties occupied by companies forming part of the Virgin Media (formerly NTL) group. The Group is in the process of assigning these leases to Virgin Media companies, but this process was incomplete at 31 December 2012. The Group remains the main tenant on two of the leases and Virgin Media companies continue to occupy the buildings concerned and to bear all costs associated with the properties, which carry an annual rental of £2.2 million in total. The total rentals remaining on the outstanding lease terms (which expire by November 2014 at the latest) at 31 December 2012 total £4.2 million. Although Virgin Media has indemnified the Group for these costs, the Group remains ultimately liable for the costs concerned.

Off-Balance Sheet Arrangements

The Group has not used special purpose vehicles or similar financing arrangements on an historical basis. In addition, the Group has not had and does not have off-balance sheet arrangements with any of its affiliates.

The Group uses IRS and ILS to reduce its exposure to fluctuation in variable interest rates on its debt. Receipts, payments and accreting liabilities on IRS and ILS are recognised on an accruals basis over the life of the instrument. Changes in the fair value of such derivatives are not required to be recognised under UK GAAP, but are instead disclosed. Amounts received and paid under IRS and ILS are shown at net value under financing costs, where they are part of the same legal agreement and settled at net value in practice. The Group also utilises forward purchase contracts for foreign currency transactions, and the changes in the fair value of such derivatives are not recognised, and the gain or loss on the settlement of such contracts is incorporated in the profit and loss account.

As at 30 June 2012, the Group had entered into IRS and ILS agreements covering a total notional value of £2,625 million in order to hedge its exposure to variable interest rates. £1,312.5 million had been hedged via IRS at an average fixed rate of 5.239% and £1,312.5 million had been hedged via ILS which fix interest at an average real rate of 2.02% indexed to RPI. The swaps have a mandatory break clause at the earlier of any refinancing of the Group's senior facilities or April 2014.

An amount of £277.3 million as at 31 December 2012 reflecting accrued liabilities under the ILS is included in the creditors line item on the balance sheet, representing a 17.5% increase from £236.3 million as at 31 December 2011. This amount is calculated on an accrual basis. Based on information provided by the Existing Hedge Counterparties, management estimates that as at 31 December 2012, the Group's mark to market value of its ILS and IRS was £1,115.8 million (as shown in Note 16 of the Group's unaudited condensed consolidated financial statements for the six months ended 31 December 2012 included in this Offering Memorandum). This comprised £480.9 million for the IRS and £634.9 million for the ILS. As at 31 December 2012, the present value of adding one basis point (**PV01**) to the rate payable was estimated by the Group to be £2.46 million for ILS and £1.65 million for IRS (prior to refinancing ILS). The Group estimates that after giving *pro forma* effect to the refinancing and rollover, the PV01 on the ILS would have been £2.46 million and the PV01 on the IRS would have been £1.29 million as at 31 December 2012. The PV01 represents the present value of adding one basis point to the fixed rate payable by the Senior Borrower, and is a function of interest rates and time (which means that the PV01 will vary from time to time). Management estimates that as at 31 December 2012, after giving *pro forma* effect to the restructuring and rollover, the mark to market

value of the ILS would have increased by approximately £420 million and after break costs of £106 million, the mark to market value of the IRS would have decreased by approximately £35 million. For further detail, see “*Capitalisation*”. Management believes that its estimates are reliable and based upon reasonable assumptions, although such assumptions have not been independently verified. This liability is not recognised on the balance sheet in accordance with Group accounting policy on the basis of UK GAAP. See “*Presentation of Financial and Other Information*”.

Market Risk Disclosure

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

Price risk

Energy is a meaningful component of the Group’s cost base. A large proportion of these costs are managed via pass-through arrangements to customers. The Group’s residual exposure to fluctuations in energy prices is managed by forward purchasing the majority of power requirements up to 18 months in advance.

Credit risk

The Group is exposed to credit risk from its customers but this is managed through credit checking procedures prior to taking on new customers, higher risk customers paying in advance of services being provided, and the generally lower risk nature of the majority of the customer portfolio.

Liquidity risk

The Group uses medium term debt finance to ensure the Group has sufficient available funds for operations and planned growth. In addition, at 31 December 2012 and 31 December 2011, the Group had £249.5 million and £37.6 million, respectively, available working capital facilities and cash to cover short-term cash flow timing differences if required. The Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. The Group carefully manages its liquid funds with balances currently spread across a range of reputable financial institutions and such counterparties have satisfactory credit ratings assigned by international credit rating agencies. The levels of credit risk are monitored through the Group’s ongoing risk management process, which includes a regular review of counterparty funds’ credit ratings. Risk in this area is limited further by setting a maximum level for deposits with any single counterparty and limiting the devaluation of investments.

Cash flow interest risk

As at 31 December 2012, the Group has variable rate bank debt and uses IRS and ILS to hedge its exposure to rising interest rates. The Group maintains a hedging policy to manage interest rate risk and to ensure the certainty of future interest cash flows. The Group currently has fixed rate hedging, split equally between IRS and ILS. IRS convert variable interest rate interest costs to fixed rate interest costs while inflation swaps convert variable rate interest costs to RPI-linked costs, which are primarily driven by fluctuations in the RPI index as do the revenues generated from a significant proportion of the Group’s customer contracts.

Foreign exchange risk

The Group operates from UK sites and predominantly in the UK market, but has some transactions denominated in foreign currency, most notably net U.S. dollar and euro receivables from its satellite business. While some customer and supplier contracts are denominated in other currencies (U.S.

dollars and euros), the majority of the Group's turnover and cost are sterling based, and accordingly exposure to foreign exchange risk is low. Management regularly monitor the impact of foreign exchange risks and put mitigating financial instruments in place, usually forward foreign exchange contracts for up to twelve months.

Recent and Prospective Changes in Accounting Policies

To the best of the Group's knowledge, there are no accounting standards applicable to it that will require a prospective change in any of its accounting policies.

Critical Accounting Policies

Turnover

Turnover, which is stated net of value added tax, includes the value of charges made for transmission services, distribution services, products, facilities leasing, research and development contracts, external network services to national and international telecommunication operators, other contracts, rents from properties and charges made under site sharing agreements.

Turnover is recognised as services are provided. Cash received or invoices raised in advance is taken to deferred income and recognised as turnover when service is provided. Where consideration received in advance is discounted, the effect of the time value of money, where material, is reflected within turnover and interest payable and similar charges. During the financial year ended 30 June 2012 £6.1 million of revenue and £10.0 million of interest expense was recognised as a result of the time value of money. Turnover recognised in advance of cash received or invoices raised is taken to accrued income.

Derivative financial instruments

The Group uses IRS and ILS to reduce its exposure to fluctuations in variable interest rates on its debt. Receipts, payments and accreting liabilities on IRS and ILS are recognised on an accruals basis, over the life of the instrument. Changes in the fair value of such derivatives are not recognised. Amounts received and paid under IRS and ILS are shown net under financing costs, where they are part of the same legal agreement and settled net in practice. The Group also utilises forward purchase contracts for foreign currency transactions, the changes in the fair value of such derivatives are not recognised, and the gain or loss on settlement is taken to the profit and loss account.

The Group has not voluntarily adopted FRS 26 "Financial Instruments: Recognition and Measurement", and if it had done so then changes in the fair value of such derivatives would be recognised in the financial statements. Management does however use mark to market valuations to determine the fair value of financial instruments which is disclosed in the notes to the financial statements.

Upon completion of a refinancing, to the extent that IRS and ILS are closed out; the amount by which such a swap which hedged the refinanced debt is in or out of the money is recorded on the balance sheet and amortised on a straight line basis over the period of the replacement debt consistent with the Group's original finance hedging objective.

Leasing Commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group, are capitalised in the balance sheet and depreciated over their useful economic lives or the lease term, if shorter.

The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding.

Operating lease payments for assets leased from third parties are charged to the profit and loss account on a straight line basis over the period of the lease.

Equipment leased to customers under finance leases is deemed to be sold at normal selling price and this value is taken to turnover at the inception of the lease. Debtors under finance leases represent outstanding amounts due under these agreements, less finance charges allocated to future periods. Finance lease interest is recognised over the primary period of the lease so as to produce a constant rate of return on the net cash investments.

Basis of Preparation

The financial statements have been prepared in accordance with the Companies Act 2006 (the **Companies Act**) and applicable UK accounting standards under the historical cost convention. In order to show a true and fair view, the Group's policy in respect of merger accounting departs from the requirements of the Companies Act. Details of the departures are given in the financial statements.

Basis of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Group and the results of all controlled entities. Businesses acquired, previously held externally to the Group, are accounted for as acquisitions with effect from the date control passes. Those disposed of are accounted for up until the date of disposal. Intra group profits have been eliminated. Undertakings, other than subsidiary undertakings, in which the Group has an investment representing not less than 20% of the voting rights and over which it exerts significant influence are treated as associated undertakings. Associates are accounted for using the equity method of accounting in accordance with FRS 9, "Associates and joint ventures". Joint ventures are accounted for using the gross equity method. The consolidated financial statements include the appropriate share of those undertakings' results and reserves.

Pensions

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and terms to the scheme liabilities.

Any defined benefit asset or liability is presented separately on the face of the balance sheet and net of deferred tax.

In the year to June 2009, Arqiva Limited operated two defined benefit pension schemes, the Arqiva Defined Benefit Pension Plan (the **Plan**) and the Arqiva Services Limited Pension Scheme (the **Scheme**). The Scheme merged into the Plan on 31 December 2009. Therefore, as from 30 June 2010, there is now a single defined benefit pensions arrangement operating, with Arqiva Limited as the sponsor. On this basis the disclosure for the schemes has been combined

The assets of the scheme are held separately from those of Arqiva Limited in trustee-administered funds.

The triennial valuation of the Group's defined benefit pension obligations as at 30 June 2011, for actuarial funding purposes, has resulted in an assessed deficit of £17.4 million. Gross plan liabilities at the valuation date were £130.5 million compared to gross plan assets of £113.1 million. Arqiva Limited has agreed with the trustee to make deficit recovery payments into the plan of £5.7 million in July 2013,

£5.7 million in July 2014 and £4.1 million in July 2015, after taking into account payments already made under the previous recovery plan since the date of the valuation. See Note 24 to the Group's unaudited condensed consolidated financial statements as at and for the six months ended 31 December 2012.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at original purchase cost (which includes costs directly attributable to bringing the assets into working condition), being fair value for acquired subsidiaries, less accumulated depreciation and any provision for impairment.

In accordance with FRS 15 'Tangible fixed assets', directly attributable finance costs are capitalised where assets take a significant period of time to become ready for use.

Depreciation is provided on a straight line basis at rates calculated to write off the cost or valued amount, less estimated residual value, of assets over their estimated useful lives. The useful economic lives of the assets have been determined taking into account the expected rate of technological developments, market requirements and expected use of the assets. The selected depreciation rates are regularly reviewed to ensure they remain appropriate to the Group's circumstances.

Asset Description	Estimated Useful Life
Freehold buildings	60 – 70 years
Leasehold buildings	Length of lease
Plant and equipment	
– Communications infrastructure network	8 – 100 years
– Network computer equipment	3 – 20 years
– Motor vehicles	3 – 5 years

Freehold land is not depreciated.

Capital work in progress is not depreciated until construction is complete and the asset is capable of operating in the manner intended by the Group in accordance with FRS 15.

Provisions

The provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

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

Goodwill

Purchased goodwill is capitalised and amortised on a straight line basis over its estimated useful life, which is considered to be no longer than 20 years. The Group capitalises costs associated with the acquisition of subsidiaries within goodwill.

INDUSTRY

The information in this section, unless otherwise indicated, has been derived from reports prepared by Ofcom, Enders Analysis, the BARB, Digital UK, Digital Television Multiplex Operators Limited (combined into Digital UK on 1 January 2013), HM Treasury, operator data and websites, broadcaster reports and the UK government, as well as from other publicly available information sources. Such reports were neither prepared nor independently verified by the Group. The information may be inconsistent with other information compiled within or outside the UK. Much of the information set out in this section is based on estimates made by Ofcom and the BARB, and should be regarded as indicative only and treated with appropriate caution. While the Group accepts responsibility for accurately summarising the information from these external sources, as far as the Group is aware and able to ascertain, no facts have been omitted which would render this information inaccurate or misleading, and the Group accepts no further responsibility in respect of such information.

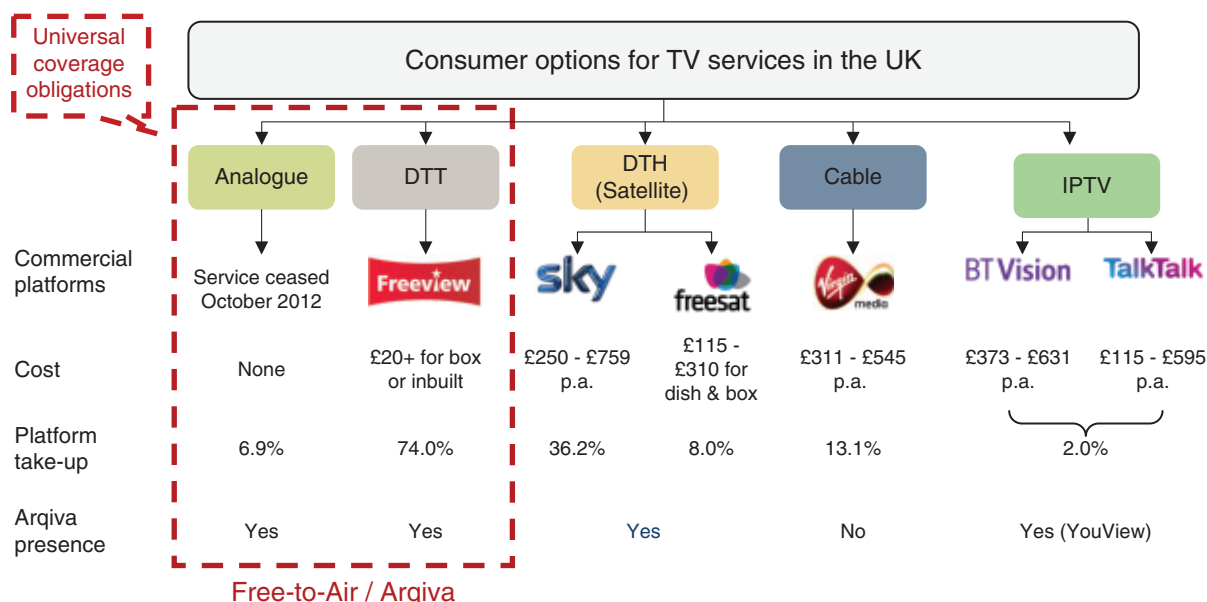
The UK Broadcast and Media Industry

The UK broadcast and media industry comprises the television, radio, terrestrial broadcast, satellite and wireless industries. Ofcom is the UK's independent regulator and competition authority for communications, regulating the television and radio sectors, fixed line and mobile telecommunications sectors as well as wireless spectrum management.

The Television Broadcast Industry in the UK

The UK television market offers a broad choice of channels available to viewers on both free-to-air (FTA) television and pay-television platforms. Transition of the television market from analogue to digital services is complete, with 98.5% of UK households receiving digital terrestrial television (DTT) broadcast signals as at the completion of the digital switchover (DSO) on 24 October 2012. Other delivery platforms available to viewers include DTH satellite, cable, and IPTV.

Major Television Delivery Platforms in the UK as at 31 March 2011

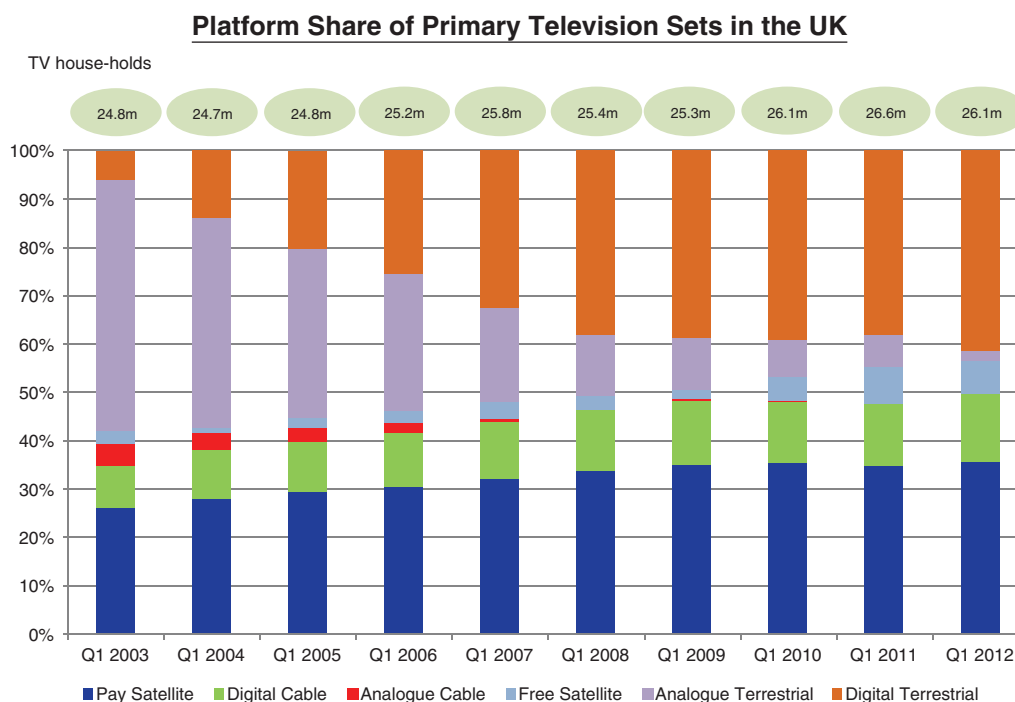


Competition and Market Share of Television Platforms

The relative popularity of television platforms which provide viewers with channels can be evaluated by considering the share of homes connected to each platform. Because most UK homes use multiple television sets, a distinction exists between primary sets (typically in the living room and generating the majority of viewing) and a number of secondary sets in other rooms.

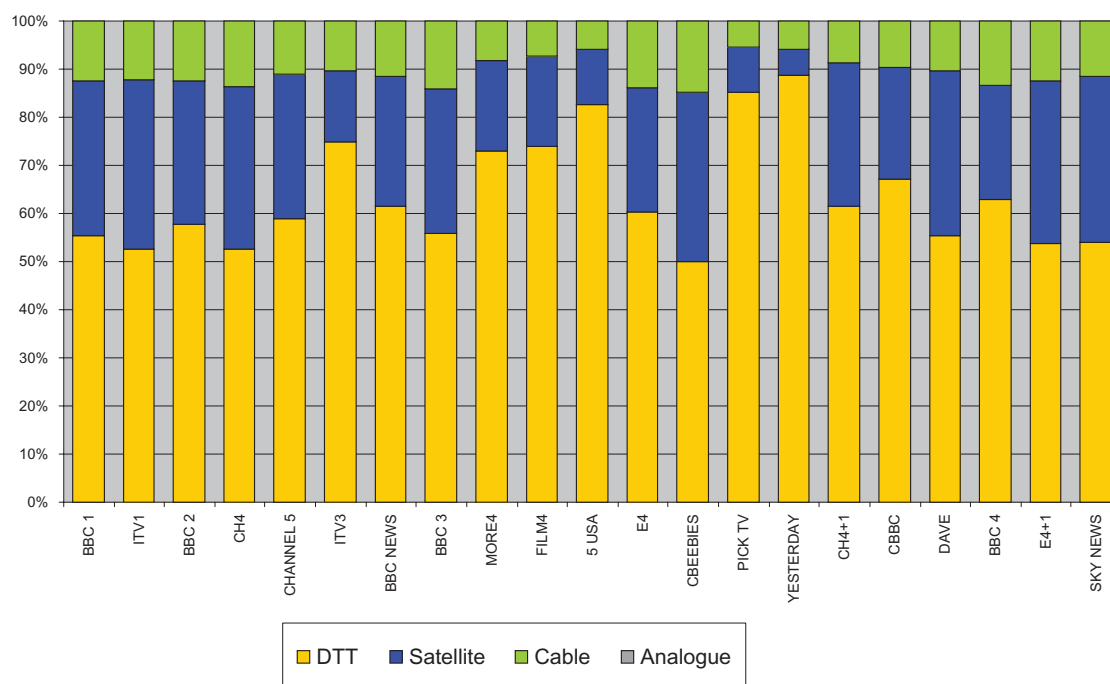
Television Platform Market Shares—Primary Sets

Terrestrial television represented 43% of primary television viewing as at March 2012. This market share has remained broadly stable over the past four years, but has decreased from a 58% share in 2003. As at 31 March 2011, DTT (Freeview) was used in 74% of homes for at least one television set, and in 39.6% of homes was the only television broadcast platform. The share of terrestrial television has remained relatively constant since 2008, though analogue terrestrial broadcast has been replaced by DTT. The reduction in overall terrestrial market share can mainly be attributed to increased market share of the subscription free DTH (including Freesat and Sky Free Sat) and pay-television DTH (Sky Pay TV) platforms. The Sky platform is the next largest platform after Freeview and provides the primary service in 36% of households as at 31 March 2012, a market share that has remained generally stable since 2010. The next largest provider is Virgin Media, which serves approximately 14% of households as at 31 March 2012 and whose market share has also remained stable since 2008. The FTA DTH platforms (Freesat and Sky Freesat) have shown strong growth in the last several years and had approximately 7% market share for primary television sets as at 31 March 2012.



Source: Ofcom—Communications Market Report Q1 2012

Percentage Viewing Platform Share of Primary TV Sets by UK TV Platform (December 2012)

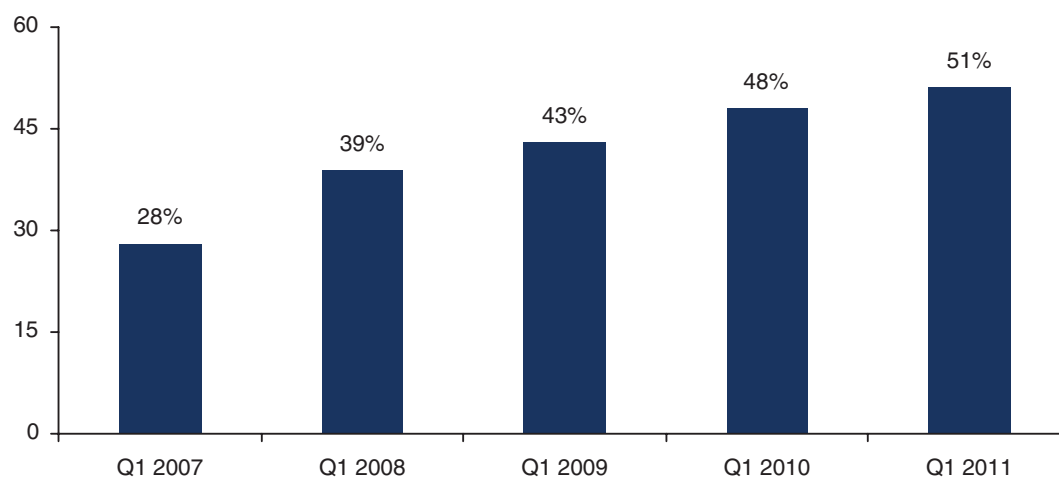


Source: BARB/Attentional December 2012

Impact of Non-Primary/Secondary Television Sets

In addition to the 26.1 million primary television sets in the UK, there are approximately 35 million non-primary television sets. While the DTT market share has remained stable for primary television sets, at around 39%, the share for non-primary television sets has been increasing, and therefore the DTT share on all television sets had reached 51% as at 31 March 2011. In total 74% of all UK homes had at least one DTT television set (primary or non-primary) as at 31 March 2011.

DTT TV Platform Market Share Across All Television Sets as Percentage of Total TV Homes



Total number of homes: 60 million

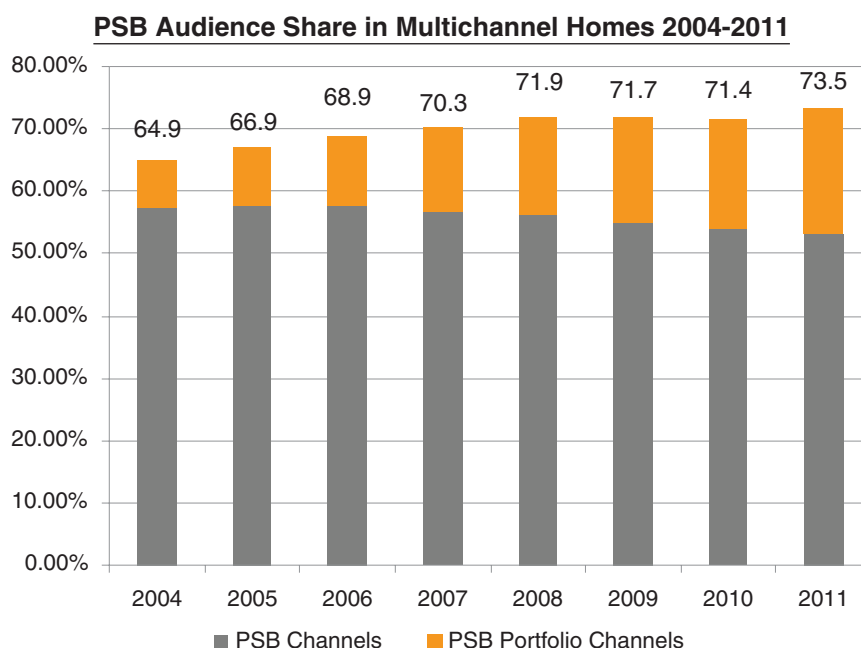
Source: Ofcom—Digital TV Updates Q1 2008, Q1 2009, Q1 2010, Q1 2011

Broadcasters in the UK Television Industry

The broadcast industry in the UK consists of both PSB channels and commercial broadcasters. The PSBs, most notably the BBC, ITV, Channel 4 and Channel 5, have undertaken to broadcast channels with agreed levels of public service programming in return for public support. The PSBs also have an obligation to provide coverage to 98.5% of the population. The purely commercial broadcasters, such as BSkyB, UKTV and Discovery, operate free of public service obligations with regards to either content or coverage. Despite the emergence of alternate delivery platforms, PSB audience share has remained high, particularly when PSB portfolio channels are taken into account.

BSkyB is the largest purely commercial broadcaster, providing a broad range of Sky-branded channels as well its own proprietary content. BSkyB is unique among broadcasters in controlling its own DTH distribution platform, although its license requires it to provide access to third-party broadcasters. Sky channels are therefore predominantly distributed on its own DTH distribution platform, but some are also distributed on the Virgin Media cable platform as well as on BT Vision. Sky News, Pick TV and Challenge are also available on a free-to-air basis on Freeview. Sky has a large number of High Definition (**HD**) channels available on its DTH platform.

Virgin Media is the UK's only cable platform operator and distributes a wide range of channels on a pay-TV basis.



Source: Ofcom—Communications Market Report July 2012

Funding Framework

The array of television channels available is shaped by the funding framework. There are three primary types of channel funding: television-licence funded, advertisement funded, or subscription funded. Secondary sources of television funding are: transaction funded, sponsorship funded, or receive other public funding sources.

In the United Kingdom and its Crown Dependencies (Jersey, Guernsey and the Isle of Man), any household watching or recording live television transmissions as they are being broadcast (terrestrial, satellite, cable, or internet) is required to purchase an annual television licence. Since 1 April 2010 the fee has been £145.50 for colour and £49.00 for black and white (*Source: TV Licensing*). Income from the licence is primarily used to fund the television, radio and online services of the BBC. According to

the BBC, total levies from the licence fee were £3.681 billion in 2011–12 of which £588.4 million or 16.0% was provided by the UK government through concessions for those over the age of 75.

The primary recipient of television licence funding, derived from the fee levied on each household that receives television broadcasts, is the BBC. As a result the BBC has one of the most stable and well-established funding sources in UK media. The BBC was the first television broadcaster in the UK, and remains a central element of the UK broadcasting environment. It benefits from substantial public financing through the annual television licence fee, which is renewed every ten years by Royal Charter, and from independent governance arrangements. Through these resources the BBC has been able to develop a significant original programming portfolio with a public emphasis and to ensure broad availability to the UK population. The introduction of DTT has allowed the BBC to expand from two terrestrial channels to eight streams across six channels, plus two additional HD channels, allowing for the introduction of specialised channels to complement its original variety channels.

With the exception of the BBC, all broadcasters are permitted to generate income from advertising, though some pay-TV broadcasters emphasise subscription/pay income rather than advertising income. Advertising channels are funded by the revenue from selling advertising time on broadcast, and it is the primary source of revenue for PSBs other than the BBC. Subscription funded channels receive their revenue from viewers who purchase access to a channel (or a portfolio of channels). Transaction funded channels receive revenue derived from products sold over the channels, for example Ideal World. Sponsorship funded channels receive money from viewers or supporting organisations, and other public funding sources may support certain specialty channels, for example religious programming. Additionally, some channels receive income from re-selling original content they produce to other broadcasters.

TV Advertising

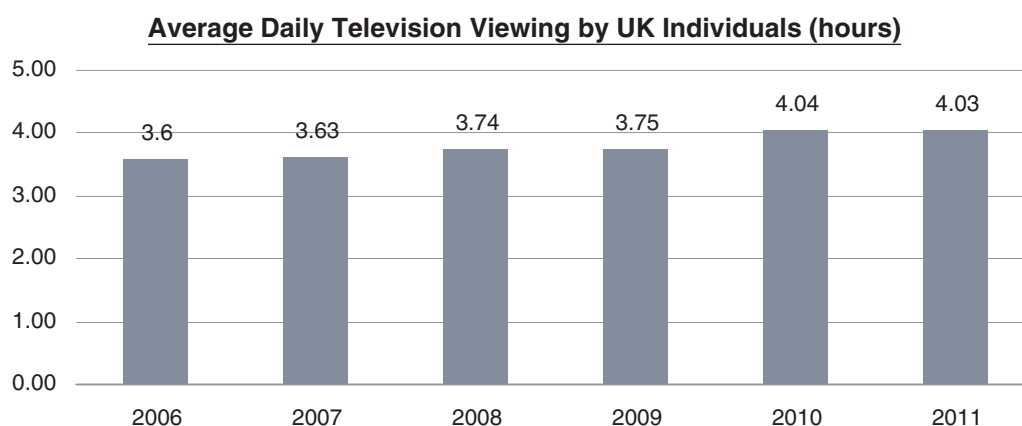
Television advertising revenues are generated by three main types of channels: PSB channels, PSB portfolio channels and commercial multi-channels.

Despite a reduction during the 2009 recession that reflected general economic contraction, net advertising revenue has increased at 0.5% Compound Annual Growth Rate (**CAGR**) from 2006 to 2011. After a decline during the economic downturn, the overall market demonstrated some recovery in 2010 with a revenue increase of 6.5% CAGR from 2009 to 2011.

For the distribution of advertising spend across all media, the growth of internet advertising has had a significant detrimental impact on income for newspapers and magazines (which dropped at a CAGR of approximately 10% per year between 2005 and 2010), but television advertising has remained relatively resilient, suggesting that television continues to be a valued medium for advertisers, supported by 98.5% (PSB)/90% (commercial) coverage and the penetration of the Freeview platform.

UK Television Daily Viewing

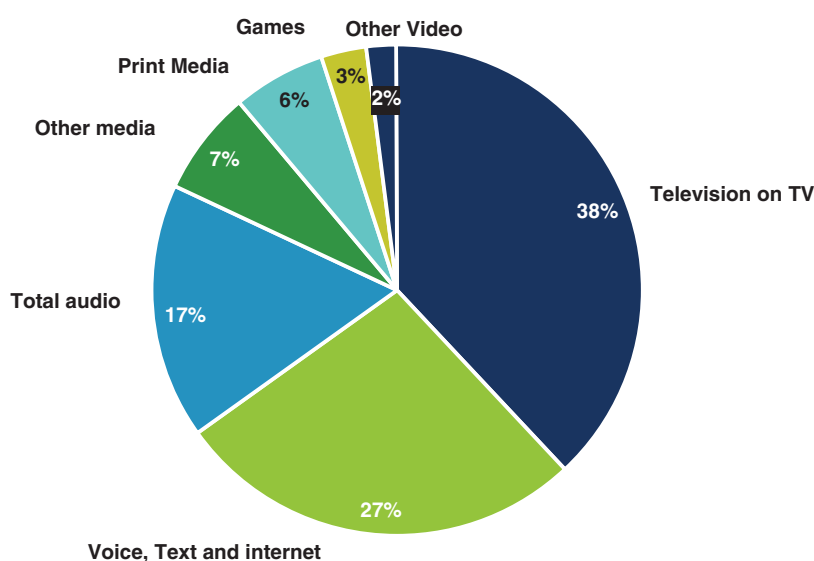
Despite the emergence of competing media devices such as computers, internet-enabled televisions, tablets, smartphones and gaming consoles, broadcast television viewing has continued to grow. According to the Ofcom Communications Market Report, July 2012, the average individual in the UK watched 4.03 hours of television every day in 2011, compared to 3.65 hours per day in 2005 (the 2009 to 2010 increase is partly attributable to increased monitoring of secondary television sets).



Source: Ofcom, Communications Market Report, July 2012

Television remains the most popular form of media in the UK, accounting for 38% of daily media usage in 2009, followed by voice, text and internet at 27%.

Share of Daily Media Usage by UK Adults (16+) (%)



Note: (1) Other video contains TV watched on non-TV devices

Source: Ofcom—Communications Market Report August 2010

UK Television Delivery Platforms

Television delivery platforms are the means of linking audiences and channels. Broadcasters employ platforms to air their channels in order to reach platforms' audiences, with platform selection driven by the incentives to maximise viewing numbers; and audiences select platforms for viewing based on the range of channels offered and the costs associated with connecting to such platform.

Broadcasting platforms are integrated systems that carry a range of television channels from broadcasters to viewers. They comprise a transmission network (such as terrestrial broadcast towers, satellite, cable or telecom networks) and an associated receiver, which may be integrated within the television set or may be a separate “set-top box”. The set-top box allows users to search, receive and decode the channels and programmes they wish to watch. More advanced receivers allow users to record programmes onto a personal video recorder (**PVR**) or connect to the internet. On pay-television platforms, the set-top box also allows active subscribers to decode encrypted channels.

The FTA platforms in the UK are operated by the Freeview and Freesat consortia, while pay television platforms (including Sky, Virgin Media and BT Vision) are run on a proprietary commercial basis by a platform operating company. The major platform options for viewers are as follows:

- DTT–Freeview;
- DTH satellite pay-television services, operated by BSkyB;
- Cable television services, operated by Virgin Media;
- FTA DTH satellite services, operated by FreeSat and BSkyB;
- IPTV services (the majority of which are a hybrid of DTT and IPTV), operated by a number of companies including TalkTalk, BT Vision, and YouView;
- Internet-based catch-up services such as BBC iPlayer, ITVplayer, and 4oD; and
- Over-the-top players (wherein the internet service provider does not manage the content), such as LoveFilm, Netflix, iTunes and YouTube.

Analogue Terrestrial Television

Analogue services remained in operation until the DSO was completed, but were switched off in October 2012. The service carried five channels, which were simulcast with digital since DTT’s initial launch.

Digital Terrestrial Television

The DTT platform is principally used to provide FTA services, branded as Freeview. Freeview is backed by five shareholders: BBC, BSkyB, Channel 4, ITV and Arqiva. Freeview carries a range of FTA channels, shopping channels, digital radio stations and interactive services to the primary television sets of more than ten million households, representing 41% of the total audience market share among primary television viewing as at 31 March 2012. DTT’s use on secondary sets in the home means that total Freeview penetration is 74% as at 31 March 2011.

In addition to Freeview, the DTT platform is also used to carry a smaller number of pay-television channels, such as Sky Sports and ESPN, that are provided by Top-up TV and BT Vision (as a hybrid DTT/IPTV platform). These pay-television channels utilise a conditional access control to limit reception to paying subscribers.

Freeview launched in October 2002 and was broadcast at low power in parallel with the analogue network. The DSO commenced in 2009 on a region-by-region approach, and by October 2012 all terrestrial transmitters in the UK were converted to digital and analogue services were discontinued. As the DSO continued the reach of DTT coverage increased from 85% of UK households as at June 2011 to 98.5% of households upon DSO completion with regards to PSB channels, and from 73% as at June 2011 to 90% upon DSO completion with regards to commercial channels. The reason for the difference in coverage levels between the PSB and commercial channels is attributable to the high marginal costs of expanding coverage. To achieve 98.5% coverage requires transmitters to be installed and operated at 1,154 sites across the UK, while 90% coverage requires transmitters at only 80 sites.

Technology developments have allowed the capacity of the Freeview platform to be expanded in recent years, such that the platform now carries up to 50 digital television channels and 24 digital radio stations. A PSB HD service launched in 2010 and upon completion of the DSO reached 98.5% of the UK population. The HD offering includes two BBC channels and one for each of ITV and Channel 4, and is available to viewers with an HD receiver.

DTH Pay-television—BSkyB

DTH Pay-television uses satellite transmission to broadcast content, and is a major competitor to DTT. BSkyB launched DTH satellite pay-television services in the UK in 1990 and as at 30 June 2011 offers over 500 channels, including more than 50 HD channels, to its 10.2 million pay-television customers (approximately 9.3 million of whom are in the UK). Subscriber numbers have been stable since 2010. Channels include premium sport and film channels and a wide range of other premium and basic-tier channels, as well as the PSB channels. The original satellite services were analogue but the network is now fully digitalised. In contrast to the free DTT services, Sky charges on a monthly basis for its programming services and requires customers to sign up for initial annual contracts for installation. The Sky pay-television service starts at approximately £240 per year, and additional premium or specialty channel packs, including sport and movie packs, cost approximately an additional £240 per year (based on advertised April 2012 costs).

DTH pay-television is available to approximately 98% of the population, with limitations due to geography and planning permission for satellite receivers. Customers require a satellite dish (which Sky installs) to receive the satellite signal and a proprietary set-top box to decode the channels. Sky has developed a wide range of services, including multi-room services, the Sky+ PVR service, multiple HD channels and an initial 3D service launch.

Sky also offers customers pay-television, internet and telephone services bundled together as a single “triple play” product. It has also launched the Sky Anytime+ service, allowing customers to watch on-demand programming via broadband in order to complement satellite-delivered broadcast service. The Sky Go and Sky NOW TV services enables subscribers to watch live channels as well as on-demand content from many media devices, such as iPads, iPhones, and laptop computers.

Cable Television—Virgin Media

Cable television provides a competing alternative to DTT for media delivery, as well as providing other services. Virgin Media operates the UK’s only cable television network and provides television services to approximately 4.8 million active customers as at 31 December 2011. Due to the physical extent of the cable network, only approximately 13 million homes in the UK are capable of accessing the network.

Virgin Media was formed from the merger of NTL and Telewest in 2006, which in turn were the result of earlier consolidation of numerous original regional cable franchises. Initial cable television services were analogue but the network is now fully digitalised.

Virgin Media offers a combination of pay-television, broadband and telephone services over its cable network and the acquisition of Virgin Mobile has provided the opportunity to offer “quad play” integrated mobile device services as well. As with DTH satellite services, cable television providers charge monthly subscriber fees based on channel bundles, charge an installation fee and require an initial annual contract. The Virgin pay-television service starts from approximately £156 per year for a package of 80 channels, with the possibility of adding additional channel packages, and requires that customers also separately purchase a broadband connection (based on advertised January 2013 costs).

Virgin Media introduced HD services in 2010 and launched 3D services in 2011, and its two-way HFC network means that it can offer video-on-demand services and high speed broadband services which Virgin claims run at up to 120 Mbps.

FTA DTH—Freesat and Sky Freesat

FTA DTH is a competitor to DTT, offering some additional channels, greater HD capability and 98% service availability to UK homes (due to physical and planning constraints). It also allows viewers on the margin of the terrestrial Freeview network access to FTA DTT service.

There are currently two providers of FTA DTH, Freesat and BSkyB. Freesat is a FTA DTH satellite service, jointly owned by ITV and the BBC that launched in 2008. It offers approximately 130 television channels and 40 radio channels, and has about 2 million users as at January 2012 according to Freesat. Viewers must purchase a satellite dish and a Freesat set-top box or receiver, which are sold by independent retailers. BSkyB offers its own variation of the FTA DTH service. New viewers can pay Sky to have this Freesat service installed, and existing Sky subscribers can choose (after their minimum contract period) to cancel their subscription and move to the FTA service. BSkyB's Freesat service includes 240 television channels (including 6 FTA HD channels) and 85 digital radio channels.

IPTV Services

Broadband networks provide an additional means of delivering television programmes to viewers.

BT has played a central role in the rollout of IPTV in the UK through its BT Vision product, which was launched in 2006 and allows BT to add pay-television to its broadband and telephone offering. In addition, BT Vision distributes the Sky Sport channels via DTT, using Arqiva Digital Platforms spectrum. However, the take up of the BT Vision service has been limited compared to other television platforms with approximately 639,000 subscribers as at November 2011 according to Enders Analysis. The service comprises a proprietary PVR set-top box providing access to a number of premium channels (such as Sky's sports channels), on-demand movies and terrestrial FTA channels via an integrated Freeview receiver.

Other IPTV delivery systems include Apple TV, Google TV, and Roku. These systems are generally capable of streaming and storing digital media, particularly video, and can provide access to web media content such as Netflix and iTunes. However, the uptake of these systems has been limited, and it is unclear if they will offer significant competition to existing broadcast platforms.

YouView is the latest major advance in television services in the UK, and has been developed by a consortium comprising the BBC, ITV, Channel 4, Channel 5, BT, TalkTalk and Arqiva. YouView builds on the existing Freeview platform to incorporate additional on-demand-catch-up services from broadcasters and pay services, which are expected to be provided by players including BT and TalkTalk. The current channels available on Freeview continue to be delivered over DTT as part of YouView. Compared to the current Freeview service, users of the YouView platform have access to a wider range of content provided that they have an adequate broadband connection. The service was launched in July 2012 and requires a new set-top-box and a broadband connection. Set-top boxes are provided by BT, TalkTalk and Kingston Telecommunications under subscription and also sold via retailers.

Internet Services

The internet is an additional source of free and paid programming for viewers from a variety of providers. Most major UK broadcasters operate websites providing live and catch-up viewing in addition to conventional website content. Examples include the BBC's iPlayer service, ITVplayer, 4oD, Sky NOW TV and Sky On Demand.

Content is also available from a variety of other UK and international specialty online services, such as YouTube, Blinkbox, iTunes, LoveFilm and Netflix.

To date, most internet video services have been viewed through personal computers and notebooks rather than on television sets. However, there has been an increasing trend of incorporating internet access capabilities into technically advanced television sets, which is expected to lead to convergence

between the internet and television platforms. However, take-up of internet video services is currently limited by access to robust high-speed broadband, and IPTV is currently unable to provide linear streaming of live video content due to technical restrictions on its capacity.

The UK Radio Industry

Radio services are typically available in the UK through analogue and digital terrestrial radio transmission, via the internet, and through the transmission of audio-only streams on terrestrial and satellite TV platforms. The UK does not at present have a dedicated satellite radio service available for mobile use.

Compared to the television market, where the remit of broadcasters is nationally focussed, local stations, whether BBC, commercial or community stations, are an important feature of the UK's radio market. Community radio licences are a relatively new market presence, introduced by Ofcom in 2005, and operate on a non-profit basis.

Number of UK Radio Stations by Type

	Analogue		Digital	Total
	AM	FM	DAB	
Local commercial	54	242	169*	465
UK wide commercial	2	1	13	16
Local BBC	36	46	50**	132
UK wide BBC	1	4	10	15
Community radio	6	192	28***	226
Total	99	485	270	854

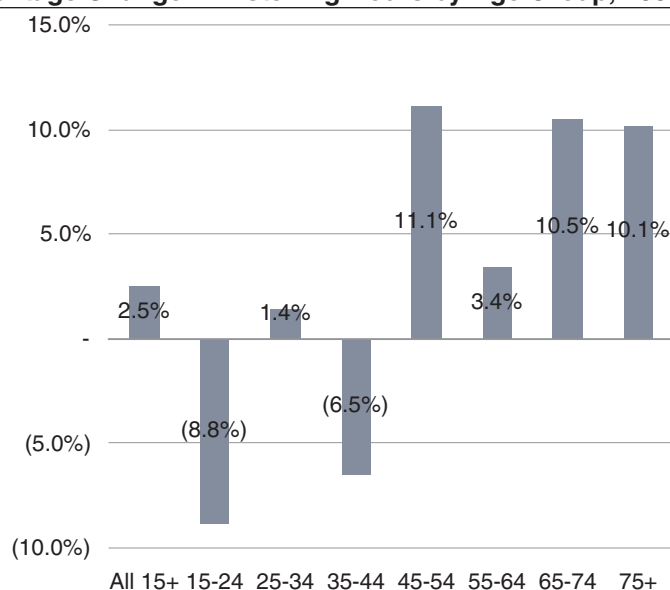
Note: Totals reflect the number of transmissions rather than the number of unique stations (some stations are simulcast across platforms)

Source: DABInfo; Ofcom—*The Communications Market: Digital Radio Report, July 2011 & July 2012*

Popularity of Radio

According to Ofcom, on average radio listeners in the UK listened to 22.5 hours of radio each week in 2011, up by 0.4 hours from 2010. According to Ofcom, the average number of radio listening hours per adult has decreased by 7.8% between 2001 and 2011, although 2011 saw a 3.0% increase in total listening hours compared to 2009. The overall decline is split by age group. The under-45 demographic group has reduced its radio listening, while the over-45 group has generally increased its listening. The result has been that overall radio listening has remained constant or grown slightly over the past five years.

Percentage Change in Listening Hours by Age Group, 2007-2011

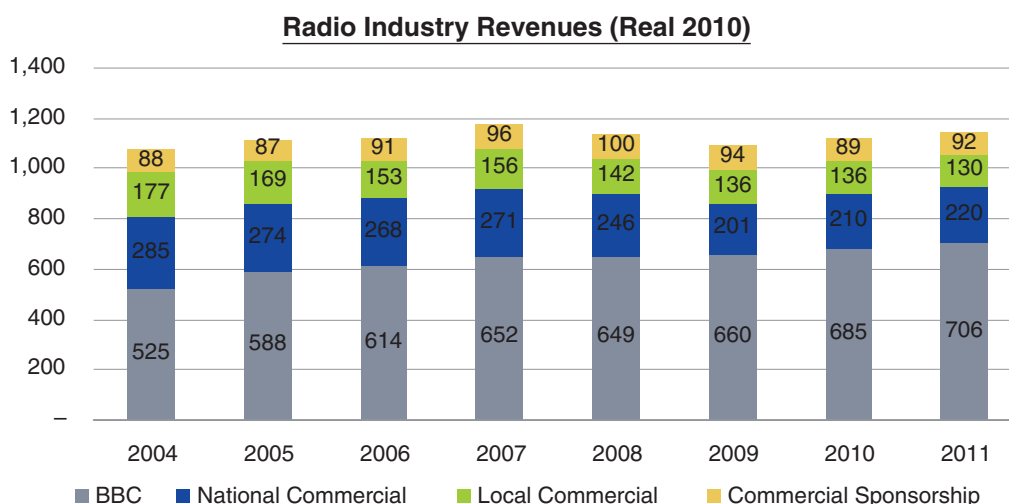


Source: Ofcom Communications Market Report July 2012

According to Ofcom, split by station type, local BBC stations have seen the greatest decrease in listening volume, with a 21% decrease between 2005 and 2010, followed by local commercial stations with a 7.3% decrease. By contrast, national commercial stations have experienced a growth of 5.2% over the same period. All types of radio stations experienced a listening volume growth in 2010 compared to 2009, with national commercial stations demonstrating the strongest growth at 7%.

Radio Industry Revenues

According to Ofcom, the UK radio market was estimated to be worth £1.1 billion in 2010, with estimated BBC expenditures of £685 million (61% of the total) and commercial and sponsored radio advertising revenues of £438 million (39%).



Source: Ofcom—Communications Market Report August 2011 & Communications Market Report July 2012

National commercial radio advertising revenues declined significantly in 2008 and 2009, with a fall of 28% between 2007 and 2009 in real terms. The advertising market for national commercial radio stabilised in real terms in 2010, partially underpinned by increased listening volumes of 7%, and then rose in 2011, driven largely by increases in national commercial revenues. However, advertising revenues remain below pre-recession levels and it is possible that a structural shift has taken place with advertisers moving their advertising spend online.

Local advertising revenues have experienced a similar decline during the recession, dropping by 16% between 2007 and 2009, with further declines in 2010 and 2011. This is partially attributed to a lower listening volume growth of 1.2%, but likely also to structural changes in the advertising market.

In contrast to the commercial sector, the BBC's revenues increased during the recession as a result of television licence fee price increases. However, the BBC is expected to face increased cost pressure, with the licence fee fixed at the 2010 level until at least 2016.

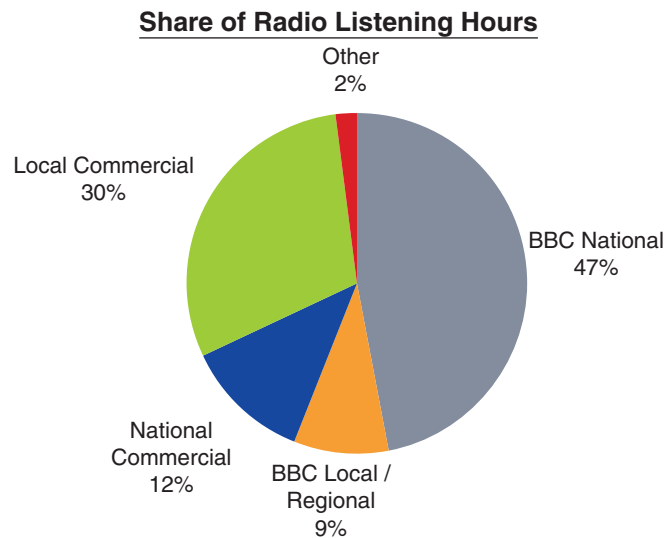
The average income for a community station in 2011 was £60,250 with the largest source of funding being grants (33%), advertising and sponsorship (26%) and donations (13%).

Radio Broadcasters

The UK radio broadcasters can be grouped in to three main categories:

- BBC (UK-wide, regional and local);
- Commercial (UK-wide and local); and
- Community.

The BBC has a listening share of 56%, while commercial broadcasters account for 42% of total listening share.



Source: Ofcom—Communications Market Report July 2012

BBC

As a PSB, the BBC has a unique standing within the UK radio broadcasting market. It is publicly funded through the annual television licence fee and in return must fulfil a range of obligations arising from its licences with Ofcom, including:

- Maintaining universal coverage, defined as reaching at least 98.5% of the population;
- Sustaining citizenship and civil society;
- Promoting education and learning;
- Stimulating creativity and cultural excellence;
- Representing the UK, its nations, regions and communities; and
- Delivering to the public the benefit of emerging communications technologies and services.

To support these obligations, the BBC broadcasts 37 radio stations on AM (one of which is national), 50 on FM (four of which are national) and 43 on DAB (eleven of which are national). As many stations are simulcast across multiple platforms, (AM/FM/DAB), the total number of unique stations is 57 (eleven of which are national).

Commercial Broadcasters

The UK commercial radio broadcast market is fragmented with a large number of local licences (approximately 450 analogue and DAB) held by various companies. As at June 2011, the two largest companies are Global Radio with 22% of local analogue commercial licences and Bauer Radio with 14%. Companies including UKRD, UTV, Guardian Media Group and Lincs FM own between 3.5% and 7% each. The remainder of the market has a highly fragmented ownership structure, with 16% of the licences controlled by independent operators.

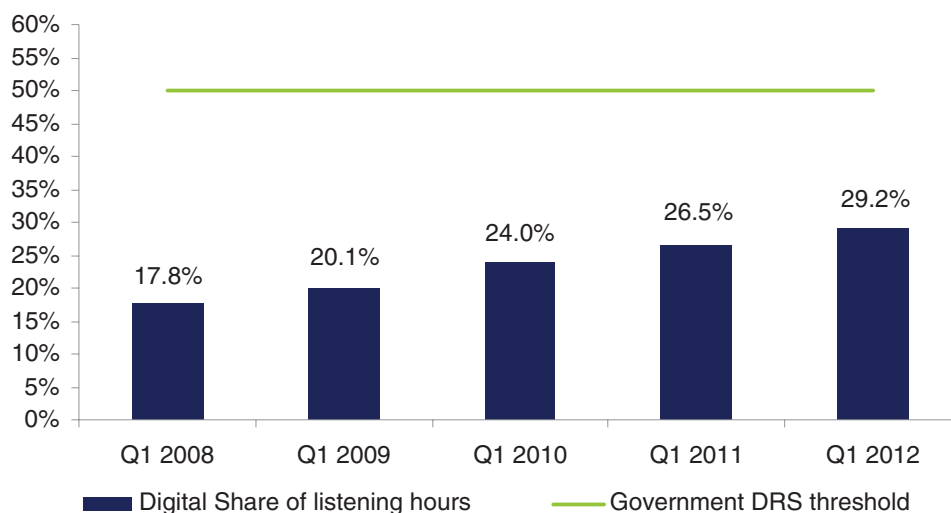
Community Radio

Community radio stations are small-scale operations that are operated on a non-profit basis for the good of the public or particular communities to deliver social benefit. Funding can come from different sources, such as, grants and donations, but also from advertising and sponsorship. However, advertising and sponsorship revenues are capped at no more than 50% of total income.

Digital Radio

Digital radio listening has grown year-on-year, with digital accounting for 33% of total radio listening as at 31 December 2012. Of the total digital listening as at 31 December 2012, 65% was over DAB radios, while 4.9% was delivered over the internet and 5.1% over digital television platforms. As at 31 December 2012, of the channels available on DAB, only 19 were available only on DAB.

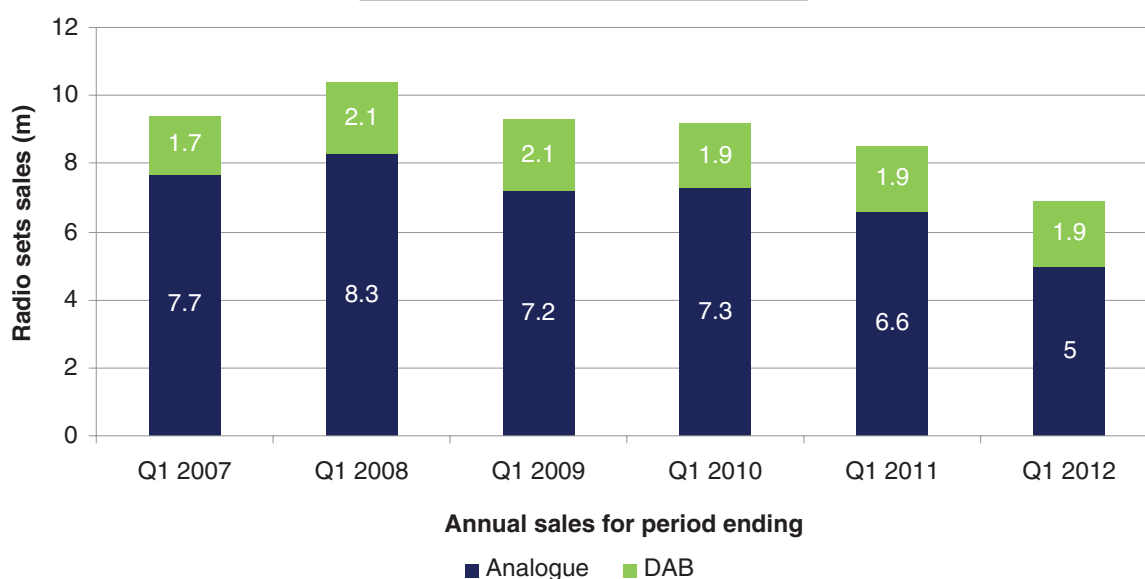
Digital Share of Radio Listening



Source: Ofcom—Communications Market Report, July 2012

The gradual uptake of DAB can be partially attributed to the high price of digital radio receivers. Even though the DAB receiver prices have decreased in recent years, they remain relatively expensive, with the average home receiver costing approximately £180 and average portable receiver costing approximately £50. The majority of the radio sets sold (78% in the year to 31 March 2011) remain analogue and overall sales of DAB radio sets has stabilised since 2010 after peaking in 2008 and 2009. This suggests a stabilised and possibly gradually expanding listener base for digital radio, rather than a radical shift as occurred with television.

Sales of Radio Sets in Great Britain



Source: Ofcom—Communications Market Report, July 2012

In the past, a key constraint in the take-up of DAB was the limited availability of installed DAB car radios (estimated to be only 1% in 2010). However, among new cars, digital radio installation is increasing rapidly, with 184% more new cars receiving digital radio as a part of standard installation in the first nine months of 2011 compared to the same period in 2010. As at 31 December 2012, approximately 33% of all new cars in the UK have DAB pre-installed, a 21% increase from 2011. BMW UK announced in November 2012 that all new BMW models for the UK will have digital radios fitted as standard across the entire range from January 2013. Ford, Vauxhall and VW, which are leading brands in the UK, have also announced plans to accelerate their transition to providing digital radio as standard in new models.

Switchover to Digital Audio Broadcast

There is currently discussion regarding the implementation of a Digital Radio Switchover (**DRS**) programme, which would shift the radio broadcasting market from analogue FM-band services to DAB. However, in contrast to the DSO for television, the DRS is not intended to result in the complete discontinuation of analogue services, since smaller local and community stations are scheduled to remain on analogue for the foreseeable future. Most stations are simultaneously broadcasting on both analogue and DAB during the ongoing transition period. During this period, Arqiva receives revenues for both analogue and DAB broadcasting.

Given the very large installed base of analogue-only radio, a firm timetable for DRS has not yet been set. An aspirational DRS target date of 2015 has been discussed, but because of the challenges facing DRS the UK government has not firmly committed to this date. Instead, the government has stated in its digital action plan that the DRS should occur only when the market is ready. The government has stated two key conditions must be satisfied before any decision on DRS can be made:

- 50% of all radio listening is of digital broadcast (including radio broadcast over DAB radios, internet and DTT platforms); and
- National DAB coverage is comparable to FM, and local DAB reaches 90% of the population and all major roads.

As at 31 December 2012, 33% of all radio listening was digital (of which 65% was on DAB radios), up from 19% the year before. DAB coverage is inferior to FM coverage, particularly with regards to local and road coverage. Therefore, under the government's guidelines, significant progress must occur in digital uptake and coverage before DRS can be implemented.

FM and DAB Coverage

	Aggregate of local multiplexes	BBC national	Commercial national
Households (robust)—FM	92.6%	94.9%	90.9%
Households (robust)—DAB	66.2%	92.2%	84.6%
Roads (robust mono)—FM	91.5%	93.1%	86.8%
Roads (robust mono)—DAB	42.9%	73.4%	63.5%

Source: Ofcom—*The Communications Market: Digital Radio Report*, July 2011

Currently both analogue and DAB signals are required to provide full reach, and therefore radio stations face additional cost pressures because they must pay Arqiva to broadcast on both platforms. DAB-only stations have to manage with relatively low levels of digital listening, impacting advertising revenues, as well as lower margins due to the highly fixed nature of the cost base.

Terrestrial Television and Radio Broadcast Industry in the UK

For historical reasons relating to competition and regulation, terrestrial transmission service has two distinct parts: Managed Transmission Services (**MTS**) and Network Access (**NA**).

MTS is the managed service offered to broadcasters and NA is the arrangement whereby the MTS Provider pays for wholesale access to the network of transmitter sites on a regulated, cost-oriented basis. The NA arrangement ensures that pricing for access to these sites is cost-oriented and non-discriminatory.

Compared to DTH, DTT has longer contracts and asset lives, influenced by the more robust nature of the physical infrastructure used to support terrestrial broadcast. Arqiva has reused much of its analogue terrestrial network to build its DTT network, notably its transmitter towers and physical facilities. Nevertheless, launching DTT has required significant new investment in nationwide distribution networks, antennas, transmitter site facilities and Multiplex equipment.

NA pricing remains regulated by Ofcom, initially in the form of a Reference Offer. However the Reference Offer has been replaced by bilateral customer contracts that are to run as far as 2034. The NA contracts are based on real and estimated costs for the DSO, including pass-through costs for elements such as rent and electricity. The Reference Offer allows Arqiva to make a fixed rate of return of 7.71% WACC (real pre-tax) on a regulated asset base for NA. The value of the asset base is calculated to increase in line with inflation increases and is linked to RPI. Returns from the Group's MTS assets are not based on WACC but are based on fair, reasonable and non discriminatory pricing.

The prices for the individual contracts vary with the major price difference being that the PSB DTT Multiplexes are expected to cover approximately 98.5% of the population (requiring 1,154 sites) while the commercial DTT Multiplexes are expected to cover only approximately 90% of the population post-DSO (requiring only 80 major transmitter sites).

Ofcom is continuing consultation on the 600/700 MHz bandwidth, and it is possible the 700 MHz bandwidth will be cleared for mobile usage and the 600 MHz band reserved for DTT. This would require DTT spectrum to be cleared down to 600 MHz. The earliest start date of the migration is expected to be 2018.

Satellite Industry in the UK

Satellite and media industry services include reselling of satellite transponder capacity for the UK DTH market, managed networks, solutions for events and occasional use, distribution platforms, and satellite data communications.

The UK DTH Distribution Market

DTH satellite dishes and receivers are installed in more than ten million UK homes as at December 2011, allowing access to Sky and Freesat services. On installation, these dishes are aligned to pick up signals from satellites at a specific geostationary point in space—28.2° east. Broadcasters who wish to broadcast to DTH viewers must secure capacity on one of the satellites in operation at that orbital position.

Satellite Operators

SES-Astra has exclusive right to operate satellites at 28.2° east, and currently has four satellites (Astra 2A/2B/2F/1N) providing a total of 72 transponders of which 68 can be used for UK DTH. Of these, four are operated at reduced power due to intersystem interference constraints. SES-Astra are currently replacing their satellites at this location and from Q1 2014 will operate three satellites (Astra 2E/2F/2G) providing 72 transponders, of which 68 can be used for UK DTH.

Eutelsat also provides satellite capacity to the UK DTH market through a satellite, Eutelsat 28A, located at 28.5° east. Its location is close enough to 28.2° east for its signals to be picked up by UK DTH receiver dishes. Eutelsat 28A has 12 transponders with 33 MHz capacity and 12 transponders with 72 MHz capacity which together provide the equivalent of 36 transponders.

Together, the total number of transponders currently available for UK DTH at the 28.2/28.5° east location is 104. As with DTT, advances in compression technology and broadcast standards plus advances in modulation techniques have the potential to increase the number of channels that can be carried on a transponder, but the ability to introduce these technologies depends on the capabilities of set-top-box receivers.

The Role of Intermediaries in the Market

SES-Astra and Eutelsat only sell complete units of transponder capacity, which has led to a market for intermediaries to lease whole transponders and then resell individual slots to channel broadcasters as required.

Customers for intermediary providers are typically Tier 2 or Tier 3 broadcasters, such as Chellozone and Man U TV. The BBC buys its transponder capacity directly and Sky sources capacity for itself and many of its Tier 1 channels. The primary intermediary providers in the UK are Arqiva and Globecast.

Digital Platforms in the UK

In the UK, six DTT Multiplexes have been licensed, based on the amount of spectrum available in the UHF television band between 470 MHz and 854 MHz. Following the clearance of the 800 MHz bandwidth from television broadcasting in order to facilitate the DSO, a total of 32 UHF channels are used for the six Multiplexes. However, following the November 2012 consultation, Ofcom has announced it expects to clear the 700 MHz bandwidth for mobile use and to reallocate the Multiplexes currently on the 700 MHz spectrum range to the 600 MHz range. The spectrum is not partitioned, and the six DTT Multiplexes are spread across the 32 channels in different areas of the country. In adjacent geographical areas, different channels are used by each Multiplex to avoid interference.

Three DTT Multiplexes have been allocated to public service broadcasters, and the remaining three have been allocated for commercial use.

Since the DSO, the PSB DTT Multiplexes provide coverage to 98.5% of households while the commercial Multiplexes reach approximately 90% of households.

Overview of DTT Multiplexes

Multiplex	1	2	A	B	C	D
Owner	• BBC	• D34 (owned by ITV/C4)	• SDN (owned by ITV) • 40% of the capacity is controlled by Channel 5 • In Wales 50% is controlled by S4C and 50% by Channel 5	• BBC	• Arqiva	• Arqiva
Type	• PSB	• PSB	• Commercial	• PSB (HD only)	• Commercial	• Commercial
Key Customers	• BBC	• ITV • Channel 4 • Channel 5	• QVC • ITV • Top Up TV	• BBC HD • ITV HD • Channel 4 HD	• Sky • UKTV • Channel 4	• ITV • Channel 4 • Russia Today • Ideal Shopping • BT vision
# of channels	• 9TV • 13 radio • 1 text	• 8 TV • 1 radio	• 16 TV • 3 radio • 7 data/interactive • 4 text	• 4 TV • 11radio • 1 data/interactive	• 17 TV • 1 radio • 1 text	• 16 TV • 9 radio • 3 data/interactive
Coverage post DSO	• 98.5%	• 98.5%	• 90%	• 98.5%	• 90%	• 90%

Source: Arqiva, Ofcom, Digital Television Multiplex Operators Limited

The revenue generated by a commercial DTT Multiplex from carrying channels is the product of two factors:

- The price broadcasters are willing to pay for a channel “slot”; and
- The number of slots that can be accommodated in a DTT Multiplex.

Pricing

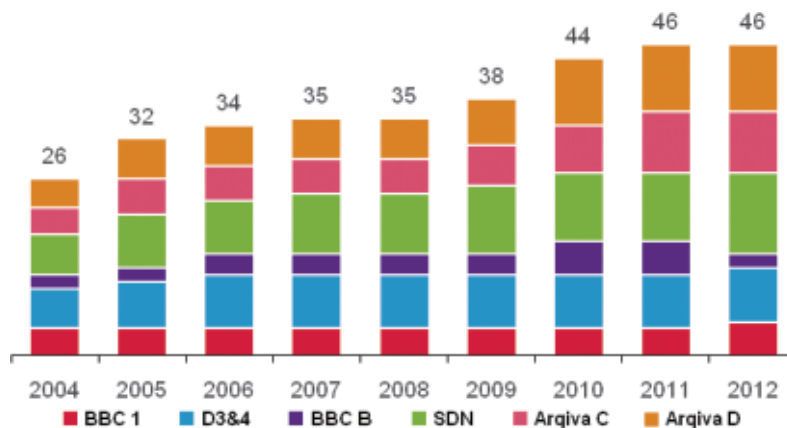
The pricing of DTT Multiplex slots is determined by:

- The size and value of the audience that the broadcaster can reach and the amount of revenue (predominantly advertising, but also news, transactions and subscriptions) that can be generated; and
- The balance between supply of slots and the demand from broadcasters who wish to use channels.

Slot Supply on Existing DTT Multiplexes

Since 2004, there has been close to full utilisation of commercial DTT Multiplex slots, reflecting significant customer demand for video streams.

Utilisation of Multiplex slots from 2004 to 2012



Source: Arqiva management estimates

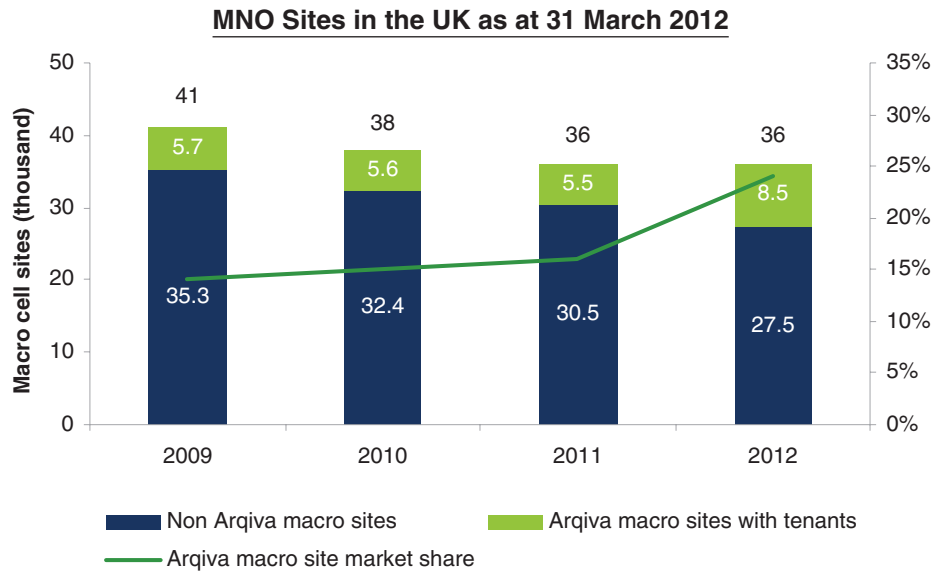
Technological developments have increased the number of slots possible per DTT Multiplex in recent years, and further gains are expected in the future. However, increasing appetite for HD streams could result in a reduction in the number of video streams available, because an average HD stream requires between two and three times the capacity of a Standard Definition (SD) stream. Additional sources of demand for stream capacity include time-shifted “+1” channels and migration of channels currently on DTH and cable platforms to achieve wider distribution. The Group expects that significant additional HD capacity will only be available upon the clearance of the 600 MHz bandwidth for DTT.

Wireless Industry in the UK

Mobile wireless service in the UK is provided by a variety of MNOs. The industry has experienced significant corporate consolidation in recent years as companies attempt to control costs and efficiently utilise resources. T-Mobile and Three UK merged 3G networks to form the MBNL JV in 2007, while T-Mobile and Orange merged to form Everything Everywhere in 2010. Additionally Vodafone and Telefonica formed a corporate JV, Cornerstone, in 2012 that expanded upon an earlier site sharing agreement between Vodafone and O2 (a Telefonica subsidiary), and which is expected to further increase sharing of network infrastructure and equipment.

As at June 2012, UK MNOs provide services that cover approximately 99% of the UK population (based on outdoor 2G services). This is made possible through the use of approximately 12,000 to 14,000 base stations per MNO, distributed around the country and hosting a total of approximately 78,000 PoPs. A PoP is an instance of a mobile base station/antenna system (classified as 2G, 3G and so forth) dedicated to a frequency band even if integrated into a single physical unit with other base stations/antennas. The PoPs are deployed on various types of infrastructure installations, including masts and roof top sites. A single site can have multiple PoPs deployed on it.

According to Arqiva management estimates, the number of sites in the wireless market has declined from approximately 41,000 in 2009 to approximately 36,000 in 2012, mainly driven by MNOs entering into site sharing agreements with competitors to reduce the overall network cost.



Source: Arqiva management estimates

For independent providers, increased site sharing can result in increased competition since fewer sites are needed. However, the outsourced network sharing model also represents an opportunity as neutral hosts may be better positioned to manage the sites than the MNOs themselves. Scale also offers an advantage in the independent market, since it improves the ability to offer competitive pricing and optimal locations.

Each macro site can usually support multiple PoPs, with an opportunity to increase the number of PoPs per site. This provides a benefit in the form of potentially reduced costs to the MNOs and increased revenues to the independent tower providers.

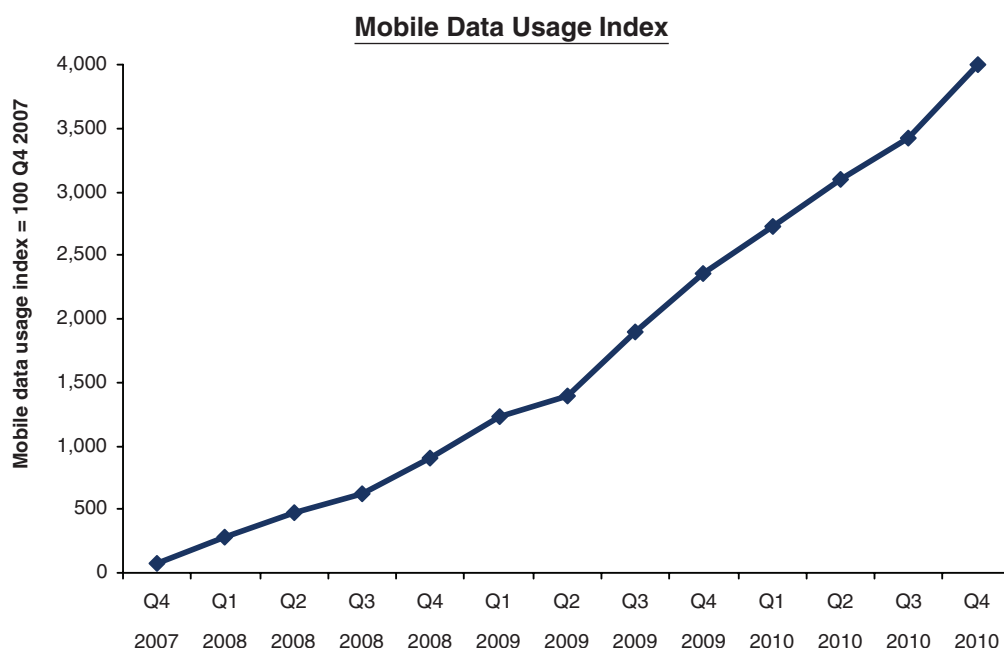
The UK Mobile Market Today: The Data Era

UK mobile device penetration has continued to increase and reached 130% by the end of 2010. The key reasons for the growth beyond 100% include:

- Multiple handsets per person (for example, separate handsets for personal and business use);
- Multiple SIM cards (for instance, niche MVNO SIMs with attractive international call rates);
- Mobile broadband (data cards/dongles and integrated SIMs in laptops and tablets);
- M2M communication (for example, fleet-tracking services and passenger cars with integrated SIM cards); and
- SIM cards in tablet devices.

Differentiation in the mobile services market is based on service quality (data coverage and capacity) as well as pricing and customer service. The rapid growth in data usage, expected to continue to rise at approximately 65% a year between 2011 and 2016 according to a forecast by Cisco Systems, is driven by smartphones, tablets and data cards and provides MNOs with an opportunity to compete by offering superior service quality. This has resulted in a greater focus on the roll-out of network capacity in order to be able to provide customers with adequate service quality for bandwidth-intensive applications, as well as greater stress on wireless infrastructure, particularly in areas with high population density.

Although data revenues are increasing, high competition between MNOs has resulted in the continuing decline of revenues from voice services. MNOs must balance cost efficiency with providing increasing capacity to customers to meet strong data demand.



Source: Ofcom—Communications Market Report August 2011

Mobile broadband has been a driver for both penetration growth (7% penetration in March 2011 according to Enders Analysis) and recent significant growth in data usage, with a typical user consuming between 1 and 1.5 GB per month in total over all devices. The adoption of smartphones has also driven data traffic growth. It is estimated that the share of smartphones in the UK was 28% in March 2011 and each user consumes between 200 and 400 MB of data traffic per month, according to Enders Analysis.

Mobile Industry Outlook

The increase in mobile data usage represents a positive development for the industry because it suggests strong consumer demand for mobile services beyond basic voice and SMS. However the increased demand for data services also poses a significant challenge to the MNOs, as the rapid growth in data traffic requires significant additional investments in network capacity to meet demand and service quality expectations. In areas with high population density in particular, the increased demand for mobile data services is resulting in stress on the current wireless infrastructure.

Future drivers of data growth are expected to include growth of smartphone penetration, M2M developments, and continued mobile broadband growth. This rapid growth in data usage will be facilitated by the auctioning of additional spectrum in the 800 MHz and 2.6 GHz ranges in 2013, which is expected by the regulator to enable roll out of 4 high capacity LTE 4G networks, with seven organisations having initially qualified to bid. The auction has been designed to select at least four credible national wholesalers, each with sufficient spectrum across a number of frequency bands. This could provide growth opportunities by increasing mobile capacity.

Government initiatives may provide a further source of growth, as the UK government announced the Mobile Infrastructure Project in October 2011 with the goal of providing mobile coverage and quality to UK residents currently without mobile access or currently with mobile access of poor quality. The ultimate goal is to provide service to 75% of the 0.3% of premises that are currently in areas without any 2G services ('not-spots') (Source: Ofcom).

Tower Supply and Competition

The number of wireless sites in the UK has fallen from approximately 41,000 in 2009 to approximately 36,000 today, with approximately 78,000 PoPs deployed across these sites. The MNO sites are either self-provided by the MNOs or provided by independent site providers.

Competitive Dynamics

The competitive dynamics in the site market have recently been shaped by MNOs' increased efforts to reduce costs through network sharing and consolidation. This has resulted in the formation of network sharing JVs, as well as the introduction of managed network outsourcing, with Ericsson fully managing the MBNL network. As the focus on costs has intensified, operators have reportedly employed firm negotiating tactics with landlords in order to extract price reductions for land rental. However, increased network sharing has also created an opportunity for independent providers to act as neutral hosts. An example is MBNL, who selected Arqiva as a strategic partner to provide site infrastructure across an increased site footprint.

BUSINESS

Overview

The Group is the UK's national provider of essential television and radio broadcast infrastructure as well as a key provider of communications services to major distributors of media and wireless voice and data services in the UK. The Group's core tower business (comprising terrestrial broadcast and wireless site share infrastructure) generates predictable operating profits (which management estimates constituted over two-thirds of the Group's gross profits for the year ended 30 June 2012), supported by diverse revenue streams, long-life assets and a significant proportion of revenues being driven by long term contracts.

The Group has the following key competitive positions:

- regulated position as the sole UK national provider of network access (**NA**) and managed transmission services (**MTS**) for terrestrial television broadcasting, the most popular television broadcast platform in the UK, owning and operating all television transmission towers used for digital terrestrial television (**DTT**) broadcasting in the UK under long term contracts with public service broadcaster (**PSB**) customers (who depend on the Group to meet the obligations under their licences to extend coverage to 98.5% of the UK population) as well as commercial broadcasters, with a recently upgraded digital network as a result of the £600 million digital switchover (**DSO**), which the Group recently completed under budget and on schedule in October 2012;
- market leader for commercial spectrum on DTT, owning two of the three commercial Multiplexes (out of a total of six DTT Multiplexes) used for transmission of DTT services in the UK, carrying 33 out of 53 total commercially broadcast DTT channels in the UK as at 31 December 2012, and benefitting from significant demand for channel space due to the constrained number of DTT video streams at approximately 50, compared to approximately 500 and approximately 250 channels available over satellite and cable respectively;
- ownership of over 90% of the radio transmission towers for terrestrial broadcasting in the UK and operator of the only commercial national digital radio Multiplex and, as at 31 December 2012, 20 of the 47 local radio Multiplexes;
- largest independent (non-MNO) portfolio of wireless tower sites in the UK, which are licensed to national Mobile Network Operators (**MNOs**) and other wireless network operators, with approximately 24% of the total active licensed macrocell site market and, the Group believes, approximately four times the sites compared to the next largest independent operator as at 31 December 2012, and holding a strong and difficult to replicate position in rural and suburban regions where cost, economies of scale, planning permission restrictions and regulations that limit a landlord's ability to terminate the leases for the Group's sites provide barriers to entry for competitors;
- largest owner of independent satellite uplink infrastructure and satellite distribution services in the UK in terms of the number of channels uplinked for UK Direct-to-Home (**DTH**) satellite broadcast that serves as an alternative for customers who do not wish to use BSkyB's uplinking services, with a 46% market share of channels uplinked as at 31 December 2012; and
- significant proportion of revenue attached to long term contracts with automatic RPI-linked increases.

The Group has demonstrated stable turnover and strong earnings growth over the past three years with turnover of £823.2 million, £825.7 million, £831.7 million, and EBITDA of £342.7 million, £366.7 million, £402.6 million, for the years ended 30 June 2010, 2011 and 2012. Turnover for the six months ended 31 December 2011 and 2012 was £405.9 million and £404.3 million and EBITDA was £192.0 million and £203.6 million over the same periods.

The Group operates through three main divisions: Broadcast and Media, including terrestrial broadcast and satellite distribution services; Digital Platforms, which owns commercial DTT spectrum; and GME, which includes wireless site-sharing.

The following diagram sets forth an overview of the Group's divisions:

	Broadcast and Media		Digital Platforms	Government, Mobile & Enterprise
Overview	Regulated sole provider of UK's terrestrial TV dominant provider of UK's and radio broadcast infrastructure	UK's leading owner of independent uplink infrastructure and satellite distribution services	Owner of 2 of 3 commercial multiplexes for the deliver of terrestrial DTT channels to UK homes	Owner of largest independent portfolio of wireless sites licensed by all UK MNOs and government agencies/private enterprises
Infrastructure assets	1,154 TV broadcast towers	5 teleports, 80 satellite uplink dishes	2 commercial multiplexes licenses	Approximately 8,700 active licensed sites
LTM turnover for the period ended 31 December 2012 (% of total turnover)	£281.6 million (33.9%)	£182.9 million (22.0%)	£126.6 million (15.3%)	£239.0 million (28.8%)
CAGR (30 June 2010-30 June 2012)	7.1%	-9.3%	23.8%	-4.8%
Key positions	100% market share for terrestrial TV and 90% market share for radio broadcast infrastructure	46% market share of UK channels uplinked (30 September 2012)	Carries 33 out of 53 commercially broadcast channels in the UK (31 December 2012) Close to full Multiplex utilisation	Approximately 24% of total macrocell site market
Key customers				

Broadcast and Media Division

Turnover from the Broadcast and Media division was £472.5 million, £474.3 million, £464.4 million and £227.7 million, which represented 57.4%, 57.4%, 55.8% and 56.3% of the Group's total turnover, for the years ended 30 June 2010, 2011 and 2012 and the six months ended 31 December 2012, respectively. For the last twelve months ended 31 December 2012, the Broadcast and Media division generated turnover of £464.5 million, representing 56.0% of the Group's total turnover for that period.

Terrestrial Broadcast Sub-division

The Group's terrestrial broadcast sub-division operates as a regulated sole provider of complete end-to-end broadcast services for national television and radio through its national infrastructure of tower/mast transmitter sites and individual transmitter devices. For historical reasons related to competition and regulation, terrestrial transmission is divided into two parts. MTS is the managed service offered to broadcasters and NA is the arrangement whereby the MTS Provider pays for wholesale access to the network of transmitter sites on a regulated, cost-oriented basis. Transmitter sites are regulated by Ofcom and are subject to the Undertakings given to the Competition Commission and returns on contracts are set in the framework of a Reference Offer, which guarantees a certain return over costs, and is then commercially negotiated with customers. The Group's terrestrial broadcast contracts are long-term, with third-party television broadcast transmission contracts extending to between 2030 and

2034, while radio contracts typically have contract terms of 8 to 12 years, with break clauses at 6 years. The Group's terrestrial broadcast contracts usually pass through the costs of certain expenses such as rent, taxes and electricity directly to customers.

The Group has long-term relationships with major UK broadcasters and Multiplex operators such as the BBC (since its inception in 1922), D34, and SDN (ITV), generating stable and predictable cash flows. As at 31 December 2012, the Group's terrestrial broadcast infrastructure included 1,154 towers for transmitting television signals. Of the Group's broadcast towers (including both television and radio towers), 935 are also used as active licensed wireless sites by the Group's site share business, with a tenant per site ratio of approximately 5.1. The Group has also recently completed upgrading the infrastructure required for the DSO for television on schedule and under budget, which converted all terrestrial television signals in the UK from analogue to DTT, with the final region, Northern Ireland, successfully switched over in October 2012. Terrestrial television in the UK remains the most popular broadcast platform, representing 43% of primary television viewing in 2011 with a broadly stable market share since 2009. DTT has been an increasingly popular platform, with market share across all television sets increasing from 28% in the first quarter of 2007 to 51% in the first quarter of 2011, with 74% of all UK homes having at least one DTT television set as at 31 March 2011 (*Source: Ofcom*). DTT's position as the leading television platform is reinforced by the funding framework in the UK, whereby all households who own televisions (regardless of whether or not they use DTT) are required to pay a fee prescribed by Parliament, to the BBC (the 'TV Licence', the fee for which is £145.50 for households with a colour television) that supports BBC free-to-air broadcast. The BBC is one of the public service broadcasters, all of which must satisfy the universal coverage obligation by reaching 98.5% of the population, a level which can only be provided by the DTT platform, which is supported by the Group's infrastructure. Thus, in the UK the entire base of television viewers, including those who subscribe for satellite or other platforms, provides a funding base for the BBC and hence DTT, which is further bolstered by its universal availability and quality of content. The Group is further supporting DTT by investing in new technologies in order to maintain its leading position, including YouView, a joint venture with PSBs and broadband providers to offer interactive and on-demand services (including recording, pause and rewind) through a set-top box that combines customer's existing broadband connections and free-to-air terrestrial broadcast signals that requires no additional monthly subscription fee. See "*Industry—The Television Broadcast Industry in the UK—Broadcasters in the UK Television Industry—Funding Framework*". Furthermore, the Group believes competing platforms are limited in reach by structural constraints, which both limit the viewer base and prevent these competing platforms from satisfying the universal coverage obligation. For example, cable only passes 13 million homes in the UK of which approximately 4.8 million are active customers as at 31 December 2011, and planning and geographical restrictions on satellite reach prevent it from satisfying universal coverage obligations.

Additionally, as at 31 December 2012, the Group owned one of two National Digital Audio Broadcast (**DAB**) Multiplexes and 20 of the 47 local DAB Multiplexes, and is in the process of expanding the reach of digital radio and, as technical circumstances, consumer uptake and governmental approvals permit, eventually replacing most analogue radio transmission with digital transmission. The Group is the sole provider of transmission services for national radio broadcasting, and the leading operator of local radio broadcast infrastructure. The Group provides approximately 90% of market capacity for terrestrial radio broadcast in the UK, and provides both MTS and NA services for analogue and digital radio at the national, metropolitan, and regional levels. The Group is also participating in the long-term planning for the digital radio switchover (**DRS**), a transition from analogue radio broadcast to DAB, which is expected to increase the demand for advanced physical infrastructure and transfer most UK radio broadcast from analogue to digital radio transmission.

Turnover from the terrestrial broadcast sub-division was £232.7 million, £260.3 million, £267.0 million and £141.1 million, which represented 28.3%, 31.6%, 32.1% and 34.9% of the Group's total turnover, for the years ended 30 June 2010, 2011 and 2012, and the six months ended 31 December 2012,

respectively. For the last twelve months ended 31 December 2012, the terrestrial broadcast sub-division generated turnover of £281.6 million, representing 33.9% of the Group's total turnover for the period. The Group expects that the infrastructure requirements for the DRS will be considerably less than the DSO, and such switchover is not expected to occur before 2017 and over time expects the turnover from radio to remain stable based on the trends demonstrated as radio broadcast has increasingly transitioned from analogue to digital transmission.

Satellite Sub-division

The Group is also the largest independent owner of satellite uplink infrastructure and satellite distribution services in the UK in terms of the number of channels uplinked for UK DTH satellite broadcast and offers media management, wholesale capacity and satellite uplink services to customers such as Canal+, BSkyB and ESPN. As at 31 December 2012, the Group's satellite infrastructure included five teleports, approximately 80 satellite uplink dishes, an international fibre backbone network, television studios and 3.5 GHz of leased capacity on 45 global satellites. Turnover from the satellite sub-division was £239.8 million, £214.0 million, £197.4 million and £86.7 million, which represented 29.1%, 25.9%, 23.7% and 21.5% of the Group's total turnover, for the years ended 30 June 2010, 2011 and 2012 and the six months ended 31 December 2012, respectively. For the last twelve months ended 31 December 2012, the satellite sub-division generated turnover of £182.9 million, representing 22.0% of the Group's total turnover for that period.

Digital Platforms Division

The Group owns two of the three commercial Multiplexes used for Freeview DTT broadcasts, the leading UK TV platform, which, as at 31 March 2011, was used by 74% of British homes (*Source: Ofcom*). Multiplexing is the process by which the media content for multiple digital broadcast channels are combined into a digital stream for transmission over terrestrial spectrum licensed by the Multiplex owner and physically operated via the Group's terrestrial broadcast sub-division. These channels are organised for viewers through an electronic program guide channel number assignment that is coordinated by Digital UK (a non-profit organisation that facilitates Freeview use, owned by the BBC, ITV, Channel 4 and the Group), with low channel numberings typically considered more attractive. Customers including British Telecom (**BT**), Channel 4, ITV, UKTV, Ideal World, Al Jazeera and speciality shopping and news channels purchase digital channel space on the Group's Multiplexes for fixed-term contracts of typically three to six years, with renewal options of similar terms. Freeview is the only DTT free-to-air (**FTA**) platform in the UK and is the most popular television viewing platform in terms of numbers of households, and the demand for digital channel space on Freeview has led to close to 100% utilisation of the Group's Multiplexes during the years ended 30 June 2012, 2011 and 2010, with DTT retaining a broadly stable market share since 2009. Turnover from the Digital Platforms division was £79.4 million, £109.5 million, £121.6 million and £63.6 million, which represented 9.6%, 13.3%, 14.6% and 15.7% of the Group's total turnover, for the years ended 30 June 2010, 2011 and 2012 and the six months ended 31 December 2012, respectively. For the last twelve months ended 31 December 2012, the Digital Platforms division generated turnover of £126.6 million, representing 15.3% of the Group's total turnover for that period.

GME division

Turnover from the GME division was £271.2 million, £241.9 million, £245.7 million and £113.0 million, which represented 32.9%, 29.3%, 29.5% and 27.9% of the Group's total turnover, for the years ended 30 June 2010, 2011 and 2012 and the six months ended 31 December 2012, respectively.

Site Share business

The Group operates the largest independent portfolio of wireless sites in the UK, offering space on its sites for antennas and equipment representing, as at 31 December 2012, approximately 24% of the

total active licensed macrocell site market and a significant proportion of all independently operated active licensed sites in the UK. Approximately 91% of the Group's active licensed site portfolio is located in rural and suburban areas as at 31 December 2012. The Group has a total active licensed site portfolio of approximately 8,700 sites. The Group operates approximately 935 terrestrial broadcast sites within its active licensed site share portfolio which have a tenant per site ratio of approximately 5.1. These sites provide wireless customers with elevated structures in geographically favourable locations and in particular in rural areas, enabling wide area rural cellular coverage and high signal capacity. As a result, the Group believes its site portfolio enjoys significant advantages from a planning perspective because the Group believes planning consent is less likely to be granted for competing towers where there are existing large rurally located structures in the vicinity. Of the Group's active licensed site portfolio, approximately 73% is not within close proximity of a competitor site (where close proximity is defined as being within 250 metres in an urban setting, within 500 metres in a suburban setting, and within 750 metres in a rural setting). The Group believes that the overall UK site market is relatively mature. The current level of coverage is estimated by Ofcom to be in excess of 99% outdoors, and this high level of coverage tends to discourage the development of additional sites. The Group believes this is reinforced by the trend of MNO site sharing and consolidation. There is no major build-out of additional towers currently underway and any further growth is likely to be targeted towards either covering specific rural areas which do not receive sufficient coverage, or urban areas which have high demand. This is the case in relation to the government funded Mobile Infrastructure Project, a project for which the Group is bidding and whose aim is to target specific rural areas which do not currently receive any coverage. Additionally, the Group does not expect any new technologies or standards currently being implemented to require a major build-out of additional macro towers in rural or suburban areas. For example, while 4G/LTE technology is expected to require upgrading of infrastructure on current sites, it is not expected to require the construction of a significant number of new towers, but rather the installation of additional rooftop or small cell sites in urban and suburban areas. Additionally, through its potential participation in the Mobile Infrastructure Project and through its development of a WiFi portfolio, the Group believes it is well-positioned to benefit from any such opportunities for additional site growth.

The Group licenses space on its towers under contracts to national MNOs such as Vodafone, Everything Everywhere and O2, as well as JVs between MNOs such as MBNL (a 50/50 joint venture company owned by Three UK and Everything Everywhere (previously T-Mobile (UK))) and a broad base of non-MNO customers such as BT and Airwave. In addition to holding ownership of or leasehold access to the physical sites and owning the site and tower infrastructure, the Group also provides site sharing, site operation and maintenance and installation and decommissioning services for its customers. Turnover from site share reflects both single-instance turnover from installation, set-up and decommissioning services as well as recurring rental, operation and maintenance payments. The next largest provider of independent wireless sites, the Wireless Infrastructure Group (**WIG**), had 2,000 active licensed sites as at 31 December 2012 (*Source: WIG*). See "*Industry*". For the last twelve months ended 31 December 2012, the Site Share business generated turnover of £217.4 million, representing 26.2% of the Group's total turnover for that period.

Government business

GME also includes the government business, through which the Group provides frontline communications services to a variety of government and other entities in the UK and Ireland. Customers include government entities such as the London Metropolitan Police (through BAE Systems Detica) and the Maritime and Coastguard Agency as well as other customers such as the Royal National Lifeboat Institution and Tracker UK. The Group provides these customers with outsourced communications management, network support and equipment. For the last twelve months ended 31 December 2012, the government business generated turnover of £21.5 million, representing 2.6% of the Group's total turnover for that period. The government business generated 15.0%, 12.6%, 9.2% and 9.4% of turnover for the GME division for the years ended 30 June 2010, 2011 and 2012 and the six months ended 31 December 2012, respectively.

The table below sets forth a breakdown of turnover for the Group's divisions and select business units during the periods indicated:

	Year Ended 30 June			Six Months Ended		Twelve Months Ended
	2010	2011	2012	31 December	31 December	31 December
				2011	2012	2012
	(unaudited)					(unaudited)
	(£ millions)					
Turnover by business unit						
Broadcast and Media	472.5	474.3	464.4	227.7	227.7	464.5
Terrestrial Broadcast	232.7	260.3	267.0	126.6	141.1	281.6
Satellite	239.8	214.0	197.4	101.1	86.7	182.9
Digital Platforms	79.4	109.5	121.6	58.7	63.6	126.6
GME	271.2	241.9	245.7	119.6	113.0	239.0
Site Share	230.4	211.3	223.2	108.1	102.4	217.4
Government	40.8	30.6	22.5	11.5	10.6	21.5
Total Group turnover	823.2	825.7	831.7	405.9	404.3	830.1

Competitive strengths

Leading operator of broadcast and wireless infrastructure in the UK

The Group is the leading UK national infrastructure provider for a diverse array of essential broadcast and wireless services. In particular, the Group's network is essential to the delivery of Freeview, the leading UK TV platform, which, as at 31 March 2011, was used by 74% of British homes (*Source: Ofcom*). In addition, because Ofcom has mandated PSBs such as the BBC and ITV in their broadcast licences to provide a universal coverage obligation of 98.5% of the UK's population, PSBs depend on the Group to meet their universal coverage obligations as alternative platforms cannot meet this obligation due to market availability, penetration levels, technological limitations and cost. Ofcom has recognised that terrestrial television is the only television platform in the UK that is capable of meeting PSBs coverage obligations as stated in its most recent 600 MHz and 700 MHz spectrum consultation. See "*Industry—The UK Broadcast and Media Industry*". The DTT infrastructure provided by the Group benefits from the funding fee all television viewers in the UK are required to pay, as the beneficiary of this fee, the BBC, relies on the Group's infrastructure in meeting its universal coverage obligations. The Group is sole provider of NA to terrestrial broadcast infrastructure in the UK, with contracts extending beyond 2030, and has a 100% market share of MTS for national television, which includes a complete end-to-end broadcast service through the management of individual transmitter devices, for which the Group has obtained clearance from UK competition authorities. The Group also offers the largest portfolio of independent (non-MNO) wireless tower sites in the UK in terms of number of sites, with approximately 8,700 active licensed sites, representing approximately 24% of the total macrocell site market. Moreover, technology risk in this business is largely borne by MNOs who bear the costs of upgrading technology to handle increased network capacity, while the Group benefits from having the physical site infrastructure to support this expansion. In addition, the Group owns two of the three commercial Multiplex licences in the UK, is the leading satellite teleport operator in the UK and has a 90% share in providing radio NA and MTS. The Group expects that its leading market position in the businesses in which it participates will ensure stable long-term revenue and cash flows. The Group believes its core tower business (comprising terrestrial broadcast and wireless site share infrastructure) generates predictable operating profits (which management estimates constituted over two-thirds of the Group's gross profits for the year ended 30 June 2012). The diverse nature of the Group's business areas and its central role in providing support for essential telecommunications services further enhances the Group's overall position.

High barriers to entry

The Group's businesses are protected by a variety of economic, geographical, and regulatory barriers to entry.

Terrestrial Broadcast

The Group's terrestrial broadcast sub-division operates as a regulated sole provider of national television broadcast and is a holder of Significant Market Power with respect to national/metropolitan and regional radio broadcast with approximately 90% of the radio broadcasting infrastructure in the UK, and has long-term customer contracts and a nationwide infrastructure with prime locations in the UK and which the Group believes would be extremely expensive to replicate. Thus, the substantial expenditures necessary to challenge the physical infrastructure and the Group's strong financial and contractual relationships with clients represent a high barrier to entry for competitors, resulting in the Group's unique regulatory position.

Digital Platforms

New entrants to the digital platforms market would be constrained due to the Group's incumbent contractual and regulatory position. The Group owns two of three commercial Multiplex licences in the UK representing 33 out of 53 total commercially broadcast DTT channels in the UK as at 31 December 2012, with multiple licences running to 2026 and significant existing customer contracts. In addition, the Group expects that there will be limited availability of any new national DTT Multiplex licences to new broadcast entrants as a result of both limited overall spectrum availability and the potential for any available spectrum to be more valuable to MNOs than any new entrants to the digital platforms TV broadcast market, thus making the cost of entry prohibitively high.

Wireless

New entrants to the wireless sites business would be limited by planning permission restrictions, the capital expenditure required to match the Group's extensive portfolio generally, and its rural coverage capabilities in particular, and the Group's contracts with all major operators. Additionally, the Group believes that significant opportunities for deployment of new sites are limited due to the high level of coverage from current towers, estimated by Ofcom to be in excess of 99% outdoors. There is no major build-out of additional towers currently underway and any further growth is likely to be targeted towards either covering specific rural areas which do not receive sufficient coverage or urban areas which have high demand. This is the case in relation to the government funded Mobile Infrastructure Project, a project for which the Group is bidding and whose aim is to target specific rural areas which currently receive poor or no coverage. The Group is also protected by certain "powers" granted to some of the Group companies by Ofcom under the EC Code that limit landlord rights to force vacation of the Group's leasehold sites. Potential competitors in these less densely populated regions face high barriers to entry, because alternative technologies (such as WiFi and micro/picocell technologies) are better suited for densely populated regions, and development of a competing macro-site infrastructure would require prohibitive investments over an extended period of time in terms of land acquisition and capital expenditures. See "*Regulation of the Communications Industry in the United Kingdom*" and "*—Properties*".

Satellite

In the Group's satellite sub-division, the Group has existing contractual relationships with key global broadcasters. Any new entrant would need to incur significant expenditures to replicate the Group's infrastructure and acquire transponder capacity.

Provider of essential nationwide infrastructure, with strong growth potential

The Group believes it is well placed for continued expansion due to its provision of essential nationwide infrastructure which is expected to remain central to future broadcast, media and telecommunications distribution technologies. Each of the Group's divisions targets a specific market, each of which is expected to have growth potential and which the Group expects may offer long-term stable cash flows. The DTT-based Freeview platform remains the leading platform for reception of digital television content ahead of competing technologies such as satellite, cable and IPTV, and the Group expects Freeview will remain a reliable source of income with the completion of the DSO programme because of the Group's long-term contracts for terrestrial broadcast. See "*—Stable long-term contracts that generate predictable cash flows with strong revenue visibility*". Similar opportunities may emerge from the Digital Radio Switchover (DRS), a transition from analogue radio broadcast to DAB that the Group expects will increase demand for advanced physical infrastructure which the Group believes it is well placed to provide. The Group believes its GME division is well positioned to benefit from the continued emergence of advanced mobile technologies such as 4G/LTE for both voice and data communication. Mobile data usage and the number of subscribers to mobile plans has increased significantly in recent years, with mobile data usage more than doubling in the 18 months to January 2012, including among the Group's customers, and this demand creates growth opportunities for the types of mobile wireless infrastructure the Group provides through rolling out additional geographical coverage and increasing the density of existing sites for 4G/LTE, for example. In addition, the Group believes the increasing importance of satellite communications for the media and data industries supports the robustness of the Group's satellite communications and teleport uplink businesses through potential increased utilisation of the Group's teleports.

Strongly contracted customer base and high switching costs for customers

The Group believes the nature of its services encourages customers and clients to remain with the Group for structural reasons. Many of the services the Group provides have few or no alternative providers, and there are significant costs for changing providers even when alternatives are available. In the terrestrial broadcast sub-division, the Group is sole national provider of NA and MTS in a regulated market, while in the digital platforms business, customers who want to change DTT Multiplex providers must also switch transmission channels. This imposes significant hurdles for doing so, since switching transmission requires consumers to rescan their television set-top boxes. This may entail loss of the channel's electronic programming guide slot if the transmission switch is not concurrent in timing. These events could have an adverse impact on channel uptake, and since 2002 only two channels have switched from the Group to its competitor. In the wireless business, the Group believes its ownership of a significant proportion of the wireless site infrastructure in the UK combined with generally long-term contracts with customers, discourages customers from selecting alternate tower service providers. This is demonstrated by low customer churn rates among MNO clients. Furthermore, increasing consolidation benefits the Group's ability to offer a range of sites at an attractive per site price in return for scale.

Stable long-term contracts that generate predictable cash flows with strong revenue visibility

The Group has entered into long-term contracts with many of its key customers, which supports strong turnover visibility and predictable cash flow generation. All of the Group's third-party television broadcast transmission contracts extend to between 2030 and 2034. The Group's contracts in its terrestrial broadcast sub-division allow pass-through of rates and certain other costs and allow the Group's revenues to increase on a basis linked to the rate of inflation (based on RPI). The Group's licences for commercial DTT Multiplexes run to 2026 and the Group's DTT Multiplexes are currently close to being fully utilised pursuant to contracts with three to six-year terms. The Group generally seeks to renew contracts well in advance of expiry dates and has experienced a high renewal rate, with extremely low annual churn rates of approximately 2-3% of licensed sites experienced for site

share contracts generally. A significant portion of the Group's GME turnover represented by MNO customers is contracted through to 2018. Furthermore as at 30 June 2012, the Group estimates it had approximately £4.4 billion of Broadcast and Media turnover under contract (representing approximately nine times the turnover for the division for the year ended 30 June 2012), of which an estimated £4.1 billion of turnover was under contract in the Terrestrial Broadcast sub-division. Additionally an estimated £500 million of turnover was under contract in the Digital Platforms division, and over £1 billion of turnover was under contract in the GME division. The Group believes its portfolio of contracts, combined with the quality of the Group's "blue chip" customer base, supports its ability to generate predictable long-term cash flows.

Broad and stable base of industry-leading customers utilising a diverse set of products across divisions, ensuring a balanced revenue mix

With interests in terrestrial broadcast, satellite, digital platforms, and GME (representing 33.9%, 22.0%, 15.3% and 28.8%, respectively, of Group turnover for the last twelve months ended 31 December 2012), the Group offers a diverse range of products to a broad, varied and stable customer base which includes many of the largest and most-established media and telecommunications companies in the UK. The Group believes this enhances its ability to generate long-term stable cash flows. The BBC, which is owned by the UK Government, is the Group's leading customer for its terrestrial television and radio broadcast offerings. In addition, the BBC depends on the Group's services in order to deliver terrestrial FTA programming and fulfil its universal coverage obligations, which are obligations in its licence from Ofcom to provide coverage to 98.5% of the UK population. In digital platforms, the Group's commercial DTT Multiplexes are used by some of the most significant private content providers in the media industry, such as Channel 4, UKTV, ITV, and Ideal World. Customers of the Group's wireless sites include the most significant MNOs and their JVs in the UK; namely MBNL, Vodafone, O2, Three UK and Everything Everywhere. Customers of the group's satellite business include Verizon, ITV, NBC, Chellozone, and Boeing. Because the Group provides a broad range of services to the most significant public and private sector customers across a broad range of broadcast and telecommunications industries, the Group believes it has a balanced and diversified revenue mix, which produce stable long-term cash flows even in difficult macroeconomic conditions.

Strong operating performance

The Group has demonstrated consistent growth in recent years despite the economic downturn. Growth in consumer demand for telecommunications and broadcast services is reflected in the Group's steady increases in EBITDA with an annual EBITDA growth rate of 8% between 2010 and 2012. Because the Group provides essential infrastructure for a variety of broadcast and telecommunications services, such as FTA broadcast television, radio broadcast, satellite uplinks for data and media content, multiplexing for digital television broadcasting and wireless sites, the Group believes it is well positioned to continue its profitable performance and remain technologically relevant in the face of market shifts or changes in circumstance.

Solid track record of delivering complex engineering projects and services

The Group's track record of carrying out the approximately £600 million nationwide DSO rollout both on schedule and under budget, consistently delivering performance in excess of service level agreements (SLAs), as well as the Group's strong financial performance are all indicative of the capabilities of its engineering and management teams. This ability to deliver complex projects is supported by what the Group believes are among the best qualified employees in the UK communications infrastructure industry, and the Group remains dedicated to sustaining this strength through investment in comprehensive training for its employees.

Experienced management team

The members of the Group's Management Board have extensive experience in the media and technology sectors, including previous high-level positions in management and finance at leading broadcast service providers, information technology firms, telecommunications companies, media companies, and MNOs. Additionally, the Group has an experienced team of management, financial and technical personnel, including a team of engineers and media industry professionals. The Group is implementing a performance management programme and a talent management programme to continue its successful track record in training and recruitment of high-quality management and staff.

Business strategies

Maximise value of strong core businesses and infrastructure

The Group intends to leverage its existing resources and infrastructure position in order to increase turnover and cash flow through offering additional services to existing and new customers in its core divisions. The Group is seeking to actively engage with operators to explore new products and services it can deliver as a result of its infrastructure footprint. In the GME division, the Group believes the scale of its site infrastructure and the growing demand for network capacity will enable the Group to secure stable, long-term contracts as MNOs continue to upgrade their network capability to meet customer demand. In the Broadcast and Media division, the Group intends to leverage its strong engineering competencies to support government projects, such as the ongoing Channel 61/62 Clearance project to clear frequency spectrum and the DRS rollout, as well as increasing the utilisation of its UK satellite teleports. The Group also expects to benefit from new opportunities created by further spectrum releases and clearance projects, such as the potential 700 MHz clearance project. In addition, the Group intends to continue to pursue technological developments to increase the capacity of its DTT Multiplexes. Importantly, the Group's strategy is to have contract-led capital expenditure, such that major new capital investment projects are only undertaken once the Group has successfully secured a new contract thereby seeking to limit the risk of speculative investment.

Invest in the development of digital terrestrial television

The Group intends to secure and increase the value of its terrestrial broadcast and Multiplex assets by investing in technologies such as video on-demand services and high definition capability on Freeview thereby supporting DTT as the leading television platform in the UK and the platform of choice for PSBs to satisfy their universal coverage obligations. The Group also intends to enhance its position as the leading operator of UK Multiplexes by increasing existing capacity through improved compression technology and bidding on additional DTT Multiplexes should any become available. In addition, the Group has entered into a joint venture called YouView along with the PSBs (the BBC, ITV, Channel 4 and Channel 5), BT, and TalkTalk, with each member of the JV holding an equal one-seventh share. YouView was launched in 2012, and offers services through a set-top box which receives content from both a broadband connection and terrestrial broadcast signals. It offers free access to the content available over DTT broadcast and the ability to access TV on demand and paid premium content, thereby providing both elements of the DTT broadcast platform and catch-up TV devices. It further includes additional functions such as access to IP channels and interactive television content. The Group believes YouView will enhance the strength of its DTT offering by integrating the DTT platform with the enhanced functionality permitted by IP technology and allow DTT to continue to compete effectively against satellite and cable platforms. Additionally, the Group is developing MHEG-IC technology to offer customers greater interactive DTT functionality through IP technology, a project supported by the Group's recent acquisition of Connect TV.

Leverage investment in wireless sites through active engagement with mobile network operators to develop new revenue sources

The Group engages actively in sales opportunities with key MNOs to maximise benefit from an anticipated increase in consumer demand for new technologies, such as 3G and 4G/LTE technologies, which the Group expects will utilise and increase demand for the Group's active licensed and marketable wireless site portfolio. The Group believes there is the potential for future turnover growth from LTE through the Group's installation services offering, since the Group expects MNOs will need to install more antennas or larger/heavier multi-band or wide band antenna equipment in some locations to provide the coverage or capacity needed, which will fall outside of their existing equipment allowances under their relevant contracts. The Group believes that many of its sites could be readily expanded to accommodate additional equipment or new tenants.

The Group also expects to continue providing sites and infrastructure that will allow MNOs and other wireless customers to ensure cost-effective provision of legacy 2G services, particularly in rural areas where the Group believes that mobile subscribers are likely to take longer to migrate to newer technologies. The Group's strong position in the wireless sites market allows the Group to profit from offering new technologies while continuing to serve customers' existing needs. For example, the Group intends to leverage the GME customer base to pursue opportunities in the provision of wholesale WiFi access points. The Group believes that the build-out of WiFi infrastructure offers significant growth opportunities, facilitated by the Group's recent acquisition of WiFi infrastructure provider Spectrum Interactive as well as its own portfolio of WiFi infrastructure. The Group expects that these new opportunities will provide the Group with a source of revenue which can be readily scaled up as demand and technology change in the future. See "*—Future projects*".

Simplify and standardise in order to optimise operational costs and efficiency

The Group will continue to seek opportunities to improve its operational performance throughout its organisation. This includes investing in systems and people as the Group works to improve its efficiency and provide best-in-class service to its customers. To achieve this, the Group is currently implementing the Arqiva Business Cycle project to optimise the process of preparing bids, delivering contracts and then monitoring their financial performance, which the Group believes should improve demand and resource planning and process optimisation. The Group is also taking steps to improve asset management. For example, the Group has continued to reduce costs by disposing of underutilised assets including satellite infrastructure in the U.S. that the Group acquired in a transaction with BT, while continuing to service its customers via its international fibre network and UK and European teleport infrastructure.

Pursue scalable growth opportunities and build on stable infrastructure business

In addition to the initiatives described above, the Group has a variety of scalable business opportunities across its business sectors that the Group intends to develop, based on technology infrastructure that can be rapidly and cost-effectively upgraded and expanded. For example, in the digital platforms division, the Group would expect to bid for any new relevant spectrum that may become available in the future to expand its DTT Multiplex offerings, and use any new future advances in compression technology to better use existing spectrum, with the aim that DTT remains the platform of choice in the future. In the satellite division, the Group intends to use its pre-existing UK infrastructure to transmit data into new markets, particularly into international markets such as Central and Eastern Europe, and to move to new, higher-margin activities such as media management, satellite data communication and managed networks, while reducing its lower-margin bulk data transfer activities. The Group also believes there may be significant opportunities from the broad adoption of smart metering, a national project expected to allow telecommunications monitoring of domestic utility meters. Smart metering could allow the Group to adapt its existing tower infrastructure to enter this

new business. The Group is also exploring other opportunities to improve and leverage physical infrastructure and its site portfolio for additional profitability, such as other smart metering, telemetry/ machine-to-machine communication technologies.

History and development

The Group was formed in January 2005 following the acquisition of NTL Broadcast by Macquarie Communications Infrastructure Group (**MCG**). The Group's origins can be traced to the transmission functions of the BBC, which was established in 1922, and the Independent Television Authority (**ITA**), which was established in 1954, (later the Independent Broadcasting Authority (**IBA**)). In 1993 the engineering division of the IBA entered the private sector as National Transcommunications Ltd (**NTL**), which after MCG's acquisition was rebranded as Arqiva. In 1997, the home broadcast transmission division of the BBC was acquired by Castle Transmission International, and which was in turn acquired in 2004 by National Grid Transco, later named National Grid Wireless (**NGW**), which was acquired by Arqiva in April 2007. The Group's other recent significant acquisitions include Inmedia Communications Ltd in 2005 and BT's Satellite Services businesses in 2007, in addition to the two Multiplex licences in 2002 and Spectrum Interactive in 2012.

The Group, through its predecessors, has been the sole provider of FTA television and radio transmission in the UK since the inception of broadcasting in the UK.

The Group is owned by a consortium of seven shareholder groups. The Group's largest shareholder, with a 48.0% stake, is CPP Investment Board (whose shareholding is represented by Frequency Infrastructure Communications Assets Limited), a professional investment management organisation that invests the funds not needed by the Canada Pension Plan to pay current benefits on behalf of 18 million Canadian contributors and beneficiaries. Macquarie European Infrastructure Fund II (**MEIF2**) (whose shareholding is represented by MEIF II Luxembourg Communications S.à.r.l.), a wholesale fund that invests in infrastructure investment opportunities in the European Union, is the Group's second largest shareholder with 25.0%. The other shareholders are Industry Funds Management (**IFM**) (whose 14.8% holding is held by Codan Trust Company (Cayman) Limited), Health Super, whose 5.4% holding is held by The Trust Company Limited as custodian for Health Super Investments Pty (which is a division of the First State Superannuation Scheme), Motor Trades Association of Australia Superannuation Fund (whose 5.2% shareholding is held by MTAA Superannuation Fund (NTL Broadcast) Utilities Pty Ltd) and two other Macquarie managed minorities (Macquarie Global Infrastructure Funds 2 S.À.R.L. and Macquarie Prism Proprietary Limited together make up 1.5%). These percentages are as at the date of this Offering Memorandum.

Divisions

Broadcast and Media Division

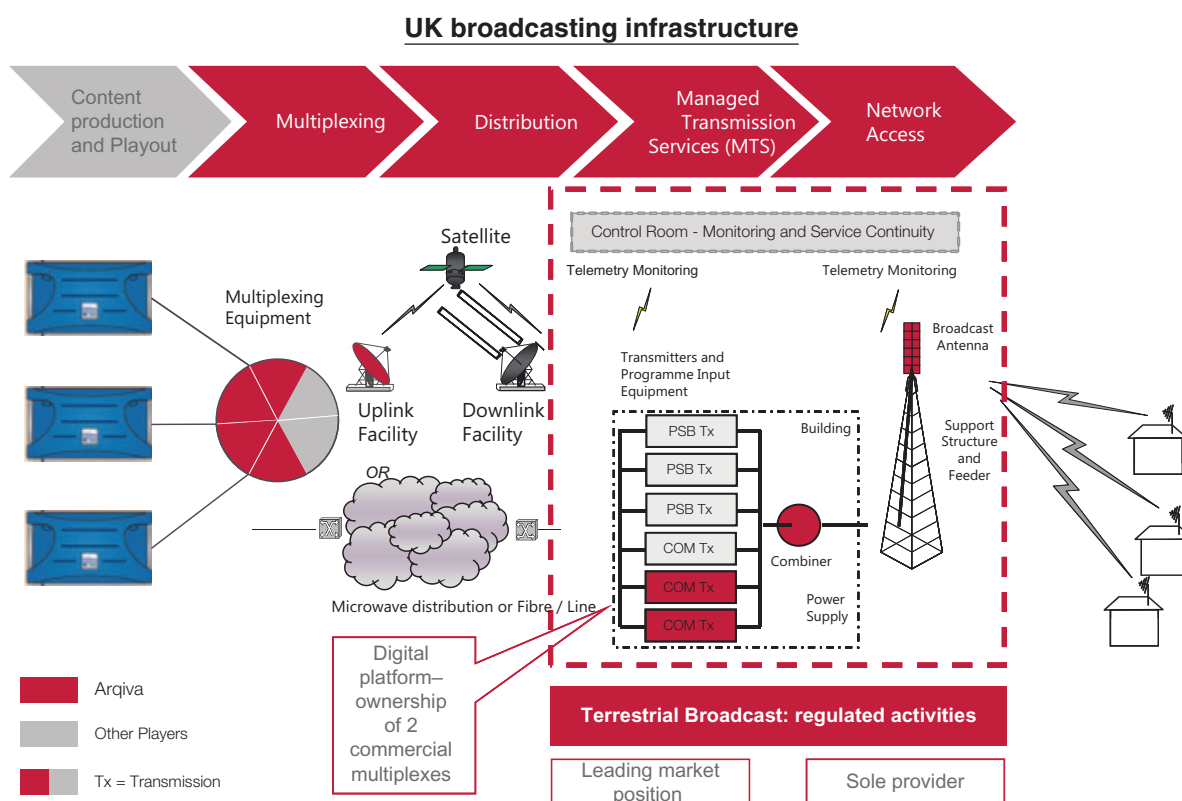
The Group's Broadcast and Media division comprises its terrestrial broadcast and satellite sub-divisions.

Terrestrial Broadcast Sub-division

The Group's terrestrial broadcast sub-division provides two services, NA and MTS, for both radio and television. Together these services allow customers to broadcast media content to consumers over the air. MTS is the managed service offered to broadcasters which allows them to compile, sequence, and ultimately broadcast the transmission signal and NA is the arrangement whereby the MTS content provider pays for wholesale access to the physical network of transmitter sites (such as building access, power resources, and the opportunity to install their own equipment).

Turnover from the terrestrial broadcast sub-division was £232.7 million, £260.3 million, £267.0 million and £141.1 million, which represented 28.3%, 31.5%, 32.1% and 34.9% of the Group's total turnover, for the years ended 30 June 2010, 2011 and 2012 and the six months ended 31 December 2012,

respectively. For the last twelve months ended 31 December 2012, the terrestrial broadcast sub-division generated turnover of £281.6 million, representing 33.9% of the Group's total turnover for that period.



Under the Reference Offer pricing framework, the Group is allowed to make a fixed rate of return of 7.71% WACC (real pre-tax) on a regulated asset base used for NA services. The value of the asset base is calculated to increase in line with inflation increases and is generally linked to RPI. Returns from the Group's MTS assets are not based on WACC but are based on fair reasonable and non discriminatory pricing. In addition with regards to its main broadcast customers the Group recovers or passes through certain of its costs, such as rent and electricity along with the direct and indirect operating costs and overheads. See “—Regulatory Framework and Contracting”.

Network access

The Group provides network access to customers through tower/mast transmitter sites, consisting of physical infrastructure, support such as maintenance and on-site entry to facilities. Physical infrastructure owned by the Group comprises the antennas, masts and towers, power sources, feeders, combiners and remote monitoring devices necessary to broadcast terrestrial signals. It also includes the buildings for utilities and maintenance. As at 31 December 2012, the Group operated 1,154 television transmission towers and masts throughout the UK. See “—Properties—Communications Sites” for a description of the Group's tower sites.

Managed transmission services

Through its MTS product, the Group facilitates use of the infrastructure provided through NA by managing dedicated transmitter equipment and infrastructure for broadcast media and providing broadcast end-to-end service and administers content distribution. This consists of collecting television channel signals from broadcasters' studios, distributing them to 1,154 transmitter sites across the

country and ensuring the transmission signals can be received by television sets. For historical reasons related to competition and regulation, NA and MTS are treated separately, though both rely on infrastructural assets to generate business value. Until the DSO completion the Group provided MTS for two types of television signals: analogue signals, providing the service for the five analogue television stations, and digital signals, with MTS provided to the six Multiplex operators. For a further description of Multiplexing, see “—*Digital Platforms*”. With the final DSO completed in October 2012, the transmission of analogue television signals ceased, and the Group now only provides TV MTS for DTT broadcasting.

Digital switchover programme

The DSO switched all analogue television transmission signals in the UK to DTT. DTT is the delivery platform for Freeview, which is the main television platform in the UK and carries predominantly FTA channels. The Group, following an agreement between national broadcasters, the UK government, and the Group in 2006, was responsible for executing the DSO, which is the nation-wide replacement of existing analogue transmission signal infrastructure with DTT infrastructure transmitted via Multiplexes. The DSO required the physical replacement of infrastructure, such as distribution networks, antennas, transmitter site facilities and Multiplex equipment, to gain digital broadcast capabilities. The DSO project began in 2005 and the switchover process itself began in 2009. The London DSO was completed at Crystal Palace in April 2012, and the final switchover, in Northern Ireland, was completed in October 2012, and all analogue broadcast in the UK has been discontinued. DTT currently covers 98.5% of the UK population, serving as the only source of terrestrial broadcasting for television. The Group’s capital expenditures for the DSO were £118.7 million, £112.4 million, £72.5 million and £14.6 million, for the years ended 30 June 2010, 2011 and 2012 and the six months ended 31 December 2012, respectively. The Group expects to recover these capital expenditures through its long-term contracts to provide NA and MTS through the Reference Offer pricing framework described below.

Customers and contracts

Because the Group is the exclusive provider of NA for broadcast television, the Group’s customers include all television broadcasters and the operators of the majority of radio broadcasters in the UK. The Group’s commercial agreements cover both NA and MTS as well as multiplexing services distribution. Fees are generated by broadcasting a signal according to agreed criteria that meets a specified SLA. The SLA requirements principally relate to service availability. The ground for termination of a contract is persistent breach of the SLA requirements, and should the Group be responsible for a major failure on a network, the Group may be required to return 10% of payments under a super-credit regime. However, as at the date of this Offering Memorandum, the Group has consistently outperformed its contracted service level requirements with only minor failures from time to time. There is no regulatory review of existing contracts or pricing for the terrestrial or radio broadcast businesses.

The Group’s contracts for DTT extend until at least 2026, with some not expiring until 2034. Some DTT contracts do include break clauses which customers may use to terminate contracts (though with penalties for the breaking customer). The contracts include a provision to charge fees for NA based upon a fixed rate of return of 7.71% WACC (real pre-tax) on a regulated asset base. The value of the asset base is calculated to increase in line with inflation increases and is linked to RPI. Returns from the Group’s MTS assets are not based on WACC but are based on fair reasonable and non discriminatory pricing.

The Group’s radio contracts, both analogue and digital, typically have contract terms of 8 to 12 years, with break clauses of 6 years. In addition to charging a recurring fee to radio stations, the Group also charges radio stations for the cost of providing a link from the studio to transmission sites. The Group’s

analogue contracts that are subject to renewal generally contain provisions that contemplate the possibility of analogue signals in the UK being switched off during the term of the contract. The Group's BBC analogue radio contract becomes due for renewal in the spring of 2013 (representing a limited percentage of terrestrial broadcast turnover for the last twelve months ended 31 December 2012), along with part of the existing digital contract and the next phase of the digital radio build-out. The Group will continue to provide NA for this project, and is bidding against three competitors to provide MTS and expects to make a strong bid in light of its existing analogue and digital infrastructure and strong customer history with the BBC. For the year ended 30 June 2012 and the last twelve months ended 31 December 2012, the Group's top three customers represented approximately 28% and approximately 29% of the Group's turnover, respectively.

Regulatory Framework and Contracting

The Group's terrestrial television and national/regional radio broadcast activities are regulated by Ofcom. For both television and radio, existing bilateral NA contracts with customers are negotiated on a commercial basis. However, such contracts are agreed within the framework of a Reference Offer, which the Group is required to publish whenever any new relevant spectrum becomes available. The Reference Offer establishes terms for access to the network, articulates the cost components of the price, and provides an initial basis from which negotiations can proceed. Unlike contracts for other public services such as utilities, once terrestrial broadcast contracts are negotiated, they are not expected to be subject to further or periodic regulatory review of pricing or other terms.

Current television transmission contracts have expiry dates between 2026 and 2034, but have accommodations for price adjustments if additional Multiplexes are licensed by Ofcom. For current DTT contracts, for NA the Group is allowed to make a fixed rate of return of 7.71% WACC (real pre-tax) on a regulated asset base. The value of the asset base is calculated to increase in line with inflation increases and is linked to RPI. A new Reference Offer would be made available for new contracts based on the number of any new Multiplexes. There is no periodic regulatory review of terrestrial broadcast contracts, and a review process with Adjudicator, based on the Group's Competition Commission undertakings, can be carried out by the Adjudicator for new contract pricing. Returns from the Group's MTS assets are not based on WACC but are based on fair reasonable and non discriminatory pricing.

For radio, contracts are negotiated through a similar process, and must be agreed upon a reasonable, fair, and non-discriminatory basis. Pricing reviews occur in the year prior to the renewal of contracts, but as radio contracts are, in general, shorter than television contracts, radio contract reviews occur more frequently. See "*Regulation of the Communications Industry in the United Kingdom*".

Freeview

The DTT platform in the UK is branded as Freeview, and with the completion of the DSO is the exclusive platform for terrestrial television broadcast. Freeview carries predominantly FTA channels, such as the PSB channels of the BBC, ITV, Channel 4 and Channel 5, shopping channels, a small number of pay channels, digital radio stations and interactive services. Freeview launched in October 2002 and was broadcast at low power in parallel with the analogue network. As all regions have been switched over to DTT through the DSO, Freeview is now the exclusive platform for terrestrial television broadcast, and the PSB channels broadcast over Freeview now reaches 98.5% of households. PSBs are broadcasters, most notably the BBC, who have accepted obligations to broadcast channels with agreed levels of public service programming and minimum population coverage requirements (set at 98.5%) in return for being classified as a PSB. The reach of the commercial channels on DTT reached 90% upon DSO completion. The reason for the difference in coverage between the PSB and commercial channels is cost-related. To achieve 98.5% coverage, transmitters must be operated at 1,154 sites across the UK, while 90% coverage requires transmitters at only 80 sites.

Technical developments related to the DSO and new compression technologies have allowed the capacity of the Freeview platform to be expanded in recent years. The platform currently carries up to 50 digital TV channels and 24 digital radio stations. A limited High Definition (**HD**) service is available to viewers with an HD device, comprising two channels for the BBC and one each for ITV and Channel 4.

Radio

The Group is the sole provider of end-to-end broadcast transmission services for analogue (AM and FM) and DAB, which includes regulated network access services. There are two national DAB multiplexes. The Group owns and operates the only commercial national DAB Multiplex, D1, and the second national DAB Multiplex is used exclusively by the BBC. In addition, the Group owns 20 of the 47 local DAB Multiplexes, primarily in the South and Midlands regions, and most local DAB Multiplexes utilise NA infrastructure owned by the Group. Because of its market position the Group was designated as holding Significant Market Power for national/metropolitan and regional broadcasts, with 90% market share with regards to NA and MTS.

Ofcom is considering, and consulting with market participants regarding, the possibility of a DRS, which would transition analogue FM-band services to DAB, though unlike the DSO such a transition would not be designed to entirely eliminate analogue broadcast by local and smaller broadcasters. See *“Industry—The UK Broadcast and Media Industry—The UK Radio Industry—Switchover to Digital Audio Broadcast”*. The ongoing need to simulcast radio broadcasts in digital and analogue allows the Group to provide and charge for the separate infrastructure and services to support both.

Competition

In the terrestrial television broadcast business, the Group has 100% market share of MTS and sole ownership of the physical network in the UK. Accordingly, the Group’s terrestrial broadcast activities are regulated by Ofcom and the establishment of its market position was cleared (remaining subject to certain competition undertakings) by the UK Competition Commission. See *“Risk Factors—Business and industry risks—The Group is subject to UK government and other regulations that govern the way it conducts its businesses, and effects or changes in regulations could have a material adverse effect on the Group’s business, financial condition and results of operations”*. As a result of this position, there are significant financial, infrastructural, contractual, regulatory and reputational barriers facing any competitor. However, other television content delivery platforms, such as DTH satellite and cable television, provide competing forms of content delivery and may reduce the number of households that rely on DTT to receive television content. This risk from alternate platforms is greatest in respect of primary television sets, as a large majority of non-primary sets continue to receive their content from terrestrial broadcast. See *“Industry—The UK Broadcast and Media Industry”* and *“Risk Factors—Business and industry risks—The Group faces competitive and technology pressures, which could result in lower prices for the Group’s products and services and the loss of current and potential customers”*.

In the radio broadcast business, the Group has a leading market position and was designated as holding Significant Market Power in 2004–2005 for national/metropolitan and regional broadcasts, with over 90% market share in NA. In the local radio broadcast NA/ business, the Group was not designated as holding Significant Market Power at the time of the market review, but the subsequent acquisition of NGW led to a significant lessening of competition finding by the Competition Commission and the Group’s local radio broadcast business now operates under the umbrella of the Undertakings.

In the radio market, the Group also operates as a radio multiplex operator. There are two national DAB multiplexes. One is owned and used exclusively by the BBC and currently provides 11 channels to 92.2% of the UK population. The second, D1, is owned by the Group. It covers 84.6% of the UK population and currently carries 13 channels based on mutually agreed commercial terms. In 2011,

D1's licence was renewed by Ofcom and now runs until November 2023. The Group also owns 20 of 47 local DAB Multiplexes as at 31 December 2012.

Satellite Sub-division

The Group's satellite sub-division provides communication infrastructure services to manage and distribute video and data by uplinking content distributed by customers. Uplink services consist of the transmission of a broadcast signal from a teleport to a satellite, while downlink services consist of the reception of a broadcast signal that is transmitted from a satellite to a teleport and turnaround consists of downlinking a satellite signal and instantaneously uplinking it again, either to transmit a signal beyond the range of a single satellite or to change the signal from one transmission bandwidth to another.

The Group is the primary independent (non-Sky) owner of uplink distribution services, providing satellite capacity for approximately 250 channels (out of a total of approximately 500 available in the UK from Sky), through leased transponder capacity on the Eutelsat 28A satellite. Significant transponder capacity is leased on Eutelsat 28A on commercially reasonable terms through 2017. In order to offer a comprehensive solution, as at 31 December 2012, the satellite sub-division's infrastructure included five teleports, 80 satellite uplink dishes, an international terrestrial fibre information network, television studios and 3.5 GHz of leased capacity on 45 global satellites. The Group's independent teleport network consists of five teleports, located at Winchester-Crawley Court, Winchester-Morn Hill, Chalfont, Bedford, and Ipswich (Martlesham), together comprising a total of 80 uplink dishes. This comprehensive network of infrastructure allows the Group to satisfy the international distribution requirements for a number of its major customers (for example, by using its fibre network to transport content from the U.S. and then broadcasting it onward to Europe and elsewhere).

With approximately a 46% market share of satellite channels uplinked as at 31 December 2012, the Group's satellite sub-division is the largest owner of externally-provided uplink infrastructure and satellite distribution services in the UK, providing a key component for the satellite transmission of media and data content to the UK and other geographical areas. The satellite sub-division provides a wide range of services to its customers, from higher-margin media services for large television networks to lower margin bulk data transfer. The Group's satellite sub-division is increasingly focussed on higher-profit margin services such as media management, satellite data communication and managed networks. The Group also has a presence in France and Italy, which the Group believes will serve as a platform to capitalise on anticipated long-term growth in Eastern Europe by providing the infrastructure to provide satellite broadcast services to that region. The Group believes it can grow its revenue by leveraging its ability to access content from the U.S. and other countries using its fibre-optic connection assets, and then transmitting this content to regions which the Group believes to have strong growth potential, such as Eastern Europe, the Middle East, and Asia, through the Group's existing satellite infrastructure, predominantly located in the UK.

Turnover from the satellite sub-division was £239.8 million, £214.0 million, £197.4 million and £86.7 million, which represented 29.1%, 25.9%, 23.7% and 21.5% of the Group's total turnover, for the years ended 30 June 2010, 2011 and 2012 and the six months ended 31 December 2012, respectively. For the last twelve months ended 31 December 2012, the satellite sub-division generated turnover of £182.9 million, representing 22.0% of the Group's total turnover for that period.

Customers and contracts

The satellite sub-division has a large and diverse customer base, and no single customer was responsible for more than 7% of the satellite's business revenue in the year ended 30 June 2012. The following table shows the satellite sub-division's services and key customers:

Product	Service Offered	Customers
Media Management	Reception and management of content from broadcasters to produce unified television channels. The Group owns studios in Feltham and Chalfont for this purpose.	Sony, British Eurosport, ESPN
Satellite Data Communications	Uplink services enterprise data applications.	Verizon Wireless, AGS, Boeing
Managed Networks	Help broadcasters and other platform operators access and deliver to consumers new content, through providing content aggregation, downlink, Multiplexing and uplink services.	ITV, Canal +, 4, Turner, MultiChoice
Events and Occasional Services	Occasional and event-specific contribution to broadcast signals by use of various satellite facilities, including space and fibre.	Sky, IMG, BBC
UK DTH	Provision of technical services, including Multiplexing, uplinking and satellite capacity allocation, on the Eutelsat 28A satellite for Sky and Freesat homes.	NBC, Chellozone, Discovery
Distribution Platforms	Technical distribution services and support for non-UK DTH platforms sold on a per channel basis.	Bloomberg, CNBC, Disney
Wholesale Space	Satellite capacity sold on with no other products or services attached.	Sky
Digital Cinema	Delivery of feature films over the Group's Pan European Digital Cinema satellite platform.	Columbia, Disney

The Group's major contracts to provide satellite services include provision of satellite capacity for approximately 250 channels (out of 500 available in the UK) through leased transponder capacity on Eutelsat 28A. The Group's customers are primarily tier 2 or tier 3 broadcasters such as Chellozone and Man U TV. Typical contract lengths are 3 to 5 years with historic renewal rates of over 90% with existing customers and low default rates. Some contracts have price increases linked to inflation.

Competition

The Group's major UK competitor in the provision of satellite telecommunications and uplink services is Globecast. The BBC buys transponder capacity directly and Sky sources capacity exclusively for itself and many of its channels, and does not currently resell this capacity. Alternate technologies, including optical and copper-based fibre networks and internet protocol, compete by providing alternate platforms for the telecommunications delivery of information and media content.

Digital Platforms Division

In the UK, six Multiplexes have been licensed, based on the amount of spectrum currently available in the UHF television band between 470 and 854 MHz. The following table summarises current Multiplex ownership and other key attributes of television Multiplex licences:

Multiplex	1	2	A	B	C	D
Owner	• BBC	• D34 (owned by ITV/C4)	• SDN (owned by ITV) • 40% of the capacity is controlled by Channel 5 • In Wales 50% is controlled by S4C and 50% by Channel 5	• BBC	• Arqiva	• Arqiva
Type	• PSB	• PSB	• Commercial	• PSB (HD only)	• Commercial	• Commercial
Key Customers	• BBC	• ITV • Channel 4 • Channel 5	• QVC • ITV • Top Up TV	• BBC HD • ITV HD • Channel 4 HD	• Sky • UKTV • Channel 4	• ITV • Channel 4 • Russia Today • Ideal Shopping • BT vision
# of channels	• 9 TV • 13 radio • 1 text	• 8 TV • 1 radio	• 16 TV • 3 radio • 7 data/interactive • 4 text	• 4 TV • 11 radio • 1 data/interactive	• 17 TV • 11 radio • 1 text	• 16 TV • 9 radio • 3 data/interactive
Est. coverage post DSO	• 98.5%	• 98.5%	• 90%	• 98.5%	• 90%	• 90%

Of the six Multiplex licences, three Multiplex licences are owned by PSBs such as the BBC, while the remaining three are commercially owned. The Group owns two of the three commercial Multiplex DTT licences in the United Kingdom, representing 33 out of 53 total commercially broadcast DTT channels (though not all of these are broadcast 24 hours a day, seven days a week) in the UK as at 31 December 2012. Multiplexing is the process by which the media content for digital broadcast is combined into a digital stream for transmission. A Multiplex operator converts multiple channel signals produced by content providers into a single digital stream. This stream is then carried over terrestrial interconnections to a series of transmitter sites, which broadcast the signals from transmitter masts. The signals are then picked up and decoded (or de-multiplexed) by television receivers and set-top boxes, allowing channels to be displayed on television screens. A Multiplex licence grants a company the right to manage certain spectrum frequencies over which it can broadcast combined digital transmission signals.

Multiplex owners/licence holders generate revenue by charging customers, who purchase channel “slots” to broadcast on their Multiplexes. The DSO rollout and improvements in technology such as improved compression and modulation technologies have increased the number of streams available per Multiplex. Across all Multiplexes the total number of streams has increased from 20 in 2002 to 46 in 2012, and on the Group’s two commercial Multiplexes (Mux C and Mux D) from seven in 2002 to 20 in 2011. The Group has experienced near-full utilisation of its available spectrum since 2004, and the Group has historically been successful in creating additional capacity through technological developments. Total turnover for the Digital Platform divisions was £79.4 million, £109.5 million, £121.6 million and £63.6 million for the years ended 30 June 2010, 2011 and 2012 and the six months ended 31 December 2012, respectively.

Customers and contracts

The top five customers of the Group's commercial Multiplex division as at 31 December 2012 were Channel 4, BT, UKTV, ITV, and Ideal Shopping, together representing approximately 58.5% of the Multiplex division's turnover. These customers generally reflect high levels of creditworthiness, either through government backing or independently strong credit ratings.

In recent years, the Group has deliberately diversified its Multiplex customer base so as to reduce heavy dependency on advertising funded channels. In 2008, 84% percent of the Group's Multiplex video streams were used by advertising-funded channels, while in 2012 54% of the Group's streams were used by advertising-funded channels, 22% were used by transactional funded channels (such as shopping channels), 12% were used by pay/subscriber funded channels, and 9% were used by news funded channels. Nonetheless, the absolute revenue from ad-funded channels has increased over the period. This diversity of revenue base gives the Digital Platforms business more robustness and flexibility in light of any market or macroeconomic changes, including a global downturn. The Group has also introduced partial day slots that allow broadcasters to use a video stream for particular hours at a lower cost than fully dedicated channel usage. Examples of this include Al Jazeera, which began broadcasting on DTT with a five hour channel slot before adopting a full 24 hour video stream.

The Group's typical contracts for channel slots are of three to six years in duration, with similar length renewal options.

After the completion of the DSO, Ofcom has engaged in consultations regarding the clearance of the 700 MHz bandwidth. It is possible the 700 MHz bandwidth will be cleared for mobile use, and the Multiplexes that are currently dedicated to the 700 MHz spectrum range would be reallocated to the 600 MHz range. Were this to occur, it would require realignment of the current physical infrastructure of the applicable Multiplexes, with associated capital expenditures that the Group believes would be considerable, although the Group expects its own capital expenditures would be limited. See "*Risk Factors—Business and industry risks—The Group or its customers may be unable to secure spectrum in the future, which would prevent or impair the Group's plans or limit the need for the Group's services and products*".

Competition

Other owners of spectrum for DTT broadcasting are the BBC, D34 and SDN. The BBC and D34 only own public licences, and historically broadcast only PSB content, though the BBC is in the process of selling a limited amount of commercial capacity on Mux B. As such, the BBC and D34 broadcast television content directly competes with that carried by the Group's Multiplexes. See "*Risk Factors—Business and industry risks—The Group faces competitive and technology pressures, which could result in lower prices for the Group's products and services and the loss of current and potential customers*", "*—Digital Platforms Division*".

The Group is one of two commercial Multiplex providers. SDN owns the only other commercial Multiplex licence (as compared with the Group's two licences), and is therefore the only direct competitor. Its primary broadcast clients include Five, S4, ITV and Top Up. The BBC's decision to sell a limited amount of commercial capacity on Mux B offers another possible source of competition.

GME Division

The Group's GME division owns and operates a portfolio of independent (non-MNO) wireless sites, which it licenses to UK MNOs and other wireless network operators and provides radio communication services to government, enterprise and emergency services organisations and services providers. The GME division owns the physical infrastructure and provides site sharing, site operation and maintenance and installation and decommissioning services for its customers. Fixed-line and mobile

communication networks are supported by the GME division's National Customer Service Centre and maintained by national field operations involving nearly 300 engineers based at over 30 sites across England, Scotland, Wales and Ireland. As at 31 December 2012, in the UK the Group had approximately 16,700 marketable sites, included within which was the substantial majority of the Group's approximately 8,700 active licensed sites. This portfolio of active licensed sites comprised approximately 24% of all active licensed macrocell sites in the UK and a significant proportion of all independently operated active licensed sites in the UK. The next largest provider of independent wireless sites, the Wireless Infrastructure Group (**WIG**), had 2,000 active licensed sites as at 31 December 2012 (*Source: WIG*). Approximately 91% of the Group's active licensed wireless site portfolio as at 31 December 2012 was concentrated in rural and suburban areas. The average tenancy rate on the Group's active licensed sites is 2.7 tenants per site, as at 31 December 2012. Potential competitors in these less densely populated regions face high barriers to entry, because alternative technologies (such as WiFi and micro/picocell technologies) are better suited for densely populated regions, and development of a competing macro-site infrastructure would require prohibitive investments in terms of land acquisition and capital expenditures. Turnover from the GME division was £271.2 million, £241.9 million, £245.7 million and £113.0 million, which represented 32.9%, 29.3%, 29.5% and 27.9% of the Group's total turnover, for the years ended 30 June 2010, 2011 and 2012 and the six months ended 31 December 2012, respectively. For the last twelve months ended 31 December 2012, the GME division generated turnover of £239.0 million, representing 28.8% of the Group's total turnover for that period.

The division manages and licenses the infrastructure for wireless voice and data transfer for three main business sectors: major mobile telephone service providers, government, and enterprise (corporate).

Government

The government business focuses on the emergency services, utilities and transport sectors, which the Group believes to offer significant growth opportunities. The Group provides mission-critical communications services, including front-line emergency services, to a variety of government entities in the UK and Ireland, such as the two largest police forces in the UK, the London Metropolitan Police (through BAE Systems Detica) and the Strathclyde Police, and the Maritime and Coastguard Agency. Other customers include institutions such as the Royal National Lifeboat Institution and Tracker UK. The Group provides these customers with outsourced communications management, high availability networks, analogue and digital radio equipment and mobile data solutions. The Group provides such services to the UK emergency services, but these do not include the provision of the main Tetra communication network, which is provided by Airwave. These services are provided by a team of approximately 300 people based across approximately 30 sites throughout the UK.

Mobile

The mobile business provides services to major MNOs, such as T-Mobile, Everything Everywhere, Three UK, Vodafone and O2 and their JVs such as MBNL. MNOs seek the highest coverage and capacity for their 2G, 3G and future 4G mobile networks. The Group provides customers with site-sharing services as well as the provision, installation, and maintenance of site facilities; however, actual transmitter operation and performance is the responsibility of the customer. The Group receives revenue from space and equipment licensing. Energy business rates and installation costs are re-charged to the customer directly. The Group is the largest independent provider of sites in the UK.

Enterprise

The enterprise business provides services to enterprise customers, such as Airwave, Cable & Wireless, BT, Virgin Media and UK Broadband. The Group provides enterprise customers with site sharing, data centre facilities, fibre wrapping and maintenance and spectrum leasing.

Customers and Contracts

The Group's GME division has over £1 billion of revenue under contract as at 30 June 2012, equivalent to more than four times the Group's turnover for the year ended 30 June 2012. Substantial contracts with MNOs and their JVs include a contract with MBNL, Three UK and Everything Everywhere, and an additional contract with Everything Everywhere, with both contracts running until 2018, as well as rolling contracts with O2 and Vodafone. Together these contracts represented approximately 80% of the site-share fee base as at 31 December 2012. The Group's MNO clients are backed by substantial parent companies such as Deutsche Telekom and France Telecom (Everything Everywhere), Hutchison Whampoa (Three UK) and Telefonica (O2). Historically, the Group's MNO customers have shown low annual churn rates of below 1% of sites and most of the main contracts contain restrictions on the number of sites a customer can terminate over a given time period.

The Group's current contracts in the Government business include national network management, terminal managed services and secure mobile data solutions for customers such as the Metropolitan Police (through BAE Systems Detica), Tracker UK, the Maritime and Coastguard Agency, the Royal National Lifeboat Institution as well as Government departments such as the UK Borders Agency. The Group's service footprint extends to Northern Ireland and the Republic of Ireland, with customers such as Belfast Airport, Northern Ireland Fire Service, and the HSE—Ireland's National Ambulance Service. Operating from various locations across the UK and Ireland, sites include secure facilities that handle sensitive customer equipment and data.

Competition

MNOs own or directly lease a large percentage of their own sites, and this comprises the primary competition to the Group's independent wireless business. The total number of sites in the market (including those owned by the MNOs themselves) has decreased as MNOs form JVs and enter into site sharing or RAN sharing agreements among themselves to decrease network costs. In 2007, Three UK and T-Mobile began sharing network assets through the MBNL JV. In addition, in 2010 T-Mobile and Orange merged their UK operations in a new entity called Everything Everywhere. Cornerstone was formed as a network resource sharing agreement between Vodafone and O2 in 2009, and was developed into a JV between Vodafone and Telefonica, O2's parent company, in 2012, in order to increase sharing of infrastructure. The Group plays a critical role in the consolidation process by allowing the MNOs to use a single site for equipment sharing purposes post-consolidation.

The Group is the largest provider of independent wireless sites in the UK, having approximately 8,700 active licensed sites as at 31 December 2012. Competing independent providers of wireless sites are fragmented. As at 31 December the Group believes it had more than four times the number of active sites compared to its three nearest independent wireless sites competitors in the UK, the largest of which is an independent infrastructure provider, WIG, with 2,000 active licensed sites as at 31 December 2012 (*Source: WIG*).

Pico/Micro cell technology and WiFi offer alternate structures in urban areas, but are used primarily for covering specific hyper-dense zones or individual buildings. The nature of these technologies is not expected to pose a significant challenge to the Group's market position, which primarily comprises rural and suburban areas (91% of the Group's active licensed wireless site portfolio as at 31 December 2012), where macro networks are preferable. Thus, because of the composition of the Group's wireless portfolio and its unique suitability for the Group's main wireless customer base, the Group has relatively little overlap with the main emerging alternative wireless technologies and is expected to face little competition from them.

In the government services division, there are few direct competitors who can match the Group's comprehensive breadth of service offering, project and field capacity, technical expertise, and ability to address projects which require long-term investment. Capita is the Group's principal competitor in the

government business, as it offers the broadest set of overlapping services (competing in the space, spanning control rooms, mobilisation, managed services product sectors). Other competitors only make niche offerings.

Future projects

The Group intends to focus on new projects such as smart metering and the build-out of WiFi infrastructure. The smart metering project, driven by the UK Department of Energy and Climate Change (**DECC**), is a project to install a smart energy meter in every home in Great Britain in order to improve efficiency and facilitate monitoring of gas and electricity use by consumers. The Group has, in cooperation with BT, Sensus, and BAE Systems, formed a consortium called Smart Reach that would supply the communications framework to monitor these utilities. The Group, as part of this consortium, expects to make a competitive bid for smart metering, which if successful will provide a significant new business opportunity that utilises the Group's existing physical broadcast infrastructure and network management and labour skills. The consortium is one of 5 bidders which will compete in the government procurement process (divided into 3 regions, with the Group's consortium making bids for all three regions), with a final award of the contract currently expected in the summer of 2013 (following a final bidding round the Group expects to occur in May 2013). If successful, the Group currently believes smart metering contracts would have a duration of between nine and 15 years with the potential to extend to 20 years.

The WiFi infrastructure project involves the acquisition and development of a portfolio of independent wireless hotspots. Through its acquisition of Spectrum Interactive (now called Arqiva WiFi), the Group has obtained a portfolio of approximately 15,500 WiFi hotspots in over 2,100 locations, including hotels, restaurants and leisure outlets as well as airports, airline lounges, motorway service stations and other public locations. The Group intends to increase this portfolio of hotspots, spending up to £10 million on initial capital expenditures, with any remaining capital expenditures reflecting contracted turnover. The Group intends to use this portfolio to offer wholesale mobile data capacity to MNOs, giving them an opportunity to offload data from traditional networks onto WiFi infrastructure. The growing demand for mobile data services places the MNOs' traditional wireless networks under increasing stress, which could be alleviated by increased utilisation of WiFi infrastructure. As at the date of this Offering Memorandum, the sale of WiFi infrastructure capacity is still in the discussion phase with MNOs, but could provide a flexible and scalable growth opportunity for the Group, because the hotspots can quickly be adapted to provide the wholesale mobile offering.

The Group is also developing MHEG-IC technology, participating in the Mobile Infrastructure Project, investigating opportunities created by the allocation of the 800 MHz bandwidth to mobile, and developing Local TV services technology. MHEG-IC could enable the development of the interactivity of Multiplex technology through the use of live streaming IP channels. This is expected to expand the range of interactive services available to consumers of Freeview, and the Group intends to offer broadcasters a greater array of such interactive products through this service. The Mobile Infrastructure Project is a government initiative to expand and improve coverage to regions of the UK which currently have no mobile access or mobile access of poor quality, with the ultimate goal of providing service to 75% of the 0.3% of premises that are currently in areas without any 2G services ('not-spots') (*Source: Ofcom*). The Group expects to make a competitive bid to participate in the Mobile Infrastructure Project, for which it would provide towers, passive site equipment (such as antennas) and ongoing management services which MNOs could utilise, thereby creating revenue for the Group. The Group expects the clearance of the 800 MHz spectrum will also create opportunities for the growth of the Group's mobile sector, as it is imposing more stringent coverage obligations for rural areas. Local TV is project under development to allow for targeted localisation of DTT content and advertising through the use of local Multiplexes, thus allowing content providers to tailor their programming to local audiences.

Business Operations and Corporate Support

The Business Operations unit provides engineering, delivery, and maintenance services for the Group's three divisions, including the engineering support which was necessary to implement DSO and is necessary to maintain DTT. Additionally, technical customer services and internal engineering support are provided through this unit. The Group has 1,164 employees in the business operations group as at 31 December 2012. The Corporate Support unit covers finance, IT, legal and strategy functions, and business development for the Group. The Group has 409 employees in the corporate support group as at 31 December 2012.

Employees

As at 31 December 2012, the Group employed 2,060 full-time equivalent persons. The Group believes that the Group's employee relations are good and it has not experienced significant labour-related work stoppages or high turnover rates in the last three years. As at 31 December 2012, 148 staff and employees are members of the BECTU, the UK's primary media and entertainment trade union.

The table below shows the number of full-time employees as at 30 June 2010, 2011 and 2012 and as at 31 December 2012 in each of the Group's three divisions:

Division	30 June			31 December 2012
	2010	2011	2012	
Broadcast and Media	593	286	243	196
Terrestrial Broadcast	99	43	42	38
Satellite	494	243	201	158
Digital Platforms	N/A	11	19	22
GME	89	155	195	269
Business Operations	1,237	1,285	1,232	1,164
Corporate Support	289	352	390	409
Total	2,208	2,089	2,079	2,060

Properties

The Group's operational headquarters are located near Winchester, UK, with the corporate headquarters based in London.

Communications Sites

The Group's ownership interests in communications sites include freehold ownership, leases created by long-term ground lease agreements, easements and licences or rights-of-way granted by government entities.

Terrestrial broadcast

A typical site consists of a compound enclosing the site, a tower structure and one or more equipment shelters that house a variety of transmitting, receiving and switching equipment. Tower structures are typically guyed towers, as tall as 350 metres, or small monopole/tubular structures, often used to address space or aesthetic constraints in more densely populated areas. The tower portfolio also contains the UK's largest free-standing concrete structure at 330 metres based in Yorkshire.

Satellite

Each of the Group's five satellite teleport sites consist of multiple satellite antennas arranged in an array over a single site, plus supporting infrastructure which allows for control and maintenance of the antennas. A typical site consists of a compound enclosing the site with antennas/dishes ranging

from small (1.2 metres) to large (16.4 metres) structures (9 metres is the most commonly used size) with several equipment cabins and a master control centre.

Wireless

Of the approximately 8,700 active licensed communications sites in the Group's portfolio as at 31 December 2012, approximately 85% are located on land that the Group leases but does not own. Ground leases for land underlying the Group's towers generally have an initial term of 20 years and in approximately 60% of cases there is a statutory right to renew for the same length of term. See *"Regulation of the Communications Industry in the United Kingdom—Landlord and Tenant Act"*. As a result, the majority of the ground agreements for the Group's sites have a final expiration date of 2020 and beyond. In addition, the "powers" granted to certain Group members by Ofcom under the electronic communications code, which allow operators to benefit from certain exemptions under Town and Country Planning Legislation and the Landlord and Tenant Act of 1954, also provide a form of security of tenure on leasehold sites. The right of access to land and the protection from eviction afforded to telecommunications operators who have been awarded the "code powers" set out in Schedule 2 of the Telecommunications Act 1984 were extended by the Communications Act 2003. This enables network service providers and broadcasters and their network service providers to also be awarded "code powers" in relation to both telecommunications and broadcast network site facilities and shareable apparatus. In particular, code powers limit a landlord's ability to require removal of electronic communication apparatus without an adjudicative process. See *"Regulation of the Communications Industry in the United Kingdom—Code Powers"*.

Insurance

The Group maintains insurance coverage at £50 million each for property damage, employers liability, and public and private liability, levels which are customary for the Group's industry. The Group also maintains other types of insurance that are typical of the Group's industries at typical industry levels. The Group's insurance policies are subject to customary deductibles and exclusions. See *"Risk Factors—Business and industry risks—The Group's infrastructure assets may be affected by natural disasters and other unforeseen events or damage"*.

Legal proceedings

At any given time, the Group may be a party to litigation or be subject to non-litigated claims arising out of the normal operations of the Group's business. There are no material legal proceedings outstanding as at the date of this Offering Memorandum.

Trademarks

The Group has obtained trademark registrations for the name "Arqiva" in the UK, the United States and the European Union. The initial terms of the registration of the Group's trademarks are for ten years from the date of application and are renewable thereafter.

Regulation

For regulations the Group believes are material to its business, see *"—Regulation of the Communications Industry in the United Kingdom"*.

Environmental Policies

The Group has environmental policies the Group believes are in compliance with legal regulation and typical for the Group's industries. See *"Risk Factors—Business and industry risks—Environmental and health regulation imposes additional costs and may affect the Group's results of operation"*.

REGULATION OF THE COMMUNICATIONS INDUSTRY IN THE UNITED KINGDOM

Background

The British Broadcasting Company (the **BBC**) was formed in 1920 and from the mid-1920s until 1954 for television and 1972 for radio, the BBC provided the only authorised broadcasting service in the UK. The Broadcasting Act 1996 (the **1996 Act**) provided for the privatisation of the BBC's transmission functions and, in 1997, the home broadcast transmission division of the BBC was acquired by Castle Transmission International Limited. In 2004 it was acquired by National Grid Transco and rebranded as National Grid Wireless and then subsequently acquired by Macquarie in 2007 and became Arqiva Services Limited.

Separately, the Independent Television Authority (the **ITA**) was established by the Television Act 1954 to supervise the commercial television broadcasting service. In 1972, the ITA assumed further responsibilities and was renamed the Independent Broadcasting Authority (the **IBA**).

The Broadcasting Act 1990 (the **1990 Act**) provided for the privatisation of the IBA's transmission functions. In connection with this, the engineering division of the IBA entered the private sector as National Transcommunications Limited (now Arqiva Limited).

The regulatory regime in the United Kingdom is largely governed by the Communications Act 2003 (the **Communications Act**) along with the 1990 and 1996 Acts and the Wireless Telegraphy Act 2006 (the **WT Act**).

Ofcom

The UK's independent communications regulator is Ofcom, which was established by the Office of Communications Act 2002, replacing a number of existing authorities (Of tel, the Radio Authority, the Radio Communications Agency, the Broadcasting Standards Commission and the Independent Television Commission). Ofcom is a body corporate comprising a chairman, a chief executive, two executive members and five non-executive members.

Ofcom's two over-arching duties are:

- to further the interests of citizens in relation to communication matters; and
- to further the interests of consumers in relevant markets, where appropriate, by promoting competition.

Subject to these primary duties, Ofcom is required to exercise and perform its powers and duties so as to secure:

- the optimal use for wireless technology of the electro-magnetic spectrum;
- the availability throughout the UK of a wide range of electronic communications services;
- the availability throughout the UK of a wide range of television and radio services which (taken as a whole) are both of high quality and calculated to appeal to a variety of tastes and interests;
- the maintenance of a sufficient plurality of providers of different television and radio services;
- the application, in the case of television and radio services, of standards that provide adequate protection to members of the public from the inclusion of offensive and harmful material in such services; and

- the application, in the case of all television and radio services, of standards that provide adequate protection to members of the public and all other persons from both unfair treatment in programmes included in such services and unwarranted infringements of privacy resulting from activities carried on for the purposes of such services.

In carrying out its duties, Ofcom is obliged to have regard to the principles under which regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed.

Ofcom regulates the television and radio sectors, fixed line telecoms, mobile, postal services and the airwaves over which wireless devices operate. As a result, Ofcom regulates aspects of a wide range of organisations including BSkyB, ITV, Virgin Media, BT, TalkTalk, O₂ and Arqiva. More specifically, Ofcom is responsible for regulating many of Arqiva's business divisions including the regulation of the terrestrial broadcast reference offer process, digital platform multiplex licences and the spectrum over which Arqiva's government, mobile and enterprise division's site-share customers operate.

International Spectrum Regulation

Radio spectrum does not align with national borders, therefore, international co-operation has long been a feature of spectrum management policy. The European Commission oversees a number of measures designed to co-ordinate policy approaches and work towards harmonised conditions for the availability and efficient use of radio spectrum. The European Commission is assisted by the Radio Spectrum Committee (a committee established under the Radio Spectrum Decision 676/2002/EC as part of the new regulatory framework for electronic communications which entered into force on 24 April 2002). The Radio Spectrum Committee assists the European Commission in the development and adoption of technical implementation measures aimed at ensuring harmonised conditions for the availability and efficient use of radio spectrum, as well as the availability of information related to the use of radio spectrum.

At an international level, radio spectrum falls within the remit of the International Telecommunication Union (**ITU**), an agency of the United Nations, which co-ordinates the global exploitation of the radio spectrum; promotes international co-operation in assigning satellite orbits; and establishes worldwide standards to foster interconnection of communications systems. The ITU's legal framework is based on its constitution and convention (which has treaty status and to which the UK is a party) and the Administration Regulations (comprising the Radio Regulations and the International Regulations). World Radio Conferences are organised by the ITU to review and, where necessary, amend the Radio Regulations (the international treaty governing, among other things, the use of radio-frequency spectrum). These are held every three to four years and the most recent was in February 2012.

The policies of the European Commission and ITU on management of radio spectrum and allocation of frequencies inform the terms of the UK licensing regime that Arqiva operates under including its Broadcast and Media and Digital Platforms divisions.

Competition Commission Undertakings

On 8 August 2007, the Office of Fair Trading (**OFT**) referred the acquisition by Macquarie UK Broadcast Ventures Limited (**MUBVL**) of the National Grid Wireless group (comprising National Grid Telecoms Investment Limited, Lattice Telecommunications Asset Development Company Limited, National Grid Wireless No. 2 Limited and their Subsidiaries) (**NGW**) to the Competition Commission (**CC**) under the Enterprise Act. MUBVL already owned the Arqiva group and Arqiva and NGW overlapped in the provision of transmission services (which are generally provided in the form of managed transmission services (**MTS**) including network access (**NA**) to sites and associated facilities) to terrestrial television and radio broadcasters and Multiplex operators (**Transmission Services**) and in the provision of infrastructure systems and services to mobile network operators (**MNOs**) and other wireless communication providers.

The CC concluded that the acquisition may be expected to result in a substantial lessening of competition (**SLC**) in relation to the markets for the provision of Transmission Services to television and certain radio customers. The CC also concluded that it should take action to remedy, mitigate or prevent the SLC and to that end undertakings should be given by MUBVL (and its parent entities). A set of undertakings (**Undertakings**) was accepted by the CC on 1 September 2008 and the acquisition was approved. The Undertakings cover a wide range of topics and continue to impact existing and new contracts that the Arqiva group enters into to provide services to television and radio broadcasters and Multiplex operators, as well as the related infrastructure in a number of ways. The Undertakings include:

- in respect of contracts existing at the time the Undertakings were given:
 - a requirement to provide enhanced service availability levels for services consisting of Transmission Services provided to a radio or television Multiplex operator or broadcaster;
 - the introduction of a super credit service credit regime as an alternative to the exercise of termination or step-in rights; and
 - the introduction of percentage discounts on the contract price for Transmission Services;
- provisions governing new contracts for Transmission Services including contract terms and pricing (see “—*Service Provisions Terms and Conditions*” below);
- a re-affirmation of the requirement to provide network access to any provider of managed transmission services (on fair, reasonable and cost orientated terms) (see “—*Service Provisions Terms and Conditions*” below);
- additional provisions upon renewal of existing agreements:
 - rights of renewal for radio customers in relation to existing contracts on the same terms and conditions (as amended as a result of the Undertakings) to the extent relating to Transmission Services; and
 - the requirement to grant certain of its television and radio customers the right to purchase transmitter equipment dedicated to that customer’s agreement upon exit of the agreement and, if taken up, a plan to facilitate transfer of ownership and control of such equipment to the customer;
- a requirement to maintain appropriate accounting records to enable Arqiva to prepare (and have audited) annual statements of revenues, costs and assets employed for Transmission Services;
- restrictions on the use of confidential information and a requirement to publish an information security strategy detailing Arqiva’s principles for access to and use of confidential information (recognising that Arqiva’s own Multiplex business could be in competition with that of its broadcast transmission customers);
- a requirement to report monthly on the integration of NGW in relation to the planned cessation of analogue terrestrial television broadcasting services and the transition to all digital terrestrial television broadcasting services in the UK (known as Digital Switchover); and
- a requirement to report and provide information to the OFT to allow it (and Ofcom and an independent appointed adjudicator) to monitor or enforce compliance with the undertakings.

Arqiva is subject to the Undertakings in respect of both MTS and NA. In addition to the Undertakings, Arqiva is also subject to various conditions in respect of NA which were imposed by Ofcom as a result of Ofcom’s finding (which is distinct from the CC’s findings of an SLC) that Arqiva had a position of Significant Market Power for the provision of access to the mast and site network and shared or

shareable antenna systems used for the purposes of providing analogue and/or digital terrestrial broadcasting transmission systems (see “—*Significant Market Power*” below). These conditions are distinct from the Undertakings but there is significant overlap between the two regimes.

Enforcement

Under the Enterprise Act, if the CC considers that an Undertaking has not been, is not being or will not be fulfilled, then the CC may make an order to remedy, mitigate or prevent the SLC concerned and to remedy or prevent any adverse effects which have resulted from, or may be expected to result from the SLC.

Such an order may contain anything permitted by the Enterprise Act, which includes (i) prohibiting anything the CC may consider to be (a) discrimination between persons in the prices charged for services or (b) a preference in respect of the supply of goods or services; (ii) prohibiting charging prices different to those in any published list or notification; (iii) regulating the prices that can be charged for goods or services; (iv) prohibiting or restricting the acquisition of all or any part of the undertakings or assets of another person’s business; or (v) providing for the compulsory division of any business (for example by way of a sale of any part of the undertakings or assets of a business).

To date, Arqiva has not been subject to any enforcement procedures in respect of the Undertakings.

Adjudicator

The Undertakings provide for the appointment of an Adjudicator, who is required to make periodic reports to the OFT (copied to Ofcom) including the Adjudicator’s views on the performance of Arqiva in complying with the Undertakings. In each of the 14 quarterly reports issued by the Adjudicator to date, the Adjudicator has confirmed that the performance of Arqiva continues to be satisfactory.

Transmission Systems

General

The Communications Act was part of a new regulatory framework which implemented a package of five European Directives⁹ (**Communications Directives**). This regulatory framework aimed to respond specifically to competition law issues in the rapidly developing industry, including harmonising regulation across Europe and reducing entry barriers and fostering prospects for effective competition for the benefit of consumers.

The Communications Act granted a general authorisation for providers of electronic communications networks (**ECNs**) and electronic communications systems (**ECSs**), to operate without requiring an individual licence and Arqiva Limited and Arqiva Services Limited now operate under this general authorisation regime, rather than their individual licences. The general authorisation regime is subject to the general conditions of entitlement (the **General Conditions**) which apply to all persons providing ECNs and ECSs. The Communications Act conferred powers on Ofcom to set, modify or revoke these General Conditions at any time provided that any condition or modification imposed: is objectively justifiable in relation to the networks, services or facilities to which it relates; doesn’t unduly discriminate against particular persons or descriptions of persons; is proportionate to what the condition or modification is intended to achieve; and, in relation to what it is intended to achieve, is transparent.

The current version of the General Conditions was published on 13 September 2011. The General Conditions, among other things, require providers to comply with certain technical standards. Individual providers may also be subject to additional conditions (for example, if the provider is deemed to have Significant Market Power), such as a requirement to share its transmission sites with another provider.

⁹ Directive 2002/21/EC, Directive 2002/19/EC, Directive 2002/20/EC, Directive 2002/22/EC and Directive 2002/58/EC

Enforcement

If Ofcom determines that there are reasonable grounds for believing that a provider is in contravention of any of the General Conditions which apply to that provider, it may issue a notification. The provider must comply with the notified conditions and remedy the consequences of the notified contraventions (usually within one month). If the provider does not comply with the notification, Ofcom may issue an enforcement notification in which Ofcom will specify the steps required to be taken by the provider.

Ofcom may bring civil proceedings for an injunction, specific performance or any other appropriate remedy or impose a financial penalty if a provider is in contravention of an enforcement notification. Any financial penalty is to be such amount as Ofcom considers appropriate and proportionate to the relevant contravention, up to a maximum of 10% of the turnover generated by the notified provider's relevant business in the relevant period. Relevant business is how much of the provider's business that relates to the provision of ECNs and ECSs (and related activities) and relevant period is the preceding 12 month period ending on the 31 March prior to the first notification being given.

To date, Arqiva has not been subject to any enforcement procedures in respect of the General Conditions.

Significant Market Power

Between 2003 and 2005, Ofcom (as required under the Communications Directives) carried out a series of reviews of competition in the communications market. One of these reviews related to broadcasting transmission services pursuant to which Ofcom concluded that Arqiva Services Limited (at the time, Crown Castle) and Arqiva Limited (at the time, ntl:broadcast) each holds a position of Significant Market Power in the market for the provision of access to the mast and site network and shared and shareable antenna systems for the purpose of providing analogue and/or digital terrestrial broadcasting transmission services within the United Kingdom, to deliver broadcast content to end users on a national, regional or metropolitan basis.

Owing to the findings of Significant Market Power, Ofcom notified Arqiva Limited and Arqiva Services Limited pursuant to the Communications Act (**Notification**) that conditions were imposed on each of them in the markets in which they respectively have dominance. The four conditions are as follows:

- a requirement to provide NA to their respective masts and sites on reasonable request;
- a requirement not to unduly discriminate in that provision of NA;
- a requirement to provide NA to their respective masts and sites on cost orientated terms; and
- a requirement to publish a reference offer for that provision of NA (see “—*Service Provision Terms and Conditions*” below).

These conditions were put in place at a time when Arqiva Services Limited (at the time, Crown Castle) and Arqiva Limited were under separate ownership and each company required NA to the other's masts and sites in order to provide a national service. Following the acquisition of Arqiva Services Limited by MUBVL, obligations in relation to Transmission Services and NA were included in the Undertakings.

The interaction between the Notification and the Undertakings is set out below.

Service Provision Terms and Conditions

As part of the Undertakings, Arqiva undertook to provide Transmission Services to radio or television Multiplex operators or broadcasters on fair, reasonable and non-discriminatory terms, conditions and charges, see further “1. *CC Undertakings—Undertaking to Provide Transmission Services*” below.

The Undertakings also contained further provisions relating to the terms, conditions and charges under which Arqiva is required to make available NA to other providers of MTS, see further “2. *CC*

Undertakings—Undertaking to Provide Network Access” below. In relation to NA, Arqiva is also subject to the obligations imposed by the Notification, see further “3. *Ofcom Notification—Requirement to Provide Network Access*” below. The conditions imposed by the Notification are separate and distinct from the requirements of the Undertakings but there is significant overlap between the two regimes.

1. CC Undertakings—Undertaking to Provide Transmission Services

Pursuant to the Undertakings, Arqiva undertook to provide Transmission Services to its customers (whether new customers or upon the expiry of an agreement with an existing customer) on fair, reasonable and non-discriminatory terms, conditions and charges and in accordance with further provisions in the Undertakings (summarised below).

The terms, conditions and charges pursuant to which Arqiva will provide Transmission Services under a new transmission agreement are to be set out in the relevant reference offer for that services. A reference offer sets out the terms and conditions on which Arqiva is willing to enter into a contract for the provision of the relevant service (**Reference Offer**). In preparing a Reference Offer under the Undertakings Arqiva must (i) comply with the provisions in the Undertakings regarding charges (see further below), (ii) comply with any direction and have regard to any guidance issued by the Adjudicator and (iii) have regard to the principles relevant to that type of Reference Offer set out in the Undertakings (**Principles**). The Principles set out, at a high level, the terms and conditions of each type of Reference Offer (whether, digital terrestrial television or radio) and include (among other things) provision for liquidated damages to be payable by Arqiva for any station delivered late (subject to appropriate carve outs), an indemnity in favour of Arqiva for any content related liability, a service credit and super credit regime and the warranties to be provided by Arqiva.

With regard to charges, Arqiva must be able to demonstrate (to the Adjudicator) that each charge payable for Transmission Services (i) is reasonably derived from the costs of provision allowing recovery of common costs and including an appropriate return (being 7.71% WACC), (ii) is in compliance with any direction and has regard to any guidance issued by the Adjudicator and (iii) has regard to the Principles. With respect to charges the Principles provide (amongst other things) that (i) the forecast costs of provision are only to include those costs that Arqiva will reasonably and efficiently incur in providing the Transmission Services, (ii) electricity charges will be passed through at cost, and (iii) where actual costs of provision are higher than forecasted costs the charges may not be increased (unless as a result of a change in the specification or any other matter outside of Arqiva’s control) but where actual costs are lower, an appropriate gainshare mechanism is to be applied. There are further provisions relating to the terms, conditions and charges applicable to the network access element of Transmission Services (see “2. *CC Undertakings—Undertaking to Provide Network Access*” below).

Existing radio customers may elect to renew their existing contracts on the same terms and conditions, as amended in accordance with the Undertakings (see “—*Competition Commission Undertakings*”). Alternatively, where a new agreement is entered into, the customer has the option to adopt the terms of its existing agreement, rather than the terms of the relevant Reference Offer (other than the provisions relating to charges which are to be determined in accordance with the Undertakings).

The Adjudicator has certain powers to give directions in respect of Reference Offers and to resolve disputes in relation to Arqiva’s obligations under the Undertakings. To date, no disputes have been referred to the Adjudicator for resolution under his dispute resolution powers.

2. CC Undertakings—Undertaking to Provide Network Access

Pursuant to the Undertakings, Arqiva undertook to provide NA to any MTS Provider for the purposes of providing analogue and/or digital terrestrial broadcasting transmission services in the UK to deliver broadcast content to end users. Such NA must be on fair, reasonable and non-discriminatory terms, conditions and charges and in accordance with the relevant Reference Offer.

Charges for NA under the Undertakings are to be (i) determined in accordance with the Notification, (ii) capable of being demonstrated to be (a) reasonably derived from the costs of provision allowing an appropriate mark up for the recovery of common costs and including an appropriate return and (b) in compliance with any direction and with regard to any guidance issued by the Adjudicator and (iii) passed through to the customer with no additional mark up. These provisions also apply to the NA element of any Transmission Services offered or provided by Arqiva under new transmission agreements.

The Adjudicator has certain powers to give directions in respect of Reference Offers and to resolve disputes in relation to Arqiva's obligations under the Undertakings. To date, no disputes have been referred to the Adjudicator for resolution under his dispute resolution powers.

3. Ofcom Notification—Requirement to Provide Network Access

Pursuant to the Notification, Arqiva is required to provide NA to its masts and sites on cost orientated, fair, reasonable and non-discriminatory terms and is required to publish a Reference Offer for the provision of that NA. Arqiva is prohibited from departing from the charges, terms and conditions of a Reference Offer and is required to comply with any related directions Ofcom may make.

Code Powers

Generally

Under the Communications Act Ofcom is permitted to grant powers (**Code Powers**) under the electronic communications code (**EC Code**) to communications providers for the purposes of running an ECN or a system of conduits (including tunnels, subways, tubes or pipes) for use by ECN providers. Subject to necessary planning requirements, Code Powers enable communications providers to install and maintain communications apparatus on public land and to take rights over private land (either with the agreement of the landowner or by applying to the County Court). Code Powers also allow operators to benefit from certain exemptions under Town and Country Planning legislation. Ofcom has given directions to apply the EC Code to Arqiva Limited, Arqiva Services Limited Arqiva Communications Limited and NWP Street Limited.

Code Powers have effect subject to the restrictions and conditions set out in the Electronic Communications Code (Conditions and Restrictions) Regulations 2003 (the **Code Regulations**). The Code Regulations include conditions relating to: the installation of lines and electronic communications apparatus; conservation areas; listed buildings and monuments; national parks and other protected areas; the maintenance and safety of equipment; and arrangements with electricity suppliers.

Those with the benefit of Code Powers must also ensure that sufficient funds are available (for example by way of a bond, insurance policy or guarantee) to meet any liabilities, costs or expenses reasonably incurred by any appropriate authority in making good any damage caused by the installation or removal of any electronic communications apparatus (**Funds for Liabilities or FFL**). Such funds must be available to meet any such liabilities which may arise up until three years after the occurrence of a relevant event. A relevant event occurs if the recipient of Code Powers: ceases to provide an ECN; is prohibited from providing the ECN for the purposes of which the Code Powers were applied; or becomes insolvent. However, the Arqiva group generally operates a wireless infrastructure business and, as a result, is not as likely to be exposed to requirements to meet such liabilities as more traditional telecommunications companies, which are more frequently involved in street works in urban areas. Those with the benefit of Code Powers are required to provide an annual certificate which states (among other things) that sufficient FFL have been put in place. Arqiva have certified that the FFL for Arqiva Services Limited and Arqiva Communications Limited are £0, for Arqiva Limited are £50,000 and for NWP Street Limited are £100,000. Both of Arqiva Limited and NWP Street Limited have arranged for financial institutions to execute performance bonds which are lodged with Ofcom in respect of their FFLs.

A contravention of any of the conditions imposed by the Code Regulations may be enforced by Ofcom in the same manner as a contravention of a General Condition, with any penalty imposed not to exceed £10,000.

Telecoms Leases—Security of Tenure

The EC Code also includes a form of security of tenure for entities with the benefit of Code Powers (**Operators**). The EC Code allows any person with an interest in the land in which telecoms apparatus is installed (or an interest in adjacent land) (**Relevant Land**) to give notice to the Operator that they require the alteration of the apparatus (which includes, moving, replacing or removing it) to enable a proposed improvement of the land. However, the Operator may serve a counter notice in which the Operator has to make the alteration only if a court order is made. The court will have regard to the principle that no person should unreasonably be denied access to ECNs and will make an order only if the alteration is necessary to enable the proposed improvement of the land and the alteration will not substantially interfere with any service which is or is likely to be provided using the operator's network.

A number of Arqiva's major customers (including MNOs) have, themselves, been granted Code Powers. In the rare cases where Arqiva is served with a termination notice by a landlord, the terms of its customer agreements often require Arqiva to pass that notice on to its customers. It is not unusual for the MNO or relevant customer to then use its own rights under the EC Code to serve a counter notice. Usually, the matter is resolved through negotiations with the landlord (or the apparatus is relocated) and so the counter notice is withdrawn, rather than the matter proceeding through the full statutory process.

Installation of Apparatus—Power to Dispense with Required Agreement

If an Operator requires any person with an interest in Relevant Land to agree to the Operator keeping electronic communication apparatus installed on that land, or to execute works on that land in connection with installing, maintaining or repairing that apparatus then the Operator may serve a notice on that person. If the required agreement has not been given within 28 days of the notice being served then, under the EC Code, the Operator may apply for a court order. If the court is satisfied that any prejudice caused can either be adequately compensated for by money or is outweighed by the benefit accruing to those persons whose access to an ECN or ECS will be secured, then it may make an order conferring the right(s) requested by the operator (and so dispensing with the need for the person to consent).

In addition, the EC Code can be used by third parties (such as, for example, MNOs) to require Operators to give a notice or to make an application (as outlined above) where it is reasonably necessary for an occupier of Relevant Land to agree before another person may be afforded access to any ECN or conduit system provided by that Operator.

Landlord and Tenant Act

In addition to the EC Code (see "*Telecoms Leases—Security of Tenure*" above), telecoms leases may also benefit from security of tenure provisions in the Landlord and Tenant Act 1954 (**1954 Act**).

Although there is no case law on the point, it is generally understood that the 1954 Act allows a lease for land used to install telecoms apparatus to be automatically renewed unless the landlord can show that one or more specified circumstances apply (such as the landlord requiring occupation of the land for himself or in order to demolish or reconstruct the land). However, the 1954 Act will only apply to genuine leases and not to licences (the key difference being that a lessee has exclusive possession of the leased land) and it is possible to contract out of the 1954 Act. This is in contrast to the EC Code which applies to both leases and licences and cannot be contracted out of.

Town and Country Planning Legislation

Different planning systems operate across the four main UK regions (England, Scotland, Wales, and Northern Ireland), although the key elements are similar. All systems require planning permission for operational development and material changes of use. Such permissions can be granted either on application to the local planning authority (with appeal procedures if refused) or by General Permitted Development Order (**GPDO**). The GPDO's grant permitted development rights to EC Code operators, like Arqiva, and vary across the UK. Such rights are subject to limitations and conditions, but are sufficiently extensive that, for example, a large proportion of the works required for Digital Switchover fell within their ambit. The most extensive permitted development rights exist in England and Wales where most new masts up to a height of 15 metres are permitted in undesignated areas (e.g. outside national parks, areas of outstanding natural beauty and conservation areas) but are still subject to local authority approval on detailed siting and appearance, which can be refused.

Where planning applications are required, they must be determined against relevant national and local policy. These universally encourage mast or site sharing as the first option to explore, in reference to deploying new radio masts. This policy requirement echoes a statutory requirement placed on EC Code operators, who include the Mobile Network Operators. This is found in the Code Regulations and requires a code operator to share the use of electronic communications apparatus, where practicable.

Multiplex Licences

Digital Terrestrial Television

Digital terrestrial television is transmitted on television Multiplexes. These are licensed by Ofcom under the 1996 Act (or, in the case of one Multiplex operated by the BBC, granted by the Government). There are six television Multiplexes in the UK: 1, 2, A, B, C and D. Multiplexes C and D are operated by Arqiva Services Limited.

The Multiplex licences contain conditions for the provision of services over the Multiplex and the behaviour of the licensee, such as: ensuring that the signals attain high standards in terms of technical quality and reliability; ensuring that a certain percentage of digital capacity is used or available for use for the broadcasting of particular types of programmes or services; the provision of information to Ofcom; and complying with any guidance approved by Ofcom for the purpose of ensuring fair and effective competition in the provision of licensed services. Ofcom may vary Multiplex licence conditions in any respect provided that the licensee has been given a reasonable opportunity to make representations to Ofcom concerning the proposed variation.

Multiplex licensees are also heavily constrained by the prescribed technical conditions within which they are required to operate. For example, the frequencies that licensees are required to operate under, the powers that the licensees are required to operate at and the manner and form in which the services are to be provided are all prescribed by Ofcom. It was noted earlier (see “—*International Spectrum Regulation*” above), that Ofcom's approach to spectrum management, including in relation to Multiplex licences is informed and influenced by the policies adopted by the European Commission and the ITU.

Under the 1996 Act, television Multiplex licences are issued for an initial term of 12 years, with an option (if the licence was granted before 1 October 2002, as was the case with Arqiva) to apply for one further 12 year renewal period (i.e. a maximum term of 24 years). The 1996 Act licences awarded to Arqiva Services Limited to operate Multiplexes C and D were due to expire in November 2014. In accordance with the terms of the licences, Arqiva Services Limited applied to renew both licences for a further period of 12 years. In January 2012, Ofcom issued a statement to confirm its decision that both licences should be renewed (until November 2026) without the imposition of any additional obligations or a requirement to pay any additional fees (other than the standard licence renewal fee and subject to

any future imposition of AIP; see “—*Future Pricing of Spectrum for Digital Terrestrial Broadcasting*” below). Both the Multiplex C and D licences and the related WT Act licences have now been renewed until November 2026.

Commercial Radio Multiplex Licences

As at 31 December 2012, there are 48 commercial digital radio Multiplexes in the UK; one national commercial digital radio Multiplex (operated by Digital One Limited, a member of the Arqiva group) and 47 local commercial digital Multiplexes (of which 19 are operated by various members of the Arqiva group). These are in addition to the one national digital radio multiplex owned and used by the BBC. Commercial radio Multiplex licences are licensed by Ofcom under the 1996 Act (as amended by the Communications Act).

The original 1996 Act national commercial radio Multiplex licence awarded to Digital One Limited was due to expire in November 2011. Ofcom agreed to renew the licence for a further 12 years, expiring in November 2023. The only requirement imposed by Ofcom in connection with the licence renewal was to require Digital One Limited to submit a new technical plan which shows how its current levels of coverage are provided and will continue to be provided throughout the period of the renewed licence.

All of the 46 current commercial local radio Multiplex licences were initially granted for a 12 year period. Of the 19 licences held by an Arqiva group member, 10 expire before the end of 2014 and the remaining nine expire before the end of 2016. All 46 current commercial local radio Multiplex licences (including the 19 held by an Arqiva group member) can be renewed for a subsequent period of either eight or 12 years (the period for renewal for any given licence depends on the date the licence was originally granted).

As with television Multiplex licences, national and local commercial radio Multiplex licences contain conditions for the provision of services over the Multiplex and the behaviour of the licensee, such as: ensuring that the signals attain high standards in terms of technical quality and reliability; ensuring that the amount of digital capacity reserved by Ofcom for any other holders of national Multiplex licences (on the frequencies specified by Ofcom) is available for the broadcasting of a simulcast radio service; that at least 80% (or such other percentage as the Secretary of State may specify) of digital capacity on the frequencies specified by Ofcom is used or available for use for the broadcasting of digital sound programme services, simulcast radio services, programme-related services and relevant technical services; the provision of information to Ofcom; complying with any guidance approved by Ofcom for the purpose of ensuring fair and effective competition in the provision of licensed services; and complying with any direction given by Ofcom which (in the opinion of Ofcom) is appropriate having regard to Ofcom and the licensee’s duties imposed by the 1990 and 1996 Acts and the Communications Act.

Ofcom may vary commercial radio Multiplex licence conditions in any respect provided that the licensee has been given a reasonable opportunity to make representations to Ofcom concerning the proposed variation.

Commercial radio Multiplex licences (national and local) (and the associated WT Act licences see “—*Wireless Telegraphy Act Licences*” below) also require adherence to the Digital Technical Code (the **DT Code**), which incorporates technical requirements common to all such licences. The current version of the DT Code (published on 18 June 2010) includes requirements on radiated signals, technical management of Multiplexes and relationship of data services to bearer conduits.

Digital Radio Switchover

The Digital Economy Act 2010 gives the Secretary of State the power to nominate a date for the switch from analogue to digital radio broadcasting and sets out changes to the licensing regime to take into

account radio digital switchover. However, given the very large installed base of analogue-only radio, a firm timetable for digital radio switchover has not yet been set. See “*Switchover to Digital Audio Broadcast*” in the industry section.

Enforcement

If Ofcom is satisfied that a television or commercial radio Multiplex licensee has failed to comply with a condition of the licence or a related Ofcom direction, Ofcom can require the licensee to pay a financial penalty or reduce the licence period by up to two years. The amount of any financial penalty imposed:

- in respect of a television or national radio commercial Multiplex licensee, is not to exceed the greater of £250,000 (or such other sum as the Secretary of State may specify) and 5% of the aggregate amount of the share of Multiplex revenue attributable to the licensee (as defined in the 1990 Act) for its last complete accounting period falling within a period for which the licence has been in force; and
- in respect of a local radio commercial Multiplex licensee, is not to exceed £250,000.

If the licensee’s failure is such that (if not remedied) it would justify the revocation of the licence, Ofcom may specify the steps to be taken to remedy the failure, within a specified time period. If the licensee fails to take such steps, Ofcom may revoke the licence if it is satisfied that it is necessary in the public interest to do so.

There are certain other circumstances provided for in the 1990 and 1996 Acts under which Ofcom could revoke a television or commercial national radio or local radio Multiplex licence, including (i) if there is a change in the nature or characteristics of the licensee or any change of control of the licensee which is such that Ofcom would not have granted the licence in the new circumstances; (ii) if Ofcom is satisfied that the licensee ceases to be a fit and proper person to hold the licence; (iii) if the licensee fails to comply with a requirement to hold a related licence under the WT Act; or (iv) if Ofcom is required to revoke the frequencies on which the Multiplex service is provided.

To date, Arqiva has not been subject to any enforcement procedures in respect of any of its television or radio Multiplex licences.

Future Pricing of Spectrum for Digital Terrestrial Broadcasting

Radio spectrum (a term which is generally understood to mean the electromagnetic frequency range from 3 kHz to 300 GHz) is the means by which all wireless devices communicate. Spectrum is a finite resource, demand for which greatly exceeds supply in many frequency bands and many geographical areas. The frequencies below 1 GHz combine both capacity (bandwidth) and coverage (propagation) which make them suitable for a wide range of different applications and so considered to be the most valuable.

To date, terrestrial broadcasters have only paid administrative cost-based fees for their use of spectrum. Some commercial broadcasters also pay certain fees under the 1996 Act that include an implicit charge for use of spectrum. However, following a public consultation process in 2007, Ofcom concluded that from the end of 2014, it would begin charging terrestrial television and radio broadcasters annual fees for holding spectrum that reflect the opportunity cost of holding that spectrum (a concept known as AIP), with the level of such fees to be reviewed periodically. Ofcom’s 2006 consultation, while long out of date and only ever intended as illustrative, considered AIP levels of £10-20 million per year for commercial Multiplexes. This will bring terrestrial broadcasting more in line with other users of radio spectrum who are either charged AIP or who acquire their spectrum licences via an Ofcom regulated auction, with the highest bid reflecting the opportunity cost of holding that spectrum.

Wireless Telegraphy Act Licences

Licences

A licence under the WT Act is required in order to install or use wireless telegraphy apparatus or to establish or use a wireless telegraphy station. Wireless telegraphy apparatus or a wireless telegraphy station is apparatus or a station for the emitting or receiving (over paths that are not provided by any material substance constructed or arranged for the purpose) of electromagnetic energy of a frequency not exceeding 3,000 GHz that:

- can be used for conveying messages, sound or visual images, or for operating or controlling machines or apparatus; or
- is used in connection with determining the position, bearing or distance, or for gaining information as to the presence, absence, position or motion of an object (or class of objects).

A wireless telegraphy licence is an authority granted by Ofcom authorising a named person to install or use radio equipment in a clearly defined way. Such a licence may be granted either in relation to a particular station or particular apparatus or in relation to any station(s) or apparatus falling within a description specified in the licence. Any licences granted under the WT Act may be issued subject to such terms, provisions and limitations as Ofcom thinks fit, including in particular, limitations as to the position and nature of the station; the purposes for and the persons by whom the station may be used; and the apparatus that may be installed there.

Arqiva holds WT Act licences in respect of its wireless distribution links, its television and national and local commercial radio Multiplexes and its satellite uplinks (both permanent earth stations and transportable earth stations).

Enforcement

Ofcom may revoke a wireless telegraphy licence or vary its terms, provisions or limitations either by giving notice to the licensee or by issuing a general notice applicable to all licences of that class. In February 2006 Ofcom published a wireless telegraphy general licence conditions booklet the terms of which are incorporated into and form part of the terms of each wireless telegraphy licence to which the conditions apply. Under the general licence conditions, Ofcom may not revoke a wireless telegraphy licence to which the general conditions apply other than in certain specified circumstances, which include: (i) where the licensee consents, (ii) if a condition has been breached, (iii) in the interests of national security, or (iv) for reasons related to the management of the radio spectrum.

If Ofcom proposes to revoke or vary a wireless telegraphy licence it must notify the licensee stating the reasons for its proposed revocation or variation and specifying the period the licensee has: to make representations on the matter; and, if the proposal is as a result of a contravention of a term, to comply with that term. Within one month of the end of such period, Ofcom must decide whether or not to revoke or vary the licence in accordance with its proposal (or a modified version of its proposal) and notifying the licensee of its decision.

To date, Arqiva has not been subject to any enforcement procedures in respect of any of its WT Act licences.

Spectrum Trading

The WT Act allows Ofcom to make regulations authorising wireless telegraphy licence holders to transfer rights and obligations under licences which have been designated as tradable to a third party (known as spectrum trading). Only certain types of spectrum licences have been designated as tradeable and spectrum trading does not, for example, apply to the WT Act licences that Arqiva holds in respect of its television and radio Multiplexes.

Spectrum trading was first introduced in the UK by the Wireless Telegraphy (Spectrum Trading) Regulations 2004 (as amended) which allows for three different types of transfer:

- outright transfers—where all rights and obligations under a licence are transferred from one party to another (so that the transferor no longer has any rights or obligations under the licence);
- concurrent transfers—where the rights and obligations under a licence are transferred on a concurrent basis (so that the transferor and transferee both share the rights and obligations under the licence); and
- partial transfers—where only some of the rights and obligations under a licence are transferred from one party to another. Partial transfers can be outright or concurrent and the transfer can be on a frequency, geographical or time basis.

The type of transfer a licensee can undertake will depend on which class the licence is in and whether that class allows for all or only some types of trade.

With spectrum trading, the transferee is granted its own WT Act licence. In 2011, spectrum leasing was also introduced. With spectrum leasing, the lease holder is not granted its own licence (as is the case with spectrum trading) but uses the licence holder's spectrum by virtue of a lease contract with the licence-holder. Currently, spectrum leasing is limited to business radio area defined licences and most auction licences.

In relation to Arqiva's spectrum licences, the three spectrum licences that Arqiva acquired at auction (for the 412-414 MHz, 5.8 GHz, and 28 GHz frequencies) are tradeable.

Key Future Developments

Radio Spectrum Policy Programme

On 15 February 2012, the European Parliament adopted the five-year Radio Spectrum Policy Programme (**RSPP**). The RSPP sets out the EU principles to ensure efficient management and use of spectrum and to promote investment, competition and innovation. It is intended to ensure that sufficient spectrum is made available for wireless applications and services such as high speed 4G wireless broadband. By mid-2013 (at the latest) the European Commission, in cooperation with member states, will set out the details for an inventory to analyse efficient spectrum use (in the 400 MHz to 6 GHz range) in the EU. This will form the basis of possible further action on the coordination and allocation of spectrum bands to specific uses (such as wireless broadband). By January 2015, the European Commission should assess whether there is a need to harmonise additional spectrum bands in order to manage the exponential growth in wireless data traffic.

The RSPP will inform European spectrum management and, as a result, spectrum management and allocation by Ofcom for organisations making use of spectrum in the UK, including Arqiva.

600/700 MHz Spectrum Band

Following completion of the DSO (see "*Industry—The Television Broadcast Industry in the UK—UK Television Delivery Platforms—Analogue Terrestrial Television*" and "*Industry—The Television Broadcast Industry in the UK—UK Television Delivery Platforms—Digital Terrestrial Television*"), the spectrum in the range 550 MHz to 606 MHz (known as the 600 MHz band) will have been cleared of existing uses and available for reassignment.

At the 2012 WRC, it was agreed that technical work and coordination would be undertaken between the 2012 WRC and the 2015 WRC to provide for the potential deployment of mobile broadband services in the range 694 to 792 MHz (known as the 700 MHz band) in Europe, the Middle East and

Africa. As a result of this decision, Ofcom released a consultation document in March 2012 on the future use of the ultra-high frequency spectrum bands IV and V, including the 600 MHz and 700 MHz bands. Ofcom published a strategy statement in November 2012 following stakeholder responses to the March 2012 consultation document.

In its strategy statement, Ofcom highlighted the rapid growth in demand for mobile data as the amount of data handled by UK mobile networks grew from nine million gigabytes in 2011 to 20 million gigabytes in 2012. As part of a long term strategy to meet this rising demand and harmonise international frequencies, Ofcom has suggested possible approaches to meet this demand, including migration of digital terrestrial television from the 700 MHz band to the 600 MHz band in order to create additional space for mobile broadband. The migration will need to be approved at the 2015 WRC and coordinated at an international level to formulate an international frequency coordination agreement. Ofcom currently foresee 2018 as the earliest implementation date for the migration. The 600 MHz band will be available for use by other spectrum users on a short term basis until the migration occurs. Ofcom plan to publish further consultation documents regarding the 600 MHz and 700 MHz bands as soon as practicable. On 6 February 2013, Ofcom published a consultation setting out proposals for the award of a licence to establish temporary digital terrestrial television multiplexes in the 600 MHz spectrum band. See *“Management’s Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments”*.

MANAGEMENT

Board of Directors

The Board of Directors of the Group consists of a non-executive Chairman together with eight non-executive members. It meets approximately six times per annum to discuss the performance of the Group against its strategic objectives, current and future projects and innovations and to discuss any other issues that may impact the day-to-day running of the business in the short- to medium-term.

The Board of Directors is the main policy making and oversight board of the Group and, together with the Management Board, conducts the day-to-day operations of the activities of the Group. The Shareholder Board is made up of the Chairman and the non-executive Directors listed below.

The following table sets out certain information with respect to the members of the Board of Directors as at the date of this Offering Memorandum. The address for each of the directors is Crawley Court, Winchester, SO21 2QA, United Kingdom.

Name	Age	Position
Leonard Peter Shore	62	<i>Independent Non-Executive Chairman</i>
Peter Douglas	65	<i>Non-Executive Director</i>
Alain Carrier	45	<i>Non-Executive Director</i>
Dan Fetter	36	<i>Non-Executive Director</i>
Christian Seymour	48	<i>Non-Executive Director</i>
Edward Beckley	37	<i>Non-Executive Director</i>
Damian Walsh	59	<i>Non-Executive Director</i>
Marc Perusat	47	<i>Non-Executive Director</i>
Clive Ansell	55	<i>Independent Non-Executive Director</i>

Biographies

Leonard Peter Shore

Independent Non-Executive Chairman

Mr. Shore joined Arqiva as Director and Chairman in 2007. From 2010 to 2011, Mr. Shore was CEO of Media and Communications Partners as well as Chairman of Airwave. From 2004 to 2007, he worked in advisory roles for Investec Australia in the telecommunications, internet and technology fields. From 2001 to 2007, Mr. Shore was Chairman and Director of Hostworks and from 2001 to 2004 he was Chairman and CEO of Unwired.

Peter Douglas

Non-Executive Director

Mr. Douglas is the nominee director on behalf of the Canada Pension Plan Investment Board (**CPPIB**). His forty-two year career in the broadcast transmission and telecommunications sectors began in the Broadcast Division of Marconi. After a period as a project manager in the BBC, he moved to the Independent Broadcasting Authority (the **IBA**). In 1990, the Engineering Division of the IBA was privatised, following which Mr. Douglas acted as Managing Director from 1996 until 2004, when the business was sold to a consortium led by Macquarie. Mr. Douglas has served on a number of other boards, including NTL, Channel 5 Engineering Services, SDN, Broadcast Australia and Global Radio.

Alain Carrier

Non-Executive Director

Mr. Carrier joined CPPIB in January 2008, and is currently responsible for leading CPPIB's Private Investments department in Europe and the global Infrastructure Group. He also assists in the overall development of CPPIB's activities in the broader EMEA region. Mr. Carrier has more than seventeen years of financial industry experience. Prior to joining CPPIB, Mr. Carrier was Managing Director at Goldman Sachs & Co. in their Investment Banking division in New York and London.

Dan Fetter

Non-Executive Director

Mr. Fetter is the Senior Principal at CPPIB. Prior to joining CPPIB in April 2006, he worked as a Senior Consultant at TELUS, focusing on business turnarounds and corporate restructuring. Prior to that, Mr. Fetter was a management consultant at the Boston Consulting Group in Toronto.

Christian Seymour

Non-Executive Director

Mr. Seymour is the Head of Infrastructure for Europe at Industry Funds Management (**IFM**). He has worked at IFM for eight years as an investment professional responsible for making and managing investments across a wide range of infrastructure sectors, including energy, transport and telecommunications. In addition, Mr. Seymour has eighteen years of experience in energy marketing and technical engineering management for energy and infrastructure development, having worked with companies such as Duke Energy, Santos, BHP Billiton, Bechtel and Woodside.

Edward Beckley

Non-Executive Director

Mr. Beckley is the European head of Macquarie Infrastructure and Real Assets (MIRA). He joined Macquarie in London in 1999 with a financial background. During his time with Macquarie he has worked across all infrastructure asset classes in both advisory and funds management capacities. Mr. Beckley is also a member of the Investment Committee for the Macquarie European Infrastructure Funds and holds a number of non-executive directorships for European infrastructure businesses.

Damian Walsh

Non-Executive Director

Mr. Walsh is the nominee director on behalf of the MTAA Superannuation Fund (NTL Broadcast) Utilities Pty Ltd. He is currently Managing Director at The Highland Group, a global management consultancy. He has more than thirty years of international experience as a chartered accountant and management consultant. Mr. Walsh started his career in Australia with the accountancy firm Arthur Young and was appointed Partner in 1984. He has since held senior strategy, execution and business development roles with Ernst & Young and Arthur Andersen in Australia, the U.S. and the UK.

Marc Perusat

Non-Executive Director

Mr. Perusat is head of the Communications Infrastructure Group at Macquarie Infrastructure and Real Assets (MIRA). He joined Macquarie's European Funds Group in August 2006. Prior to joining

Macquarie, Mr. Perusat worked at Citigroup for 8 years within their London-based TMT investment banking group with a focus on originating and executing M&A and debt/equity financing transactions across Europe. Prior to this he worked for 5 years with Morgan Stanley in their M&A department, 2 years with LEK Consulting and 2 years with Michelin.

Clive Ansell

Independent Non-Executive Director

Mr. Ansell is currently CEO-Technology at Tribal Group. Prior to this he was President for Strategy, Marketing & Propositions at BT Global Services, leading global strategy, marketing, M&A, product development & management, professional practices and new business. At BT Mr. Ansell also held the position of Group Strategy Director at BT Group plc and BT's Regional Director for London, which included a role in the core London 2012 Olympic Bid team. As Group Strategy Director, Mr. Ansell led BT's regulatory activities at the group level and was the architect and chief negotiator with Ofcom in putting together the Regulatory Settlement in the UK in the Telecoms Strategic Review in 2005 and 2006, as well as launching BT's Openreach business.

Operating Board (comprising the Senior Management Team)

The following table sets out certain information with respect to the senior management of the Group as at the date of this Offering Memorandum. The address for each of these managers is Crawley Court, Winchester, SO21 2QA, United Kingdom.

Name	Age	Position
John Cresswell	51	<i>Chief Executive Officer</i>
Phil Moses	48	<i>Chief Financial Officer</i>
Doug Umbers	47	<i>Managing Director—Business Operations</i>
Matthew Brearley	47	<i>Director of People and Organisation</i>
Michael Giles	48	<i>Group Commercial Director</i>
Steve Holebrook	47	<i>Managing Director—Broadcast & Media</i>
Nicolas Ott	47	<i>Managing Director—Government, Mobile and Enterprise</i>
Charles Constable	50	<i>Managing Director—Digital Platforms</i>
Wendy McMillan	37	<i>Group Strategy and Business Development Director</i>
Roger Burge	47	<i>Director of Treasury and Corporate Finance</i>

Biographies

John Cresswell

Chief Executive Officer

Mr. Cresswell was appointed CEO of Arqiva in January 2011. Previously he was the Chief Operating Officer of ITV plc. Mr. Cresswell was appointed to the ITV plc Board in 2006 as Finance Director until 2007 when he was appointed COO. He was appointed interim CEO in November 2009 until leaving in April 2010. He previously held senior roles in the broadcast sector.

Phil Moses

Chief Financial Officer

Mr. Moses was appointed CFO of Arqiva in June 2011. He was previously Head of Investor Relations and Group Controller at BT Group, before becoming CFO of Openreach. Prior to this he served as

CFO of BT Ignite. Mr. Moses also served for three years as Non-Executive Director on the board of Albacom SpA (the No.2 operator in the Italian business telecommunications market), having previously served for two years on the board of LineOne (a leading UK ISP).

Doug Umbers

Managing Director—Business Operations

Prior to joining Arqiva, Mr. Umbers worked for eleven years at VT Group plc, where he was a key player in the strategic development of its highly successful support services activities. As a member of the VT Group Executive Committee, Mr. Umbers acted for seven years as Managing Director of VT Communications, working with customers who included the BBC World Service, many international broadcasters, national security agencies and Arqiva. Before joining VT Communications, Mr. Umbers held roles at Elementis plc and 3i Group plc, executing acquisitions and disposals. Mr. Umbers qualified as an accountant with PricewaterhouseCoopers.

Matthew Brearley

Director of People and Organisation

Mr. Brearley joined Arqiva in February 2012. He previously held the position of Human Resources & Property Director at Vodafone UK. From 2002 to 2004 he was Head of Retail Human Resources at Marks & Spencer. He also held a similar position at Kingfisher Group.

Michael Giles

Group Commercial Director

Prior to becoming Group Commercial Director, Mr. Giles held senior legal and commercial roles at NTL Business and NTL Broadcast, overseeing major contract negotiations and leading the integration of the NGW and Arqiva businesses.

Steve Holebrook

Managing Director—Broadcast & Media

Prior to becoming Managing Director of Broadcast & Media, Mr. Holebrook served as managing director of Arqiva's terrestrial broadcast division for five years. Mr. Holebrook was previously director of NTL Broadcast's satellite service group and led the establishment of ad-hoc, playout and direct-to-home platforms within its service portfolio. Prior to joining NTL in 1995, Mr. Holebrook held a variety of positions in the satellite and telecommunications industry, working for Mercury, Kingston Satellite Services, British Aerospace and British Telecom International.

Nicolas Ott

Managing Director—Government, Mobile and Enterprise

Mr. Ott joined Arqiva in January 2012 as Managing Director of Government, Mobile and Enterprise. Prior to joining Arqiva, Mr. Ott served as Vice-President for Strategy, Regulation and Planning for Everything Everywhere and prior to this for Orange UK. Before that, Mr. Ott held several other positions, including Chief of Staff to the Chairman & CEO of France Telecom group, Finance Director at Equant (later to become Orange Business Services) and CFO of the French subsidiary of Global Crossing. Mr. Ott is a qualified accountant, having attained his Diplôme d'Etudes Supérieures Comptables & Financières.

Charles Constable

Managing Director—Digital Platforms

Mr. Constable has over twenty years of experience working in UK broadcasting. He worked for eight years at Bain & Co before moving to MAI plc and United Broadcasting & Entertainment, where he was a director. At the BBC, Mr. Constable initially ran the office of the Director General before leading the Charter Renewal programme, the Content Supply Review and the BBC's distribution activities. From 2005 to 2010 he was Director of Strategy at Channel 5.

Wendy McMillan

Group Strategy and Business Development Director

Prior to becoming Group Strategy and Business Development Director, Ms. McMillan held a variety of senior roles at BT from 2006 to 2010, including Director of Strategy & Business Development in the retail division. Prior to this she held business development and consultancy roles at Sappi Ltd., Bain & Company and Smedvig Capital.

Roger Burge

Director of Treasury and Corporate Finance

Mr. Burge joined Arqiva in November 2010 as Director of Treasury and Corporate Finance. Previously he occupied a similar role at Cable and Wireless plc for five years, where he played a key role in the demerger of the Group's UK and International businesses and managed its £2 billion defined benefit pension fund exposure. Prior to that Roger was Chief Financial Officer at Eurotunnel plc/sa. Roger is a member of Council and Fellow of the Association of Corporate Treasurers.

Compensation of Senior Management

For the financial years ended 30 June 2012, 2011 and 2010, the aggregate compensation paid to Arqiva's senior management team named above was £3,364,233.43, £1,281,377.00 and £1,290,889.62, respectively (in each case including National Insurance contributions, cash compensation for salary, bonuses, pensions and other benefits). The increase in compensation reflects a restructuring of the Management Board under John Cresswell's leadership and new appointments made to the Management Board throughout 2010, 2011 and 2012. Of the 10 members of the senior management team listed above and included in these aggregate compensation figures, two had joined the company by 30 June 2010, a total of eight had joined by 30 June 2011 and a total of 10 had joined by 30 June 2012.

Pension Schemes

The Group currently operates two pension arrangements, namely: (a) the Arqiva Group Personal Pension Plan, a personal pension plan open to all employees; and (b) the Arqiva Defined Benefit Pension Plan. As at 31 December 2012, the Arqiva Group Personal Pension Plan had approximately 1,231 members and the Arqiva Defined Benefit Pension Plan had approximately 318 members representing approximately 75% of all employees. As at 30 June 2011 (latest actuarial valuation), the Arqiva Defined Benefit Pension Plan assets amounted to 87% of its liabilities with a deficit of £17.4 million on an ongoing (technical provisions) basis. At 30 June 2011, the cost of buying out the members' benefits in the Arqiva Defined Benefit Pension Plan would have been around £82.3 million. The Arqiva Defined Benefit Pension Plan is not open to new members.

Corporate Governance

There are three sub-committees of the Board of Directors comprising:

- (a) the Audit Committee, comprised of Christian Seymour, Dan Fetter, Marc Perusat, Peter Douglas, and Peter Shore, which has responsibilities consisting of handling risk management procedures and internal controls, compliance (including whistle blowing arrangements) and regulatory issues, accuracy of group financial statements, the appointment and remuneration of external auditors, and internal audit department reports to the Audit Committee;
- (b) the Remuneration Committee, comprised of Christian Seymour, Dan Fetter, Marc Perusat, Peter Douglas, and Peter Shore, which has the responsibilities of assisting the Board in deciding and approving remuneration of key Group personnel, and reviewing matters involving all Group personnel; and
- (c) the Safety, Health and Environment Committee, comprised of Christian Seymour, Dan Fetter, Peter Douglas, and Peter Shore, which has the responsibilities of the management and monitoring of all issues relating to safety, health and the environment.

Risk Management

The Group has a strong corporate governance framework in place and also pays considerable attention to the management of risk. This includes but is not limited to:

- an established enterprise risk management policy and framework in place across the whole Group;
- risk registers actively maintained and managed by each business, which are used to capture and assess the risks faced and summarise the mitigating controls currently in place as well as describe additional controls that will be implemented to further reduce the risk exposure, and which are maintained in line with the monthly business reviews;
- a corporate level risk register, which is formally reviewed every 3 – 4 months with the CEO and the Management Board;
- a risk management update, which is presented at the Audit Committee meetings scheduled across the year; and
- an internal audit function which delivers an audit plan which is approved by the Audit Committee.

The Group has consistently demonstrated the effectiveness of its risk management approach and ensured the necessary controls and actions are in place to mitigate those risks, such as those given in the following examples:

- the formation of a strategic business development team to ensure the future growth potential of the Group is maximised;
- improved investment governance through an investment committee to ensure sound investment decisions in line with strategic priorities;
- key investments in future growth through the acquisition of new technologies such as WiFi and Connect TV, and bidding for the smart metering opportunity;
- formation of priority strategic projects, sponsored by Management Board members, such as that for the 600/700Mhz spectrum which will ensure the best possible outcome for the Group in securing the future of the DTT platform;
- enhancing information security measures to further protect the IT systems from security breach, including a programme of alignment to ISO27001 international standards; and
- implementation of business continuity and disaster recovery plans to minimise loss of service in the event of a major incident.

PRINCIPAL SHAREHOLDERS

The following table sets out the principal entities directly or indirectly owning at least 5% of the share capital of the Group's ultimate parent, ABHL as at the date of this Offering Memorandum and the percentage of share capital held by such entities:

Name of relevant entities	Number of shares held	Percentage of share capital (%)
Frequency Infrastructure Communication Assets Limited	314,028,405	48.0
MEIF II Luxembourg Communications S.à.r.l	163,547,390	25.0
Codan Trust Company (Cayman) Limited	97,061,692	14.8
The Trust Company Limited Custodian for Health Super Investments Pty Ltd (in its capacity as trustee of FSS Infrastructure Trust)	35,495,023	5.4
MTAA Superannuation Fund (NTL Broadcast) Utilities Pty Ltd as trustee of the MTAA Superannuation Fund (NTL Broadcast) Utilities Trust	33,789,299	5.2

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Intra-Arquiva

As at 30 June 2010, 2011 and 2012, the Group had loan advances outstanding to Arts Alliance, in which it owns 24.99% of the share capital, including accrued interest, of £4.5 million, £4.8 million and £nil, respectively. Although the Group did not charge any interest during the year ended 30 June 2012, the Group made an adjustment of £13,000 to the 2011 balance. The loan was converted into an equity investment during the year.

In the year ended 30 June 2010, the Group received a dividend of £1.7 million from its former associate Digital One Limited and in the years ended 2011 and 2012, the Group received dividends from MXR Holdings Limited, a company in which the Group has a trade investment, of £0.1 million and £0.1 million, respectively. In addition, during the year ended 30 June 2011 the Group received an additional cash payment of £0.1 million relating to the dividend declared by MXR Holdings Limited on 24 June 2010.

During the six months ended 31 December 2012, the Group received a dividend from MXR Holdings Limited of £0.1 million. During the same period, the Group paid subscriptions of £1.4 million to DTV Services Limited, an associate undertaking, and £3.7 million to YouView TV Limited, a joint venture.

During the years ended 30 June 2010, 2011 and 2012, the Group paid subscriptions of £2.5 million, £2.7 million and £2.6 million, respectively, to DTV Services Limited, an associate undertaking, and during the years ended 30 June 2011 and 2012, the Group paid subscriptions of £4.6 million and £5.5 million, respectively, to YouView TV Limited, a joint venture.

Shareholders

The Group enters into transactions with its shareholders and other entities owned by its shareholders in the ordinary course of business. These transactions include, among others, financing and trading agreements and professional, advisory, consulting and other corporate services. The following discussion sets out certain material arrangements, agreements and transactions the Group has with related parties as so defined within FRS 8 "Related Party Disclosures" and as documented and explained in the audited consolidated financial statements for the year ended 30 June 2012 and the interim condensed consolidated financial statements for the six months ended 31 December 2012.

The following tables set forth information in respect of certain of the Group's transactions with related parties for the periods indicated.

Six months ended 31 December 2012	Macquarie Bank Limited	Macquarie Capital Group Limited
	(£ millions)	
Swap interest paid	3.5	—
Sales (net)	—	—
Expenses	—	—
Trade creditors	—	—
Six months ended 31 December 2011	Macquarie Bank Limited	Macquarie Capital Group Limited
	(£ millions)	
Swap interest paid	3.7	—
Sales (net)	—	—
Expenses	—	0.1
Trade debtors	—	—

Year ended 30 June 2012	Macquarie Bank Limited	Airwave
	(£ millions)	
Swap interest paid	8.0	—
Sales (net)	—	13.5
Expenses	—	0.5
Trade creditors	—	(0.2)
Year ended 30 June 2011	Macquarie Bank Limited	Airwave
	(£ millions)	
Swap interest paid	7.1	—
Sales (net)	—	13.7
Expenses	—	0.5
Trade debtors	—	0.2
Year ended 30 June 2010	Macquarie Bank Limited	Airwave
	(£ millions)	
Swap interest paid	11.4	—
Sales (net)	—	12.9
Expenses	—	0.4
Trade debtors	—	0.1

The parties above are related parties by virtue of common influence in accordance with Financial Reporting Standard 8. Macquarie Bank is a counterparty to the Group's existing interest rate and inflation swaps. Airwave is a site share customer and amounts in the table relate to site share fees. As at 31 December 2012, Macquarie (MEIF2) owned 50.001% of the share capital of Airwave, and Airwave is currently a bidder for the smart metering project discussed in "*Business—Future projects*".

To effect the novation of Macquarie Bank Limited's existing ILS and IRS to new hedge counterparties, the Group will incur costs that are the equivalent of an additional approximately 4 basis points on the interest rate on the ILS and IRS with a notional amount of £131.25 million. This cost is a result of Macquarie Bank Limited's additional capital requirements as a consequence of the novation.

SUMMARY OF THE TRANSACTION DOCUMENTS

The following is a summary of certain terms of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the Transaction Documents.

Transaction Documents means the Notes, the Note Trust Deed, the Agency Agreement, the Master Definitions Agreement, the Security Agreement, the Intercreditor Agreement, the Intercompany Loan Agreement and the Intermediate HoldCo Documents.

Note Trust Deed

Unless defined above, all capitalised terms in this section titled “*Summary of the Transaction Documents—Note Trust Deed*” shall have the meaning given to them in Condition 4 (*Covenants*).

General

The Issuer, the Guarantors and the Note Trustee will enter into a trust deed (the **Note Trust Deed**) pursuant to which the Notes will be constituted. The Note Trust Deed will include the form of the Notes.

The Note Trust Deed contains, amongst other things, the following provisions:

- (a) the Issuer’s covenant to the Note Trustee (who holds the benefit of the covenant on trust for the Noteholders) to pay the principal and interest on the Notes in accordance with the Conditions;
- (b) the Issuer is at liberty from time to time (but subject always to the provisions of the Note Trust Deed) without the consent of the Noteholders to create and issue further notes having the same terms and conditions to the Notes so as to form part of the same class or new notes having different terms and conditions to the Notes so as to form a separate class;
- (c) requirements in relation to Global Notes and Definitive Notes;
- (d) the Guarantees given by the Guarantors as further described below;
- (e) the Note Trustee’s power to authorise or waive any breach or proposed breach of any of the covenants or provisions of the Note Trust Deed, the Conditions or the other Transaction Documents or determine that any Event of Default shall not be treated as such for the purposes of the Note Trust Deed, provided that the Note Trustee shall not exercise such powers conferred upon it by such provision in contravention of the Intercreditor Agreement, any express direction by an Extraordinary Resolution (as defined in the Note Trust Deed) or of a request pursuant to Condition 13.2 (*Modification and waiver*);
- (f) provisions relating to meetings of Noteholders; and
- (g) the appointment, retirement, removal, remuneration, indemnification and liability of the Note Trustee.

Guarantees

The Guarantors each unconditionally and irrevocably guarantee that if the Issuer does not pay any sum payable by it under the Note Trust Deed or the Notes at the time and on the date specified for such payment (whether on the normal due date, on acceleration or otherwise) the Guarantors will pay or procure the payment of that sum to or to the order of the Note Trustee, according to the terms of the Note Trust Deed and the Notes (as applicable).

The Guarantors each unconditionally and irrevocably agree, as an independent primary obligation, that they will pay to the Note Trustee sums sufficient to indemnify the Note Trustee and each Noteholder

against any loss suffered by it as a result of any sum expressed to be payable by the Issuer under the Note Trust Deed or the Notes not being paid on the due date or any other payment obligation of the Issuer under the Note Trust Deed or the Notes being or becoming void, voidable or unenforceable for any reason.

Each of the Guarantor's guarantee is a continuing guarantee and shall remain in full force and effect until all amounts due in respect of the Notes or under the Note Trust Deed have been paid in full. Each of the Guarantors shall be subrogated to all rights of the Note Trustee and the Noteholders against the Issuer in respect of any amounts paid by it pursuant to the Guarantee.

The Guarantors have, pursuant to the Security Agreement, secured their obligations under the Guarantees. Enforcement of the security created pursuant to the Security Agreement is subject to the Intercreditor Agreement. The payment obligations of the Guarantors in respect of the Guarantee constitute direct, secured, irrevocable and unconditional obligations of the Guarantors.

Covenants of the Obligors

In addition to the restrictive, information and general covenants set out in the Conditions of the Notes, so long as any Notes are outstanding, the Issuer and each Guarantor undertake each of the following among others:

- (a) **Paying Agents:** to at all times maintain Paying Agent(s) in accordance with the Conditions of the Notes;
- (b) **Notification of change to parties:** to give at least 14 days' notice to the Noteholders of change to any Paying Agent, the Agent Bank, the Registrar and/or the Transfer Agent or any of their specified offices;
- (c) **Approval of notice to Noteholders:** to send to the Note Trustee, not less than three days prior to the date on which such notice is to be given, the form of every notice to be given to the Noteholders in accordance with the Conditions of the Notes and obtain prior written approval of the Note Trustee and promptly provide two copies of the final form of such notices to the Note Trustee;
- (d) **Books of accounts:** to keep proper books of accounts and allow free access to them during business hours by the Note Trustee or a person appointed by the Note Trustee and make available the audited annual consolidated financial statements of the Parent Guarantor to the Paying Agent(s) at their specified offices for inspection by the Noteholders;
- (e) **Auditors:** to cause to be prepared and certified by its Auditors or any other auditing firm of national repute, in respect of each of its financial years, accounts in such form as will comply with all relevant legal and accounting requirements and all requirements for the time being of the Luxembourg Stock Exchange or such other stock exchange as the Notes may be listed on from time to time;
- (f) **Opinions:** to give or to procure to be given to the Note Trustee such opinions, certificates, information and evidence as it shall require and in such form as it shall require, for the purpose of the discharge or exercise of the duties, trusts, powers, authorities and discretions vested in it under the Note Trust Deed, the other Transaction Documents to which it is a party or by operation of law;
- (g) **Ratings:** other than in respect of any commercially sensitive information in respect of the business of the Parent Guarantor and its Subsidiaries, to furnish, or procure that there is furnished, from time to time, any and all documents, instruments, information and undertakings that may be requested by the Rating Agencies in order to maintain the current ratings of the Notes

(save that when any such document, instrument, information and/or undertaking is not within the possession or control of the Issuer, the Issuer agrees to use all reasonable efforts to furnish, or procure that there is furnished, from time to time any such documents, instruments, information and undertakings);

(h) **Listing:** to use all reasonable endeavours to maintain (or, in the case of the Guarantors, procure the Issuer maintains) the listing of the Notes on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market for as long as the Notes are outstanding (or, if such listing or trading ceases to be possible, or becomes duly onerous, then the Issuer will use its reasonable endeavours to obtain and maintain a listing of the Notes on such other exchange (which shall be a “regulated market” for the purposes of Article 1(13) of Directive 93/22/EEC and a “recognised stock exchange” (as defined in Section 1005 of the Income Tax Act 2007) for the purposes of section 882 of the Income Tax Act 2007));

(i) **Centre of main interests:** not to deliberately cause or allow its registered office or centre of main interests to be in or maintain an establishment (as that term is used in Article 2(b) of the Council of the European Union Regulation No. 1346/2000 on Insolvency Proceedings) in any jurisdiction other than England;

(j) **Further assurance:** so far as is permitted by applicable law, to at all times execute all such further documents and do all such acts and things as may be necessary at any time or times in the reasonable opinion of the Note Trustee to give effect to the Note Trust Deed and other Transaction Documents; and

(k) **Set-off:** to pay moneys payable by it to the Note Trustee without set-off, counterclaim, deduction or withholding, unless otherwise compelled by law and in the event of any deduction or withholding compelled by UK law pay such additional amount as will result in the payment to the Note Trustee of the full amount which would otherwise have been payable by it to the Note Trustee under the Note Trust Deed.

Governing Law

The Note Trust Deed (and any non-contractual obligations arising out of or in connection with it) will be governed by English law.

Intercompany Loan Agreement

The Issuer and AF No 2 will enter into an intercompany loan agreement under which all proceeds of issuance of the Notes will be on-lent by the Issuer (in such capacity, the **Intercompany Lender**) to AF No 2 (in such capacity, the **Intercompany Borrower**) (the **Intercompany Loan Agreement** and the loans by the Intercompany Lender to the Intercompany Borrower thereunder, the **Intercompany Loans**).

The Intercompany Loans will correspond to the principal amount of the Notes such that the economic terms of the Intercompany Loans match the economic terms of the corresponding Notes.

Intercompany Loans

Subject to the Issuer Profit Amount, each Intercompany Loan is structured and tranchised to match the tenor, interest rate and payment dates of the corresponding Notes. In addition to the interest payable on each interest payment date, the Intercompany Borrower will pay to the Issuer (in its capacity as the Intercompany Lender) an amount to cover the Issuer's profit (the **Issuer Profit Amount**).

The Intercompany Loans to be made by the Issuer under the Intercompany Loan Agreement will be in amounts and at rates of interest corresponding to amounts and rates applicable to the Notes and will

have interest periods which match the Interest Periods for such Notes. Interest on each Intercompany Loan made under the Intercompany Loan Agreement will accrue from the date of such Intercompany Loan. In addition, each Intercompany Loan will be repayable on the corresponding repayment date(s) in respect of the Notes.

Redemption for tax reasons, illegality or other reasons

If:

(a) the Intercompany Borrower would on the next Interest Payment Date be required to pay additional amounts due to withholding tax applying in respect of payments to be made under the Intercompany Loan Agreement in respect of any Intercompany Loan corresponding to the Notes; or

(b) by reason of a change in law, it has become or will become unlawful for the Issuer (in its capacity as Intercompany Lender) to make, fund or allow to remain outstanding all or any of the Intercompany Loans corresponding to the Notes made or to be made by it under the Intercompany Loan Agreement,

then the Issuer may, whilst such circumstance continues, give AF No 2 (in its capacity as Intercompany Borrower) not more than 15 days' nor fewer than 10 days' prior notice (which notice shall be irrevocable) of the requirement on AF No 2 (in its capacity as Intercompany Borrower) to prepay the whole (and not part) of such Intercompany Loans which are or will be subject to such withholding or have become or will become unlawful.

Fees

In consideration for the Issuer agreeing to make the Intercompany Loans available under the Intercompany Loan Agreement, the Intercompany Borrower will agree to pay to the Issuer (as Intercompany Lender) the fees set out in the Intercompany Loan Agreement.

Prior to the Issue Date, the Intercompany Borrower shall pay on behalf of the Issuer by way of the initial fee (the **Initial Facility Fee**) any costs, losses or expenses of the Issuer reasonably incurred in connection with the issue of Notes (including, *inter alia*, the fees and expenses of the Note Trustee, the Security Trustee and the Issuer's legal advisers, accountants and auditors).

After the Issue Date, the Intercompany Borrower will pay periodically an ongoing facility fee (the **Ongoing Facility Fee**) which shall meet the costs, losses and expenses of the Issuer in respect of amounts owed to, *inter alios*, the Note Trustee, the Security Trustee (and any receiver appointed by the Security Trustee), the Principal Paying Agent, the Paying Agents, the Agent Bank, the Registrar, the Transfer Agent and the Issuer's legal advisers, accountants and auditors (in each case, to the extent not covered by the Initial Facility Fee). Any accrued but unpaid Ongoing Facility Fee will be paid at the same time as the repayment of any Intercompany Loan.

Event of Default

The Issuer's obligations to repay principal and pay interest on the Notes are intended to be met primarily from the payments of principal and interest received from AF No 2 (in its capacity as the Intercompany Borrower) under the Intercompany Loan Agreement. Failure of the Intercompany Borrower to repay an Intercompany Loan will be a default under the Intercompany Loan Agreement, although it will not, of itself, constitute an Event of Default.

Governing Law

The Intercompany Loan Agreement (and any non-contractual obligations arising out of or in connection with it) will be governed by English law.

Agency Agreement

The Agency Agreement will be entered into between the Issuer, the Guarantors, the Principal Paying Agent, the Agent Bank, the Registrar, the Paying Agents, the Transfer Agent and the Note Trustee (the **Agency Agreement**). The Agency Agreement includes, amongst other things the following provisions:

- (a) the duties of the Principal Paying Agent and the terms on which they are appointed, or on which such appointment may be resigned or terminated or any successor Principal Paying Agent may be appointed;
- (b) the duties of each Paying Agent and the terms on which they are appointed, or on which such appointment may be resigned or terminated or any additional or successor Paying Agent may be appointed;
- (c) the duties of the Transfer Agent and the terms on which it is appointed, or on which such appointment may be resigned or terminated or any additional or any successor Transfer Agent may be appointed;
- (d) the duties of the Registrar and the terms on which it is appointed, or on which such appointment may be resigned or terminated or any successor Registrar may be appointed;
- (e) the duties of the Agent Bank and the terms on which it is appointed, or on which such appointment may be resigned or terminated or any additional or any successor Agent Bank may be appointed;
- (f) indemnity by the Issuer (failing whom, the Guarantors) of each of the agents against any liabilities which it may properly incur or which may be made against it as a result of or in connection with its appointment or the exercise of its powers and duties under the Agency Agreement, except for any liabilities resulting from the Agent's own wilful default, gross negligence or fraud;
- (g) transfer to an account specified by the Principal Paying Agent of payments by the Issuer (failing whom, the Guarantors) on each date on which any payment in respect of any Note becomes due under the Conditions;
- (h) to pay or cause to be paid by each Paying Agent payments of all amounts due in respect of the Notes on behalf of the Issuer (and each Guarantor) in the manner provided in the Conditions;
- (i) provisions under which the Principal Paying Agent shall notify each of the other Paying Agents, the Registrar and the Note Trustee immediately: (a) if it has not by the relevant date received unconditionally the full amount in the relevant currency required for a payment in respect of the Notes; and (b) if it receives unconditionally the full amount of any sum payable in respect of the Notes after that date;
- (j) provisions relating to completing, authenticating and delivering Global Notes (as applicable) and (if required) authenticating and delivering Definitive Notes;
- (k) provisions relating to the exchange of a Global Note for a Definitive Note;
- (l) the keeping of records of the payment, redemption, replacement, cancellation and destruction of Notes; and
- (m) the fees and expenses of the agents.

Governing law

The Agency Agreement (and any non-contractual obligations arising out of or in connection with it) will be governed by English law.

Security Agreement

The Issuer and the Guarantors will enter into a security agreement (the **Security Agreement**) with the Security Trustee in which:

(a) the Issuer will grant (a) first equitable security over (i) all amounts standing to the credit of each of the Issuer's bank accounts (the **Issuer Security Accounts**) and debts represented thereby; (ii) each Authorised Investment made by the Issuer; (iii) all shares of any person owned by the Issuer including dividends, interest and other distributions payable in respect thereof and all other rights related thereto; (iv) any loan made by the Issuer to another member of the Group; and (v) all present and future book or other debt owned by the Issuer; and (b) a first floating charge of the whole of the undertaking, property, assets and rights (present and future) of the Issuer; and

(b) each Guarantor will grant (a) first equitable security over (i) all amounts standing to the credit of each of that Guarantor's bank accounts (the **Guarantors Security Accounts** and together with the Issuer Security Accounts, the **Security Accounts**) and debts represented thereby; (ii) each Authorised Investment made by that Guarantor; (iii) all shares of any person owned by that Guarantor including dividends, interest and other distributions payable in respect thereof and all other rights related thereto; (iv) any loan made by that Guarantor to any member of the Group; and (v) all present and future book or other debt owned by that Guarantor; and (b) a first floating charge of the whole of the undertaking, property, assets and rights (present and future) of that Guarantor.

Governing Law

The Security Agreement (and any non-contractual obligations arising out of or in connection with it) will be governed by English law.

Intermediate HoldCo Documents means the Intermediate HoldCo Guarantee, the Intermediate HoldCo Subordinated Guarantee, the Intermediate HoldCo Security Agreement and the Intermediate HoldCo Intercreditor Agreement.

Intermediate HoldCo Guarantee

Arqiva Senior Finance Limited (**Senior FinCo**) will enter term facilities (the **Senior Term Facilities** and the agreement under which the Senior Term Facilities are provided, the **Senior Term Facilities Agreement** and the providers thereof, the **Senior Term Facility Providers**) and hedges in respect of the Senior Term Facilities (the **Senior Hedges** and the agreements under which the Senior Hedges are entered into, the **Senior Hedging Agreements** and the counterparties thereunder, the **Senior FinCo Hedge Counterparties**).

The Senior Term Facility Providers and the Senior Hedge Counterparties will have the benefit of a guarantee (the **Intermediate HoldCo Guarantee**) provided by Intermediate HoldCo, guaranteeing all liabilities of Senior FinCo under the Senior Term Facilities. A demand may only be made under the Intermediate HoldCo Guarantee at the final maturity date for the Senior Term Facilities, upon any acceleration of the Senior Term Facilities, upon insolvency of Intermediate HoldCo or Senior FinCo and following prepayment under the Senior Hedges at their scheduled breaks or on an early termination of the Senior FinCo Hedges.

Intermediate HoldCo Subordinated Guarantee

In addition to the Guarantees and the Transaction Security, the Noteholders and any Facility Providers will have the benefit of a guarantee (the **Intermediate HoldCo Subordinated Guarantee**) provided by Intermediate HoldCo, guaranteeing all liabilities of the Issuer under the Notes and any Facilities (as applicable) subject to the Intermediate HoldCo Payment Priorities (as defined below).

A demand by the Intermediate HoldCo Security Trustee may only be made under the Intermediate HoldCo Subordinated Guarantee following a demand under the Intermediate HoldCo Guarantee and payment in full of all amounts outstanding under the Senior Term Facilities and the Senior Hedges.

Governing Law

The Intermediate HoldCo Subordinated Guarantee (and any non-contractual obligations arising out of or in connection with it) will be governed by English law.

Security in respect of the Intermediate HoldCo Security and the Intermediate HoldCo Subordinated Guarantee

In respect of Intermediate HoldCo's obligations under the Intermediate HoldCo Guarantee and the Intermediate HoldCo Subordinated Guarantee, Intermediate HoldCo will create security (the **Intermediate HoldCo Security** and the agreement under which such security is provided, the **Intermediate HoldCo Security Agreement**), including first fixed charges over all of its shares in Arqiva Group Parent Limited (the **Senior Parent**) and any loans owing from the Senior Parent to Intermediate HoldCo and a floating charge over all the assets of Intermediate HoldCo (deferred in point of priority to the first fixed charges referred to above), in favour of the Intermediate HoldCo Security Trustee for the benefit of (i) the Senior Term Facility Providers, (ii) the Senior Hedge Counterparties, (iii) the Noteholders and (iv) any Facility Providers.

The Intermediate HoldCo Security Agreement will include market standard limited recourse provisions.

Enforcement of Intermediate HoldCo Security

Following a failure by Senior FinCo to refinance the Senior Term Facilities and/or to pay the scheduled breaks under the Senior FinCo Hedges, on the insolvency of Intermediate HoldCo or Senior FinCo or on any failure to repay or prepay the Senior Term Facilities and/or an earlier termination of the Senior FinCo Hedges and a subsequent failure by Intermediate HoldCo to pay all amounts due under the Intermediate HoldCo Guarantee to the Senior Term Facility Providers and/or the Senior FinCo Hedge Counterparties (an **Intermediate HoldCo Guarantee Default**), after a standstill period which is the shorter of: (i) a period of 90 days from the date on which a demand was made under the Intermediate HoldCo Senior Guarantee (as defined in the Common Terms Agreement); and (ii) a period from the date on which a demand was made under the Intermediate HoldCo Subordinated Guarantee to the date on which an insolvency event occurs in respect of Intermediate HoldCo (the **Standstill Period**) and subject to there being no continuing Senior Obligor Event of Default (other than certain Senior FinCo Events of Default (being payment: (i) of the Senior Term Facilities on their final maturity date, or (ii) an earlier date for prepayment of the Senior Term Facilities for which there is no corresponding earlier termination date under the Senior FinCo/Borrower Facilities Agreement or (iii) at a scheduled break under the Senior FinCo Hedges or (iv) at an earlier termination date under the Senior FinCo Hedges for which no corresponding earlier termination date under the Senior FinCo Hedges arises, provided in each case that Senior FinCo has not been put in funds to make such payment but has failed to do so)), the Intermediate HoldCo Security Trustee may enforce the Intermediate HoldCo Security on the instructions of the Senior Term Facility Providers and the Senior Hedge Counterparties only.

Following payment in full of all amounts outstanding under the Senior Term Facilities and the Senior Hedges and a failure by Intermediate HoldCo to pay all amounts due under the Intermediate HoldCo Subordinated Guarantee, instructions to enforce the Intermediate HoldCo Security will be given to the Intermediate HoldCo Security Trustee by the Security Trustee acting on the instructions of the Instructing Group.

Application of enforcement proceeds of the Intermediate HoldCo Security

Any proceeds of enforcement of the Intermediate HoldCo Security after payment of remuneration, costs and expenses of the Intermediate HoldCo Security Trustee will be applied in accordance with the Intermediate HoldCo Payment Priorities towards payments due to the Senior Term Facility Providers and the Senior Hedge Counterparties under the Intermediate HoldCo Guarantee pro rata and *pari passu* (and cancellation of the corresponding Senior FinCo/Borrower Loans) and reduction in the notional amount of the corresponding Senior FinCo/Borrower Hedges (the **Senior FinCo/Borrower Hedges**) and then towards payments due to the Noteholders and any Facility Providers (as applicable) under the Intermediate HoldCo Subordinated Guarantee pro rata and *pari passu* (and cancellation of the corresponding Intercompany Loans).

The Noteholders and any Facility Providers (as applicable) will have the right under the Purchase Cure (as defined below) to cure the Intermediate HoldCo Guarantee Default before expiry of the Standstill Period.

Purchase Cure

Following an Intermediate HoldCo Guarantee Default, during the Standstill Period the Noteholders and any Facility Providers (or any one of them) may make a Purchase Cure as follows:

- (a) the Noteholders and any Facility Providers (or any one or more of them) (each a **Participating Junior Creditor**) may purchase the whole (but not part only) of the Senior Term Facilities and/or the Senior Hedges by way of transfer in accordance with the assignment and transfer provisions under the Senior Term Facilities Agreement, the Senior Hedging Agreements and/or other relevant Senior Transaction Documents (a **Purchase Cure**) in an amount equal to all amounts outstanding thereunder including principal and accrued interest (in the case of the Senior Term Facilities) and the mark-to-market value payable on termination (in case of the Senior Hedges) (the **Purchase Cure Amount**); and
- (b) the Participating Junior Creditors shall make the Purchase Cure in the following proportions: (a) an amount equal to the Purchase Cure Amount multiplied by the fraction determined by dividing an amount equal to the aggregate outstanding principal amount of the Notes and any Facilities (as applicable) owed to the relevant Participating Junior Creditor by an amount equal to the aggregate outstanding principal amount of the Notes and any Facilities and Hedges (as applicable) owed to all Participating Junior Creditors or (b) such other amount as the Participating Junior Creditors shall agree between themselves.

Intermediate HoldCo Payment Priorities

All monies received or recovered by the Intermediate HoldCo Security Trustee (or any receiver appointed by it) in respect of the Intermediate HoldCo Security shall be applied by or on behalf of the Intermediate HoldCo Security Trustee (or, as the case may be, any receiver appointed by it) in accordance the following order of priority (the **Intermediate HoldCo Payment Priorities**) set out in the intermediate holdco intercreditor agreement (the **Intermediate HoldCo Intercreditor Agreement**):

- (a) *first*, in or towards satisfaction of any sums (including but not limited to any remuneration, costs, expenses, fees and indemnity payments (including amounts in respect of VAT) owing to the Intermediate HoldCo Security Trustee and any receiver or delegate appointed by the Intermediate HoldCo Security Trustee under the Intermediate HoldCo Intercreditor Agreement;
- (b) *second*, in discharging all costs and expenses incurred by any Primary Creditor (as defined in the Intermediate HoldCo Intercreditor Agreement):
 - (i) in connection with any realisation or enforcement of the Intermediate HoldCo Security taken in accordance with the terms of the Intermediate HoldCo Intercreditor Agreement; or

- (ii) any action taken at the request of the Intermediate HoldCo Security Trustee by way of further assurance;
- (c) *third, pro rata*, according to the respective amounts thereof, in or towards satisfaction of Intermediate HoldCo's obligations under the Intermediate HoldCo Guarantee to pay:
 - (i) the Senior Term Facility Providers; and
 - (ii) the Senior Hedge Counterparties,
- (d) *fourth, pro rata*, according to the respective amounts thereof, in or towards satisfaction of Intermediate HoldCo's obligations under the Intermediate HoldCo Subordinated Guarantee to pay:
 - (i) the Noteholders; and
 - (ii) any Facility Providers,in accordance with the Intercreditor Agreement;
- (e) *fifth*, if Intermediate HoldCo is not under any further actual or contingent liability under any Debt Document (as defined in the Intermediate HoldCo Intercreditor Agreement), the surplus (if any) to Intermediate HoldCo.

Governing Law

The Intermediate HoldCo Security (and any non-contractual obligations arising out of or in connection with it) are governed by English law.

Facility Agreements

The Issuer may from time to time after the issue of the Notes enter into facilities (the **Facilities**) under facility agreements with facility providers and a facility agent (the **Facility Agreements**, the **Facility Providers** and the **Facility Agent**, respectively) which satisfy the requirements for Permitted Financial Indebtedness. Each Facility Provider and the Facility Agent under each Facility Agreement will be party to the Intercreditor Agreement.

Intercreditor Agreement

The Intercreditor Agreement entered into between, amongst others, the Note Trustee, the Security Trustee, any Facility Providers, any Facility Agents (together the **Secured Creditors**) and the Obligors (the **Intercreditor Agreement**).

The Noteholders and any Facility Providers rank *pari passu* between themselves and senior to any Subordinated Debt or intra-Group liabilities.

Secured Creditors and Secured Creditor Representatives

The Secured Creditors in respect of which intercreditor arrangements relating to the Security Agreement (but, for the avoidance of doubt, excluding the Intermediate HoldCo Security which is the subject of separate intercreditor arrangements with the Senior Term Facility Providers and the Senior Hedge Counterparties) will be agreed pursuant to the Intercreditor Agreement are represented (following the issuance of the Notes) as follows:

- (a) the Noteholders, represented in their entirety by the Note Trustee under the Note Trust Deed; and
- (b) any Facility Providers, represented in their entirety by the relevant Facility Agent under the relevant Facility Agreement,

(each a **Secured Creditor Representative**).

Priority of payments

The Intercreditor Agreement will regulate the claims of the Secured Creditors. Amounts received or recovered by the Security Trustee in connection with the realisation or enforcement of all or any part of the Transaction Security are applied in the following order:

- (a) first, on a pro rata basis, in payment of:
 - (i) all sums (including fees, remuneration, costs, charges, liabilities, expenses and indemnity payments (including any taxes required to be paid)) owing to the Security Trustee; and
 - (ii) all sums (including fees, remuneration, costs, charges, liabilities, expenses and indemnity payments (including any VAT required to be paid)) owing to the Note Trustee;
- (b) second, on a pro rata basis, to pay all sums (including fees, remuneration, costs, charges, liabilities and expenses and indemnity payments (including any VAT required to be paid)) owing to each Paying Agent, the Registrar, the Transfer Agent and any Facility Agent;
- (c) third, on a pro rata basis, for application towards the discharge of the Secured Liabilities to:
 - (i) the Note Trustee (on behalf of the Noteholders); and
 - (ii) the relevant Facility Agent (on behalf of the Facility Providers); and
- (d) fourth, the balance (if any) in payment to the Obligors.

Secured Liabilities means all the liabilities and all other present and future obligations at any time due, owing or incurred by any Obligor to any Secured Creditor under any Transaction Document both actual and contingent and whether incurred solely or jointly and as principal or surety or in any other capacity.

Amendments/waivers of covenants

There will not be any common terms package. The Notes and any Facilities will each have their own covenant package contained in their own documentation. Any amendment, waiver or consent in relation to such covenants will be determined in accordance with the provisions of the Note Trust Deed, the relevant Facility Agreement and the Intercreditor Agreement and the Intermediate HoldCo Intercreditor Agreement (as applicable).

Enforcement

No Secured Creditor or the Security Trustee (either in relation to the Transaction Security or under the Intercreditor Agreement) may take Enforcement Action in relation to any Obligor, other than:

- (a) Permitted Enforcement Action;
- (b) with the prior written consent of the Instructing Group; or
- (c) certain other enforcement action following the occurrence of an insolvency event in relation to the Issuer or a Guarantor.

Enforcement Action means:

- (a) in relation to any Secured Liabilities:
 - (i) the acceleration of any Secured Liabilities or the making of any declaration that any Secured Liabilities are prematurely due and payable (other than as a result of it becoming unlawful for a Secured Creditor to perform its obligations under, or of any voluntary or mandatory prepayment arising under, the Notes or any Facility);

- (ii) the making of any declaration that any Secured Liabilities are payable on demand;
 - (iii) the making of a demand in relation to a Secured Liability that is payable on demand (other than certain demands made by an intra-Group lender in relation to any intra-Group liabilities);
 - (iv) the making of any demand against any member of the Group in relation to any liabilities guaranteed by of that member of the Group;
 - (v) the exercise of any right to require any member of the Group to acquire any Secured Liability (including exercising any put or call option against any member of the Group for the redemption or purchase of any Secured Liability);
 - (vi) the exercise of any right of set-off, account combination or payment netting against any member of the Group in respect of any Secured Liabilities other than the exercise of any such right which is otherwise permitted under the Facility Agreements and not prohibited by the Conditions to the extent that the exercise of that right gives effect to a payment permitted under the Intercreditor Agreement; and
 - (vii) the suing for, commencing or joining of any legal or arbitration proceedings against any member of the Group to recover any Secured Liability;
- (b) the taking of any steps to enforce or require the enforcement of any Transaction Security (including the crystallisation of any floating charge forming part of the Transaction Security);
- (c) the entering into of any composition, compromise, assignment or arrangement with any member of the Group which owes any Secured Liabilities, or has given any Security, guarantee or indemnity or other assurance against loss in respect of such liabilities (other than any action permitted under certain provisions of the Intercreditor Agreement); or
- (d) the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, administrator or similar officer) in relation to, the winding up, dissolution, administration or reorganisation of any member of the Group which owes any Secured Liabilities, or has given any Security, guarantee or indemnity or other assurance against loss in respect of the Secured Liabilities, or any of such member of the Group's assets or any suspension of payments or moratorium of any indebtedness of any such member of the Group, or any analogous procedure or step in any jurisdiction,

except that the following shall not constitute Enforcement Action:

- (i) the taking of any action falling within paragraph (a)(vii) or (d) above which is necessary (but only to the extent necessary) to preserve the validity, existence or priority of claims in respect of Secured Liabilities, including the registration of such claims before any court or governmental authority and the bringing, supporting or joining of proceedings to prevent any loss of the right to bring, support or join proceedings by reason of applicable limitation periods; or
- (ii) a Secured Creditor bringing legal proceedings against any person solely for the purpose of:
 - (A) obtaining injunctive relief (or any analogous remedy outside England and Wales) to restrain any actual or putative breach of any Debt Document to which it is party or the intercreditor agreement in connection with Intermediate HoldCo Security;
 - (B) obtaining specific performance (other than specific performance of an obligation to make a payment) with no claim for damages; or
 - (C) requesting judicial interpretation of any provision of any Debt Document to which it is party the Intermediate HoldCo Intercreditor Agreement with no claim for damages.

Permitted Enforcement Action means:

- (a) the cancellation of any commitments by a Secured Creditor following the occurrence of an Event of Default and/or acceleration of any Secured Liabilities owed to that Secured Creditor by an Obligor or any declaration by that Secured Creditor that any such Secured Liabilities are prematurely due and payable or payable on demand; and
- (b) the suing for, commencing or joining any legal or arbitration proceedings by a Secured Creditor against any Obligor to recover any Secured Liabilities owed to that Secured Creditor,

in each case in accordance with the terms of the Note Trust Deed or the relevant Facility Agreement (as applicable).

Distressed Disposals

Where a distressed disposal or appropriation of an asset is being effected, the Intercreditor Agreement will provide that the Security Trustee is authorised (at the cost of the Parent Guarantor and without the consent of any Secured Creditor, or any Obligor):

- (a) to release the Transaction Security, or any other claim over that asset;
- (b) if the asset which is disposed consists of shares in the capital of the Issuer or a Guarantor, to release:
 - (i) the Issuer or that Guarantor or any subsidiary of the Issuer or that Guarantor from all or any part of its borrowing liabilities, guarantee liabilities or other debt liabilities;
 - (ii) any Transaction Security granted by the Issuer or that Guarantor (or any subsidiary of the Issuer or that Guarantor) over any of its assets; and
 - (iii) any other claim of a lender of intra-Group liabilities, or the Issuer or another Guarantor's claim over that Issuer or Guarantor's assets or over the assets of the subsidiary of that entity;
- (c) if the shares disposed of consists of shares in the capital of any holding company of the Issuer or a Guarantor, to release:
 - (i) that holding company and any subsidiary of that holding company from all or any part of its liabilities (other than liabilities due to any Secured Creditor Representative); and
 - (ii) any other claim of intra-Group liabilities over the assets of the subsidiary of that holding company;
- (d) if the asset which is disposed of consists of shares in the capital of the Issuer or a Guarantor or a holding company of the Issuer or a Guarantor, to agree to provide for the disposal of liabilities and/or the transfer of liabilities to the Issuer or another Guarantor (the **Receiving Entity**) and to accept such transfer on behalf of the Receiving Entity.

Consultation Period

Subject to certain provisions of the Intercreditor Agreement, before giving any instructions to the Security Trustee to enforce the Transaction Security, effect a distressed disposal or to take any other Enforcement Action, the Secured Creditor Representatives shall consult with each other in good faith about the instructions to be given by the Instructing Group for a period of 15 business days (or such shorter period as each Secured Creditor Representative shall agree) (the **Consultation Period**), and only following the expiry of a Consultation Period shall the Instructing Group be entitled to give any instructions to the Security Trustee to enforce the Transaction Security or take any other Enforcement Action.

Voting entitlements

The Intercreditor Agreement will specify that Secured Creditors will share a common security package with each of the Obligor providing security. Any amendment, waiver or consent in relation to the Security Agreement or the Intermediate HoldCo Security Agreement, which has the effect of changing or which relates to the nature or scope of the charged property thereunder, the distribution of the enforcement of the Transaction Security or the release of any Transaction Security, shall not be made without the prior consent of the Instructing Group.

Any amendment, waiver or consent which:

- (a) may impose new or additional obligations on or withdraw or reduce the rights of any party; or
 - (b) in the case of a Secured Creditor (other than the Note Trustee, a Facility Agent or any arranger of a Facility), in a way which affects or would affect Secured Creditors of that party's class generally,
- requires the consent of that party.

An amendment or waiver that has the effect of changing or which relates to (i) the requirements to redistribute any recoveries made other than in accordance with the priority of payments; (ii) the priority of payments and/or the subordination arrangements; or (iii) the right to give instructions to the Security Trustee shall not be made without the consent of the Noteholders (in accordance with the Conditions), the Facility Providers and the Security Trustee.

In the Intercreditor Agreement, **Instructing Group** means the Secured Creditors whose participations aggregate more than 66⅔% of the Junior Credit Participations.

In the Intercreditor Agreement **Junior Credit Participations** means the aggregate principal amount outstanding under the Notes and any Facility.

“Snooze you lose”

If the Security Trustee requests any instruction from any Secured Creditor Representative, such Secured Creditor Representative must then provide its instructions by no later than 20 business days after the date upon which the Security Trustee made such request (the **Decision Date**) in a certificate setting out its Junior Credit Participation.

If a Secured Creditor Representative has not notified the Security Trustee of its instructions required from them under the Intercreditor Agreement by the Decision Date, then the Junior Credit Participation held by the relevant Secured Creditors will not be considered as part of the Junior Credit Participations for the purpose of determining whether the requisite voting levels have been attained in relation to that decision, provided that such a reduction in voting entitlement shall not apply to certain specified matters set out in the Intercreditor Agreement.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The information set out below does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by, the terms of such documents.

Senior Term Facilities

General

Senior FinCo has entered into Senior Term Facilities pursuant to the Senior Term Facilities Agreement entered into by Senior FinCo with, amongst others, the Senior Term Facility Providers. The Senior Term Facilities Agreement provides for borrowings up to an aggregate of £1,836,000,000 on a committed basis on the Senior Closing Date (having the same meaning as “Closing Date” for the purposes of the Common Terms Agreement (the **Senior Closing Date**)). Loans repaid may not be reborrowed by Senior FinCo.

The Senior Term Facilities comprises facilities of up to £1,050,000,000 (**Facility A**) and up to £786,000,000 (**Facility B**). Senior FinCo will on-lend all amounts borrowed by it under Facility A and Facility B to AF No 1 pursuant to the facilities agreement entered into between Senior FinCo and AF No 1 (the **Senior FinCo/Borrower Facilities Agreement**).

Maturity and Amortisation

Facility A will mature on the third anniversary of the Senior Closing Date and Facility B will mature on the fifth anniversary of the Senior Closing Date. Borrowings must be repaid in full on or prior to that date.

Senior FinCo may not deliver a utilisation request if as a result of the proposed loan: (i) two or more loans under Facility A would be outstanding; or (ii) two or more loans under Facility B would be outstanding. Senior FinCo may not reborrow any part of Facility A or Facility B which is repaid.

Interest Rate

The interest rate on both Facility A and Facility B will be the aggregate of (i) the applicable margin (equal to 2.25% with respect to Facility A and 2.50% with respect to Facility B) (subject to upward adjustment over the term of each facility), (ii) the London Interbank Offer Rate (**LIBOR**) and (iii) mandatory costs (if any).

Any interest, commission or fee accruing under the Senior Term Facilities Agreement will accrue from day to day and be calculated on the basis of the actual number of days elapsed and a year of 365 days or, in any case where the practice in the relevant interbank market differs, in accordance with that market practice.

Security

The Senior Term Facilities benefit from security granted by Senior FinCo over its assets (including its rights under the Common Terms Agreement and the STID) in favour of a security trustee acting on behalf of the secured creditors of Senior FinCo (including the Senior Term Facility Providers) by way of a deed of charge (the **Senior FinCo Deed of Charge**).

Proceeds of enforcement of such collateral will be used in discharge of the indebtedness under the Senior Term Facilities in accordance with the intercreditor agreement entered into by Senior FinCo (the **Senior FinCo Intercreditor Agreement**). The Senior FinCo Intercreditor Agreement regulates the voting rights of the Senior FinCo Hedge Counterparties and the application of proceeds upon enforcement of the Senior FinCo Deed of Charge.

Covenants

The Senior Term Facilities Agreement contains customary affirmative and negative covenants. Set forth below is a brief description of such customary covenants, all of which are subject to customary exceptions and qualifications.

Affirmative Covenants

The affirmative covenants require: (i) the provision of certain financial and other information, including annual consolidated audited financial statements and semi-annual unaudited financial statements; (ii) notification of defaults; (iii) procurement, compliance and maintenance of all authorisations; (iv) compliance with laws and regulations; (vi) compliance with hedging policy (which will be set out in the Senior FinCo Intercreditor Agreement); and (vii) provision of “know your customer” documents.

Negative Covenants

The negative covenants include restrictions, among others, with respect to: (i) substantially changing the general nature of the business; (ii) creation of additional security over its assets; (iii) the disposal of any assets unless otherwise permitted under the terms of the Senior Financing; (iv) the entering into of any agreement other than as anticipated under the Senior Term Facilities Agreement; (v) the incurrence of additional financial indebtedness; and (vi) the making of loans or the payment of dividends or distributions.

Events of Default

The Senior Term Facilities Agreement provides for customary events of default, which are subject to customary materiality and grace periods, including: (i) failure to pay any sum when due subject to a five business day grace period for delays caused by technical or administrative error or a disruption event; (ii) breach of other obligations subject to a 20 business day grace period if capable of remedy; (iii) representations or warranties found to be untrue or misleading when made or deemed repeated subject to a 20 business day remedy period if capable of remedy; (iv) cross acceleration subject to a threshold of £500,000; (v) insolvency; (vi) insolvency proceedings; (vii) unlawfulness and invalidity; (viii) repudiation; (ix) cessation of business; and (x) occurrence of an event of default under the Common Terms Agreement.

Governing Law

The Senior Term Facilities Agreement is governed by and construed and enforced in accordance with English law.

Senior FinCo/Borrower Loans

General

All loans made or to be made by Senior FinCo under the Senior FinCo/Borrower Facilities Agreement (the **Senior FinCo/Borrower Loans**) are or will be in amounts and at rates of interest corresponding to amounts and rates set out in the Senior Term Facilities Agreement and will have interest periods and maturity which match the interest periods and maturity (as applicable) for the corresponding Senior Term Facilities. Interest on each Senior FinCo/Borrower Loan made under the Senior FinCo/Borrower Facilities Agreement will accrue from the date of such Senior FinCo/Borrower Loan.

Fees

In consideration for Senior FinCo agreeing to make the Senior FinCo/Borrower Loans available under the Senior FinCo/Borrower Facilities Agreement, AF No 1 will agree to pay to Senior FinCo the initial and ongoing facility fees set out in the Senior FinCo/Borrower Facilities Agreement.

On the Senior Closing Date, AF No 1 will pay on behalf of Senior FinCo by way of an initial fee (the **Initial Senior FinCo/Borrower Facilities Fee**) an amount to meet the costs and expenses of Senior FinCo in connection with the Senior Term Facilities and the initial drawdown under the Senior Term Facilities (including, *inter alia*, the arrangement fee payable under the Senior Term Facilities Agreement and the fees and expenses of the security trustee appointed under the Senior FinCo Intercreditor Agreement, the facility agent under the Senior Term Facilities and Senior FinCo's legal advisers, accountants and auditors).

After the Senior Closing Date, AF No 1 will pay periodically, on each interest payment date, an ongoing fee (the **Senior FinCo/Borrower Facilities Fee**) which shall meet the costs and expenses of Senior FinCo in respect of amounts owed to, *inter alia*, the security trustee appointed under the Senior FinCo Intercreditor Agreement (and any receiver appointed by it, the facility agent for the Senior Term Facilities and Senior FinCo's legal advisers, accountants and auditors (in each case to the extent not covered by the Initial Senior FinCo/Borrower Facilities Fee) (including the duration fee payable under the Senior Term Facilities Agreement).

Secured Obligations

The obligations of AF No 1 under the Senior FinCo/Borrower Facilities Agreement will be secured pursuant to the deed of charge and guarantee executed in favour of the Senior Obligor Security Trustee by each of the Senior Obligors on or about the Senior Issue Date) (the **Security Deed**) and such obligations will be guaranteed by each other Senior Obligor in favour of a security trustee (the **Senior Obligor Security Trustee**), who will hold the benefit of such security and guarantees on trust for the secured creditors of the Senior Obligors (including Senior FinCo and the Senior Issuer) (the **Senior Obligor Secured Creditors**) on the terms of the STID.

Senior Capex and Senior Working Capital Facilities Agreement

General

Arqiva Financing No 1 Limited (**AF No 1**) has entered into capex and working capital facilities (the **Senior Capex Facility** and the **Senior Working Capital Facility** respectively, the agreement under which the such facilities are provided, the **Senior Capex and Working Capital Facilities Agreement** and the providers thereof, the **Senior Capex Facility Providers** and the **Senior Working Capital Facility Providers**, respectively and together the **Senior Capex and Working Capital Facilities Providers**). The Senior Capex and Working Capital Facilities Agreement provides for borrowings up to an aggregate of £500,000,000 on a committed basis from the Senior Closing Date, which comprises of the provision of the Senior Capex Facility for the making of term loans in an aggregate amount of £400,000,000 and the Senior Working Capital Facility for the making of revolving loans in aggregate amount £100,000,000. Loans (other than loans made pursuant to the Senior Capex Facility) repaid may be reborrowed by AF No 1. The Senior Capex and Working Capital Facilities Providers rank as Senior Obligor Secured Creditors.

Interest Rate

Interest will accrue on any drawing made under the Senior Capex Facility or the Senior Working Capital Facility at a rate equal to the aggregate of (i) the applicable margin (equal to, with respect to each facility, 2.50%) (subject to an upward adjustment over the term of each facility), (ii) LIBOR and (iii) mandatory costs (if any). For as long as a Senior Obligor Event of Default is continuing, the margin for both the Senior Capex Facility and the Senior Working Capital Facility will increase.

Security

The security and collateral given by AF No 1 for its obligations under the Senior Capex and Working Capital Facilities Agreement will be documented under a security agreement (the **Senior Security**

Agreement) pursuant to which the Senior Obligors will create an assignment by way of first fixed charge and floating security over the Senior Obligors' assets. Any proceeds of enforcement of the security and collateral will be used in discharge of the indebtedness under the Senior Capex Facility and the Senior Working Capital Facility owed by AF No 1 in accordance with the STID.

Security Trust and Intercreditor Deed

The Security Trust and Intercreditor Deed (**STID**) regulates among other things (i) the claims of the Senior Obligor Secured Creditors, (ii) the exercise of acceleration and enforcement rights of the Senior Obligor Secured Creditors, (iii) certain entrenched rights and reserved matters of the Senior Obligor Secured Creditors and (iv) the giving of instructions, consents and waivers and, in particular, the basis on which votes of the Senior Obligor Secured Creditors will be counted.

Maturity and Prepayment

The Senior Capex Facility and the Senior Working Capital Facility will each mature on the fifth anniversary of the Senior Closing Date.

AF No 1 may voluntarily prepay either the Senior Capex Facility or the Senior Working Capital Facility, in whole or in part, save that if AF No 1 prepays in part, a minimum amount is payable. AF No 1 also has a right of cancellation and repayment in relation to a single Senior Capex Facility Provider or Senior Working Capital Facility Provider in the event of change in tax position or such lender becoming a defaulting lender.

Representations, covenants and events of default

The representations, negative and affirmative covenants, financial covenants and events of default given in favour of the Senior Capex Facility Providers and the Senior Working Capital Facility Providers by AF No 1 are set out in the Common Terms Agreement. Please see "*—Common Terms Agreement*" below.

Governing Law

The Senior Capex and Working Capital Facilities Agreement is governed by and construed and enforced in accordance with English law.

Senior Liquidity Facility Agreement

General and Purpose

AF No 1 and the Senior Issuer entered into a liquidity facility (the **Senior Liquidity Facility** and the agreement under which such facility is provided, the **Senior Liquidity Facility Agreement** and the providers thereof, the **Senior Liquidity Facility Providers**) pursuant to which the Senior Liquidity Facility Providers agreed to make the Senior Liquidity Facility available to meet certain liquidity shortfalls from the Senior Closing Date.

Under the terms of the Senior Liquidity Facility Agreement, the Senior Liquidity Facility Providers provide a 364-day commitment in an aggregate amount equal to £200 million to permit drawings to be made by AF No 1 and the Senior Issuer (as applicable) to enable AF No 1 to service interest and scheduled principal due on the Senior Term Facilities and the Senior Issuer to service interest and scheduled principal on the Senior Secured Notes (as applicable), together with certain senior ranking expenses owed to other transaction parties, in the event of there being insufficient cash flow received by either AF No 1 or the Senior Issuer.

Interest Rate

Interest will accrue on any drawings under the Senior Liquidity Facility at a rate equal to the aggregate (i) of the margin equal to 2.00% (subject to approved adjustment if drawn), (ii) LIBOR and (iii) mandatory costs (if any).

Security

The security and collateral given by AF No 1 for its obligations under the Senior Liquidity Facility Agreement will be under the Senior Security Agreement. Proceeds of enforcement of the security and collateral will be used in discharge of the indebtedness under the Senior Liquidity Facility owed by AF No 1 in accordance with the STID.

Events of Default

The Senior Liquidity Facility Agreement provides for customary events of default for this type of agreement, which are subject to customary materiality and grace periods, including: (i) failure to pay any sum when due subject to a three business day grace; (ii) illegality; and (iii) cross acceleration (with respect to AF No 1 only) or enforcement of the Senior Secured Notes (with respect to the Senior Issuer).

Governing Law

The Senior Liquidity Facility Agreement is governed by and construed and enforced in accordance with English law.

Senior Issuer/Borrower Loans

All loans made or to be made by Senior Issuer under the Senior Issuer/Borrower Facilities Agreement (the **Senior Issuer/Borrower Loans**) are or will be in amounts corresponding to amounts of the Senior Secured Notes (taking into account any Issuer Hedging Agreement) and will have interest periods and maturity which match the interest periods and maturity of the corresponding Senior Secured Notes. Interest on each Senior Issuer/Borrower Loan made under the Senior Issuer/Borrower Facilities Agreement will accrue from the date of such Senior Issuer/Borrower Loan.

Fees

In consideration for the Senior Issuer agreeing to make the Senior Issuer/Borrower Loans available under the Senior Issuer/Borrower Facilities Agreement, AF No 1 will agree to pay to the Senior Issuer the initial and ongoing facility fees set out in the Senior Issuer/Borrower Facilities Agreement.

On the Senior Closing Date, AF No 1 will pay on behalf of the Senior Issuer by way of an initial fee (the **Initial Senior Issuer/Borrower Facilities Fee**) an amount to meet the costs and expenses of the Senior Issuer in connection with the issuance of the Senior Secured Notes (including, *inter alia*, the fees and expenses of the security trustee appointed under the Senior Issuer Deed of Charge and Senior Issuer's legal advisers, accountants and auditors).

After the Senior Closing Date, AF No 1 will pay periodically, including on each interest payment date and any other date notified to AF No 1 by the Issuer, an ongoing fee (the **Senior Issuer/Borrower Facilities Fee**) which shall meet the costs and expenses of the Senior Issuer in respect of amounts owed to, *inter alia*, the security trustee appointed under the Senior Issuer Deed of Charge (and any receiver appointed by it) and the Senior Issuer's legal advisers, accountants and auditors (in each case to the extent not covered by the Initial Senior Issuer/Borrower Facilities Fee) and to cover Senior Issuer's profit (out of which Senior Issuer will pay its tax).

Secured obligations

The obligations of AF No 1 under the Senior Issuer/Borrower Facilities Agreement will be secured pursuant to the Senior Security Agreement and such obligations will be guaranteed by each other Senior Obligor in favour of the Senior Obligor Security Trustee, who will hold the benefit of such security and guarantees on trust for the Senior Obligor Secured Creditors on the terms of the STID.

Senior Secured Notes

General

On the Senior Closing Date, the Senior Issuer will issue two classes of Senior Secured Notes of £350,000,000 due 2020 and £400,000,000 due 2033, respectively (together the **Senior Secured Notes**) under a trust deed between, amongst others, the Senior Issuer and the note trustee (the **Senior Secured Note Trustee**, acting under the **Senior Secured Note Trust Deed**). The legal maturities and, where applicable, expected maturities of the Senior Secured Notes will be agreed between the Senior Issuer and relevant dealer, subject to legal and regulatory requirements, and will be specified in the applicable final terms.

The Senior Secured Notes will constitute secured obligations of the Senior Issuer and will rank *pari passu* without preference or priority in right of payment and point of security amongst themselves.

Interest Rate

The Senior Secured Notes will be interest-bearing and interest will be calculated on the outstanding principal amount of such Senior Secured Notes. The interest payable on the Senior Secured Notes will be equal to 4.04% per annum for the Senior Secured Notes due 2020 and 4.882% for the Senior Secured Notes due 2033. Interest in respect of the Senior Secured Notes will be payable in arrear.

Redemption Provisions

The Senior Issuer will be required to apply any voluntary or mandatory prepayments of the Senior Issuer/Borrower Loans in redeeming the corresponding Senior Secured Notes.

In the event that the Senior Issuer is able to satisfy the Senior Secured Note Trustee of the existence of certain specified circumstances, including in relation to withholding tax or a change in law resulting in the issue of the Senior Secured Notes being illegal, the Senior Secured Notes may be redeemed.

Security

The Senior Secured Notes will benefit from security granted by the Senior Issuer over its assets (including its rights under the Common Terms Agreement and the STID) in favour of a security trustee acting on behalf of the secured creditors of the Senior Issuer (including the holders of the Senior Secured Notes) by way of a deed of charge (the **Senior Issuer Deed of Charge**) pursuant to which the Senior Issuer will create:

- (a) an assignment by way of first fixed security of all the rights of the Senior Issuer under each Senior Transaction Document it is a party to (other than any trust documents);
- (b) a first fixed charge over all of the rights in the Senior Issuer's liquidity and other accounts;
- (c) a first fixed charge over all rights of the Senior Issuer in respect of the benefit of all authorisations (statutory or otherwise) held in connection with its use of any charged property of the Senior Issuer and any compensation which may be payable to it in respect of those authorisations;

(d) a first fixed charge over all of the rights of the Senior Issuer in respect of each Authorised Investment (as defined in the Common Terms Agreement) of the Senior Issuer; and

(e) a first floating charge over all the Senior Issuer's assets including, without limitation, the Senior Issuer's uncalled capital other than any assets at any time otherwise effectively charged or assigned by way of a fixed charge or assignment,

(the **Senior Issuer Security**).

Proceeds of enforcement of the Senior Obligor Security will be used in discharge of the indebtedness under the Senior Secured Notes in accordance with the STID. The STID regulates, among other things (i) the claims of the Senior Obligor Secured Creditors, (ii) the exercise of acceleration and enforcement rights of the Senior Obligor Secured Creditors (iii) certain entrenched rights and reserved matters of the Senior Obligor Secured Creditors and (iv) the giving of consents and waivers.

The Senior Secured Note Trust Deed contains customary covenants for this type of issuance, which are subject to caveats and limitations, including covenants by the Senior Issuer (i) to promptly notify in writing to the Senior Secured Note Trustee the occurrence of any Senior Issuer Event of Default, (ii) in relation to the provision of audited and certified accounts, (iii) not to carry out any restricted activity including the incurring of any financial indebtedness without the prior consent of the Senior Secured Note Trustee or unless permitted under the Senior Transaction Documents and (iv) to furnish or procure all relevant information and documentation required to maintain the current ratings of the Senior Secured Notes by the Senior Rating Agencies.

Senior Issuer Event of Default has the meaning given in Condition 10.1 (*Issuer Events of Default*) of the Senior Secured Notes.

Senior Rating Agencies means the relevant rating agencies that are appointed by the Senior Issuer from time to time being, at the Senior Issue Date, Fitch and S&P.

Senior Transaction Documents has the same meaning as "Transaction Documents" for the purposes of the Common Terms Agreement.

Events of Default

The terms and conditions of the Senior Secured Notes provide for customary events of default for this type of issuance, which are subject to materiality and grace periods, including: (i) failure to pay any sum when due subject to a five business day grace period for delays caused by a technical error; (ii) breach of a material covenant or a representation incapable of remedy or not remedied within 20 business days and materially prejudicial to the interests of the holders of the Senior Secured Notes in the opinion of the Senior Secured Note Trustee; and (iii) an insolvency event in relation to the Senior Issuer.

Governing Law

The Senior Secured Notes will be governed by English law.

Common Terms Agreement

The Senior Issuer, Senior FinCo, the Senior Term Facility Providers and the Senior Obligors, amongst others, entered into the Common Terms Agreement (the **Common Terms Agreement**). The Common Terms Agreement sets out the representations, warranties and covenants given by the Senior Obligors.

Information Covenants

The information covenants in the Common Terms Agreement will require: (i) the provision by AF No 1 of annual consolidated audited financial statements and semi-annual consolidated unaudited financial statements of the Senior Parent and annual audited financial statements of material Senior Obligors prepared in accordance with the Accounting Principles (and in the case of IFRS converted into UK GAAP); (ii) the publication by AF No 1 on a website accessible to investors of compliance certificates with respect to certain financial ratios and certain specific covenants; and (iii) the notification by the Senior Obligors of certain specific information (such any downgrade of the Senior Secured Notes, the details of any litigation or proceedings, any material insurance claims and “know your customer” documents).

Financial covenants

The covenants given by each of the Senior Obligors include the following (subject to detailed carve-outs, exceptions and qualifications set forth in the Common Terms Agreement):

(a) Senior Historic Net Debt to EBITDA Ratio is not higher than 7.5:1;

(b) Senior Historic Cashflow DSCR is not lower than 1.05:1; and

(c) Senior Historic Cashflow ICR is not lower than 1.55:1,

(together the **Senior Financial Covenant Ratios**).

The **Senior Historic Net Debt to EBITDA Ratio** will be calculated for each Test Date in respect of the Test Period ending on (and including) such Test Date as the ratio of Senior Net Debt to Senior EBITDA (calculated on a *pro forma* basis to take into account the earnings from any acquired asset from the start of such Test Period and to exclude the earnings from any asset disposed of for the entire Test Period).

The **Senior Historic Cashflow DSCR** will be calculated for each Test Date in respect of the Test Period ending on (and including) such Test Date as the ratio of Senior Cashflow to Senior Debt Service.

The **Senior Historic Cashflow ICR** will be calculated for each Test Date in respect of the Test Period ending on (and including) such Test Date as the ratio of Senior Cashflow to Senior Net Interest Payable.

The Senior Financial Covenant Ratios will be calculated for the Senior Financing Group semi-annually as at 30 June and 31 December in each year on an historical basis for the 12 month period ending on (and including) the relevant Test Date (each a **Test Period**) commencing with the Test Date occurring on 30 June 2013.

For these purposes:

Capex means any capital expenditure by a Senior Financing Group Company (net of any associated non-refundable grants and contributions received) incurred (or, in respect of any future period, forecast to be incurred) relating to increases in capacity or enhancement of service levels, quality or security of supply in relation to a Permitted Business.

Maintenance Capex means Capex that is incurred for cost-savings purposes or to deliver productivity enhancements or that is required to maintain or repair existing infrastructure by either extending the useful life of existing fixed assets or replacing worn out and obsolete fixed assets with new ones in order to support existing contracts, including (but not limited to) expenditure for mast-painting, replacing obsolete transmission equipment or upgrading IT hardware and software to the current standards supported by manufacturers and providers.

Permitted Business means owning and/or developing and/or operating broadcasting, media distribution and communications infrastructure, networks and spectrum and any business complimentary thereto in each case.

Offsetting Hedge has the meaning given to that term in the Common Terms Agreement.

Senior Borrower means Arqiva Financing No 1 Limited.

Senior Debt means any financial indebtedness of the Senior Financing Group that is not subordinated debt, including:

- (i) under the bank facilities entered into by the Senior Borrower as permitted by the Common Terms Agreement;
- (ii) under the Senior FinCo/Borrower Facilities;
- (iii) under the Senior Issuer/Borrower Facilities;
- (iv) the capitalised values of any Finance Leases entered into by any of the Senior Financing Group; and
- (v) under any Treasury Transactions (as defined in the Common Terms Agreement) (including any offsetting hedge annuity).

Senior Net Debt means, for any Test Date, the aggregate Senior Debt (excluding amounts under any Senior Hedging Agreements except to the extent as provided in paragraph (i) below) as at the Test Date (and without double counting):

- (i) plus (for the avoidance of doubt) any accretion by indexation to the notional amount under any Senior Hedging Agreements and the accretion portion of any other Senior Debt;
- (ii) plus in respect of any Senior Hedging Agreement, the amount (if any) that is payable by the Senior Borrower to the relevant Senior Hedge Counterparty if an Early Termination Date (as defined in the Senior Hedging Agreement) has been designated on or prior to such Test Date in respect of the transaction or transactions arising under the Senior Hedging Agreement and is outstanding on such Test Date;
- (iii) in respect of two Senior Hedging Transactions, that are subject to and part of the same Senior Hedging Agreement, one of which is an Offsetting Hedge in respect of the other or a portion thereof, the net amount which would be payable (if any) by the Senior Borrower to the Senior Hedge Counterparty if an Early Termination Date (as defined in the Senior Hedging Agreement) were to occur on such date with respect to both such Senior Hedging Transactions and with the Senior Borrower as sole Affected Party (as defined in the Senior Hedging Agreement);
- (iv) less the aggregate amount of any Senior Debt purchased and held by any Senior Financing Group Company;
- (v) less Cash and Cash Equivalents (as each of those terms is defined in the Common Terms Agreement) held by any Senior Financing Group Company.

Senior EBITDA means, for any Test Date, the consolidated earnings of the Senior Financing Group calculated in accordance with UK GAAP during the Test Period ending on (and including) such Test Date before (without double counting):

- (i) the deduction of taxation;
- (ii) the deduction of any interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments whether paid, payable or capitalised by any member of the Senior Financing Group (calculated on a consolidated basis);

- (iii) the addition of interest receivable;
- (iv) the deduction of any amount attributable to amortisation of goodwill or other intangible assets and any deduction for depreciation or impairment;
- (v) the deduction or addition (as applicable) of any non-cash charges resulting from fair value adjustments and mark-to-market adjustments;
- (vi) the deduction of any non-cash charges relating to long-term compensation schemes;
- (vii) taking into account any non-cash charges relating to recognition of pension plan deficits; and
- (viii) taking into account fair value gains or losses on any financial instrument other than any derivative instrument which is accounted for on a hedge accounting basis,

and after adjusting to exclude exceptional items which shall include (but not be limited to) transaction costs, integration costs, separation costs, restructuring costs, reorganisation costs and other one-off expenditure, less the consolidated earnings (before the deductions and the adjustments referred to above) of the Senior Financing Group Companies that are incorporated outside of the United Kingdom and in aggregate exceed 5% of the consolidated earnings (before the deductions and the adjustments referred to above) of the Senior Financing Group.

Senior Cashflow means, for any Test Date, Senior Net Cash Flow during the Test Period ending on (and including) such Test Date (without double counting):

- (i) plus any insurance proceeds related to business interruption (where to be applied to cover operating losses in respect of which the relevant insurance claim was made) and third party liability received by a member of the Senior Financing Group (to the extent such amounts are not subsequently paid to a third party);
- (ii) plus any Finance Lease payments in respect of interest payable and equivalent financial charges included in Senior Net Cash Flow; and
- (iii) plus any dividends or other distributions received in cash by any Senior Financing Group Company from any entity which is not a Senior Financing Group Company, including any cash receipts from partnerships and joint ventures,

in each case during the Test Period ending on (and including) such Test Date.

Senior Net Cash Flow means, for any Test Date, Senior EBITDA for such Test Date (without double counting):

- (i) less the greater of Maintenance Capex during the Test Period ending on (and including) such Test Date and the Minimum Maintenance Capex Spend Amount for the Test Period ending on (and including) such Test Date (which shall be the same as the Minimum Maintenance Capex Spend Amount for each financial year);
- (ii) less all amounts of corporation tax paid net of any tax rebate or refund for corporation tax during the Test Period ending on (and including) such Test Date; and
- (iii) less all amounts of Senior Issuer Profit Amount payable during the Test Period ending on (and including) such Test Date.

Senior Debt Service means, for any Test Date, the sum of Senior Net Interest Payable during the relevant Test Period ending on (and including) such Test Date and scheduled amortisation in respect of the Senior Debt due as an obligation of any Senior Financing Group Company during the Test Period ending on (and including) such Test Date (without double counting):

- (i) excluding any principal payment due on the relevant final maturity date (other than any final scheduled repayment of fully amortising debt) of any Senior Debt; and

(ii) taking into account any interim principal exchange payments that are payable and receivable under any Senior Hedging Agreements (but excluding, for the avoidance of doubt, (i) any final principal exchange payments that are payable and receivable under any Senior Hedging Agreements (other than in respect of any final scheduled repayment of fully amortising debt) and (ii) any accretions by indexation to the notional amount under any Senior Inflation Linked Hedging Agreements).

Senior Financing Group means the Senior Parent and its Subsidiaries (other than the Senior Issuer and Senior FinCo).

Senior Financing Group Company means a company in the Senior Financing Group.

Senior Net Interest Payable means, for any Test Date, the interest, fees (including commitment fees (but excluding, for the avoidance of doubt, any Senior Issuer/Borrower Facilities Fees and Senior FinCo/Borrower Facilities Fees (other than and therefore to be included in Senior Net Interest Payable, any amounts of the Senior FinCo/Borrower Facilities Fees to compensate Senior FinCo for any shortfall in (i) interest due and payable by Senior FinCo in respect of the Term Loans and (ii) amounts due and payable by Senior FinCo in respect of the Senior FinCo Hedges))), charges, commissions or equivalent finance charges that are paid, payable (excluding, for the avoidance of doubt, non-cash charges and imputed interest) or accrued as an obligation of any Senior Financing Group Company in respect of the Senior Debt during the Test Period ending on (and including) such Test Date and all Finance Lease payments in respect of interest payable and equivalent financial charges during the Test Period ending on (and including) such Test Date, but (without double counting):

- (i) excluding any upfront or amortised fees or costs;
- (ii) excluding the fees and expenses, capex and debt service of the facility agents payable under the Senior Transaction Documents;
- (iii) excluding any break costs;
- (iv) excluding the mark-to market under any Treasury Transactions (as defined in the Common Terms Agreement);
- (v) excluding any interest or equivalent finance charge accrued in respect of financial indebtedness between Senior Financing Group Companies;
- (vi) excluding any interest or equivalent finance charge on deferred income or on unwinding a discounted liability;
- (vii) deducting any interest or equivalent finance charge receivable by any Senior Financing Group Company (after deducting applicable withholding tax) in respect of Cash (as defined in the Common Terms Agreement) or Cash Equivalents (as defined in the Common Terms Agreement) held by such Senior Financing Group Company;
- (viii) before taking into account fair value gains or losses on any financial instrument other than any derivative instrument which is accounted for on a hedge accounting basis and only to the extent gains and losses in the hedged item are also included in Senior EBITDA;
- (ix) excluding any interest or equivalent finance charge which is capitalised, rolled up or deferred during such Test Period; and
- (x) excluding any fees, costs and expenses incurred in respect of the implementation of the refinancing of the Existing Bank Facilities and the Existing Hedges.

and taking into account any net payment or net receipt which is payable or receivable under any Senior Hedging Agreements (including, for the avoidance of doubt, any net payment and net receipt under any Senior Inflation Linked Hedging Agreements (but excluding, for the avoidance of doubt, any accretions paid, payable or accruing under any Senior Inflation Linked Hedging Agreements and any mark-to-market termination payments under any Senior Hedging Agreements)).

Senior Inflation Linked Hedge means any Treasury Transaction (as that term is defined in the Common Terms Agreement) forming part of and subject to a Senior Hedging Agreement pursuant to which amounts payable by a party are determined by reference to the rate of inflation from time to time.

Senior Inflation Linked Hedging Agreements means any Senior Hedging Agreement of AF No 1, Senior FinCo or the Senior Issuer (as applicable) under which a Senior Existing Hedge or a New Senior Hedge which is a Senior Inflation Linked Hedge is entered into.

Senior Issuer Profit Amount means £5,000 per annum in equal instalments on each Senior Issuer/Borrower Interest Payment Date, to be retained by the Senior Issuer as profit;

Senior Obligor means those Senior Financing Group Companies party to the Common Terms Agreement as an Obligor (as defined therein).

Senior Obligor Enforcement Notice has the meaning given to 'Obligor Enforcement Notice' for the purposes of the Common Terms Agreement.

Minimum Maintenance Capex Spend Amount means £15 million (RPI indexed) per financial year.

Senior Trigger Events

The Common Terms Agreement contains a separate category of events, the occurrence of which do not result in a default, but which do result in certain increased operational restrictions and requirements for the Senior Obligors, including the prohibition of distributions from the Senior Parent to Intermediate HoldCo (such event, a **Senior Trigger Event**). Those Senior Trigger Events include:

(a) either the Senior Historic Net Debt to EBITDA Ratio for the Test Period ending on (and including) the immediately preceding Test Date or the Senior Projected Net Debt to EBITDA Ratio for the Projected Test Period commencing on (but excluding) such Test Date (each as calculated for the purposes of the Senior Financial Covenant Ratios above, but subject as provided below in respect of the Senior Projected Net Debt to EBITDA Ratio) is higher than 6.50:1;

(b) either the Senior Historic Cashflow ICR for the Test Period ending on (and including) the immediately preceding Test Date or the Senior Projected Cashflow ICR for the Projected Test Period commencing on (but excluding) such Test Date (each as calculated for the purposes of the Senior Financial Covenant Ratios above, but subject as provided below in respect of the Senior Projected Cashflow ICR) is lower than:

(i) up to (and including) the Test Date occurring in June 2013, 1.80:1;

(ii) from (and including) the Test Date occurring in December 2013 to (and including) the Test Date occurring in June 2014, 1.90:1; and

(iii) from (and including) the Test Date occurring in December 2014 to (and including) each Test Date thereafter, 2.00:1;

(c) either the Senior Historic Cashflow DSCR (together with the Senior Historic Net Debt to EBITDA Ratio and the Senior Historic Cashflow ICR, the **Senior Historic Trigger Event Financial Covenant Ratios**) for the Test Period ending on (and including) the immediately preceding Test Date or the Senior Projected Cashflow DSCR (together with the Senior Projected Net Debt to EBITDA Ratio and the Senior Projected Cashflow ICR, the **Senior Projected Trigger Event Financial Covenant Ratios** and together with the Senior Historic Trigger Event Financial Covenant Ratios, the **Senior Trigger Event Financial Covenant Ratios**) for the Projected Test Period commencing on (but excluding) such Test Date (each as calculated for the purposes of the Senior Financial Covenant Ratios) is lower than 1.30:1;

(d) the occurrence and continuation of an event of default affecting a Senior Obligor;

- (e) the Senior Liquidity Facility is drawn;
- (f) a shortfall in the amounts available to the Senior Financing Group to cover the operating expenses, capex and debt service of the Senior Financing Group; and
- (g) the auditors qualify or restate their report on any audited financial statements of a Senior Obligor so it is no longer a going concern.

The **Senior Projected Net Debt to EBITDA Ratio**, the **Senior Projected Cashflow DSCR** and the **Senior Projected Cashflow ICR** for the purposes of the Senior Trigger Events above will be calculated on the same basis as the Senior Historic Net Debt to EBITDA Ratio, the Senior Historic Cashflow DSCR and the Senior Historic Cashflow ICR respectively for each Test Date for the 12 months commencing on (but excluding) the relevant Test Date (each a **Projected Test Period**) commencing with the Test Date occurring on 30 June 2013 and using management projections which shall be prepared on a consistent basis and the assumptions to which shall be updated by reference to the most recently available relevant financial information and the most recently delivered financial statements.

In the event that a Senior Trigger Event has occurred and is continuing a Senior Financing Group Company may not make a Permitted Disposal pursuant to paragraph (a) of the definition of Permitted Disposal unless made in accordance with a Remedial Plan (as defined below) or unless the Senior Trigger Event has occurred and continuing solely as a result of a breach of the Senior Projected Trigger Event Financial Covenant Ratios and subject to certain restrictions, provided that it can demonstrate that such disposal is permitted under the terms of the Common Terms Agreement, the proceeds of such disposal are used to repay Senior Debt in accordance with the Common Terms Agreement and such a disposal will either cure or improve the relevant breach of Senior Projected Trigger Event Financial Covenant Ratios (a **Disposal Cure**).

In addition, for so long as any Senior Debt is outstanding, if (i) one or both of the ratings assigned to the Senior Secured Notes (if the Senior Secured Notes are rated by two rating agencies) or (ii) two or more ratings assigned to the Senior Secured Notes (if the Senior Secured Notes are rated by three or more rating agencies) fall below BBB-/Baa3 (or equivalent) by a rating agency (a **Rating Downgrade Event**), a Senior Financing Group Company may only make Senior Restricted Payments (to the extent that no Senior Trigger Event has occurred and is continuing) to the extent that such Senior Restricted Payments are used exclusively to pay interest or principal on the Subordinated Loans for the purpose of the Subordinated Lender paying interest or principal to AF No 2 and AF No 2 (in its capacity as the Intercompany Borrower) paying interest and an amount equal to the Issuer Senior Amounts to the Issuer (in its capacity as the Intercompany Lender) on the Intercompany Loans and the Issuer paying interest on the Notes and the Issuer Senior Amounts (as applicable).

Senior Trigger Event Consequences

If a Senior Trigger Event occurs and is continuing, no Senior Financing Group Company may make a Senior Restricted Payment and Senior FinCo will credit an account with an amount equal to all Excess Cash Flow in respect of each previous Semi-Annual Test Period commencing following that Senior Trigger Event and shall continue to credit such account (the **Lock-Up Account**) with an amount equal to all Excess Cash Flow in respect of each subsequent Semi-Annual Test Period for so long as a Senior Trigger Event is continuing.

In the event that a Senior Trigger Event has been subsisting for 12 months or more and for so long as any Senior Debt remains outstanding then, AF No 1 shall apply all amounts then standing to the credit of the Lock-Up Account in repayment of Senior Debt in accordance with the Common Terms Agreement.

In the event that the Senior Trigger Event is continuing for 6 months or more, Senior FinCo must discuss plans for remedial action with a view to agreeing a remedial plan (each a **Remedial Plan**). Such Remedial Plan is to be reviewed and amended annually until such time as the relevant Senior Trigger Event is no longer subsisting.

Semi-Annual Test Period means the six months ending on any Test Date.

Senior Restricted Payments are any payments (including distributions, dividends, bonus issues, return of capital, fees, interest, principal or other amounts whatsoever) by way of loan or repayment of any loan or otherwise (in cash or in kind) by any Senior Financing Group Company to any Holding Company, any other non-Senior Financing Group Company (other than the Senior Issuer or Senior FinCo) or any Shareholder (in each case other than otherwise permitted under the Senior Transaction Documents), subject to certain exceptions.

Shareholder means, as at the Senior Closing Date, the Current Shareholders and, from time to time, the shareholders in ABHL.

Senior Modified Net Debt to EBITDA Ratio

If a Senior Modified Net Debt to EBITDA Ratio Breach (as defined below) is outstanding, provided that no Senior Trigger Event has occurred and is continuing, a Senior Financing Group Company may make Senior Restricted Payments to the extent that such Senior Restricted Payments are used exclusively to pay interest or principal on the Subordinated Loans for the purpose of the Subordinated Lender paying interest or principal to AF No 2 and AF No 2 (in its capacity as the Intercompany Borrower) paying interest and an amount equal to the Issuer Senior Amounts to the Issuer (in its capacity as the Intercompany Lender) on the Intercompany Loans and the Issuer paying interest on the Notes and the Issuer Senior Amounts (as applicable).

The **Senior Modified Net Debt to EBITDA Ratio Breach** means, so long as Facility A and/or Facility B remains outstanding, if either:

- (a) the Senior Historic Net Debt to EBITDA Ratio for the Test Period ending on (and including) the immediately preceding Test Date; or
- (b) the Senior Projected Net Debt to EBITDA Ratio for the Projected Test Period commencing on (but excluding) such Test Date,

(each as calculated for the purposes of the Senior Financial Covenant Ratios and the Senior Trigger Event Financial Covenant Ratios (as applicable)) (the **Senior Modified Net Debt to EBITDA Ratio**) is higher than 6.0:1.

Issuer Senior Amount means an amount equal to the amount required by the Issuer to pay amounts due and payable to any agents, trustees or other professional service providers that rank senior to payments of interest on the Notes or any Facility (as applicable).

Events of Default

The Common Terms Agreement sets out the events of default applying to the Senior Obligors (each a **Senior Obligor Event of Default**). Such Senior Obligor Events of Default, which are subject to customary materiality and grace periods, include, among others: (i) failure to pay any sum when due subject to a five business day grace period; (ii) a breach of the Senior Financial Covenant Ratios; (iii) breach of a material covenant, subject to a 10 business day grace period if capable of remedy; (iv) breach of any other covenant, subject to a 20 business day grace period if capable of remedy; (v) representations or warranties found to be untrue or misleading when made or deemed repeated, subject to a 20 business day remedy period if capable of remedy; (vi) cross default subject to a threshold; (vii) insolvency and insolvency proceedings; and (viii) an event of default in relation to the Senior Issuer.

Governing Law

The Common Terms Agreement is governed by and construed and enforced in accordance with English law.

Senior Hedges

This section describes the hedging position of the Senior Group. Each defined term in this section shall have the meaning given to such term in the section “*Defined Terms for the purposes of the Common Terms Agreement*”.

In addition to the issuance of Notes, the Issuer may enter into New Hedges with the Issuer Hedge Counterparties after the Closing Date (the **Issuer Hedges**, which expression excludes, for the avoidance of doubt, any Issuer/Borrower Hedges) and together, the **Issuer Hedging**). In addition to the Existing Interest Rate Hedges to be novated by the Borrower to FinCo and amended on the Closing Date, FinCo may after the Closing Date enter into New Hedges (together with the Existing Interest Rate Hedges, the **FinCo Hedges** and together, the **FinCo Hedging**). In addition to the Existing Inflation Linked Hedges that are to be retained by the Borrower and amended on the Closing Date, the Borrower may enter New Hedges after the Closing Date (together with the Existing Inflation Linked Hedges, the **Borrower Hedges** and together, the **Borrower Hedging** and the Borrower Hedges together with the Issuer Hedges and the FinCo Hedges, the **Hedges** and together, the **Hedging**). Each Hedge Counterparty to any one or more Borrower Hedges will be party to the MDA, CTA and the STID and, in the case of the Issuer Hedges, the Issuer Deed of Charge. Each Hedge Counterparty to the FinCo Hedges will be party to the STID, the FinCo Intercreditor Agreement, the Intermediate HoldCo Security Agreement and the Intercreditor Agreement in respect of Intermediate HoldCo.

All of the Existing Inflation Linked Hedges will be retained by the Borrower and substantially all of the Existing Interest Rate Hedges will be novated to FinCo and (in each case) amended by the Borrower or FinCo (respectively) in accordance, and to comply, with the hedging policy of the Issuer and the Borrower (the **Issuer/Borrower Hedging Policy**) or the hedging policy of FinCo (the **FinCo Hedging Policy**) as applicable (each of the Issuer/Borrower Hedging Policy and the FinCo Hedging Policy, as applicable, a **Hedging Policy**). The Borrower will terminate any Existing Interest Rate Hedges that are not to be novated to FinCo and amended on the Closing Date.

In addition, the Borrower and FinCo will enter into back to back hedges to match the terms of any FinCo Hedges except that they will not contain any scheduled breaks which may be contained in such FinCo Hedges (the **FinCo/Borrower Hedges** and the agreements under which such FinCo/Borrower Hedges are entered into, the **FinCo/Borrower Hedging Agreements**) and the Borrower and the Issuer may enter into back to back hedges which match the terms of any Issuer Hedges (the **Issuer/Borrower Hedges** and the agreements under which such Issuer/Borrower Hedges are entered into, the **Issuer/Borrower Hedging Agreements**) after the Closing Date. The Borrower and FinCo will enter into FinCo/Borrower Hedges on the Closing Date in respect of the Existing Interest Rate Hedges to be novated to FinCo and amended on the Closing Date.

Hedged Debt Covenant

Interest Rate Hedging and Inflation Linked Hedging

The Issuer and the Borrower will ensure that at each Hedging Test Date, the amount equal to:

- (a) the sum of:
 - (i) the total outstanding principal amount of the Notes and the Borrower Loans (including any FinCo/Borrower Loans but excluding any Issuer/Borrower Loans) which either:
 - (A) bear interest at a fixed rate; or
 - (B) pay a return that is index-linked to inflation; and

(ii) the aggregate notional amount of all outstanding Interest Rate Hedges and Inflation Linked Hedges which are entered into by either the Issuer or the Borrower (including any FinCo/Borrower Hedges but excluding any Issuer/Borrower Hedges) (together, the **Rate Hedges**), less

(b) the aggregate notional amount of: (x) any Offsetting Hedges and the portion (which may be a part or the entirety) of any Primary Hedges which have been offset by such Offsetting Hedges, (y) any Overlay Hedges and (z) any Inflation Linked Hedges in respect of which the Borrower or the Issuer (as applicable) receives a fixed rate of interest,

is not less than 80% and not more than 105% of the total outstanding principal amount of the Notes and the Borrower Loans (including any FinCo/Borrower Loans but excluding any Issuer/Borrower Loans) for the period up to (and including) the day that is five years from such Hedging Test Date.

The Issuer and the Borrower will ensure that at each Hedging Test Date the amount equal to:

(a) the sum of:

(i) the total outstanding principal amount of the Notes and the Borrower Loans (including any FinCo/Borrower Loans but excluding any Issuer/Borrower Loans) which either:

(A) bear interest at a fixed rate; or

(B) pay a return that is index-linked to inflation; and

(ii) the aggregate notional amount of all outstanding Rate Hedges, less

(b) the aggregate notional amount of: (x) any Offsetting Hedges and the portion (which may be a part or the entirety) of any Primary Hedges which have been offset by such Offsetting Hedges, (y) any Overlay Hedges and (z) any Inflation Linked Hedges in respect of which the Borrower or the Issuer (as applicable) receives a fixed rate of interest,

is not less than 75% and not more than 110% of the total outstanding principal amount of the Notes and the Borrower Loans (including any FinCo/Borrower Loans but excluding any Issuer/Borrower Loans) for the period up to (and including) the day that is seven years from such Hedging Test Date.

For so long as the FinCo/Borrower Facility A and the FinCo/Borrower Facility B remain outstanding, the Borrower and the Issuer may not enter into any additional Super Senior Hedges other than any Overlay Hedges or Offsetting Hedges (together with the preceding paragraph, the **Rate Hedged Debt Covenant**).

FinCo will ensure that at each Hedging Test Date the aggregate notional amount of all outstanding FinCo Hedges is no more than 100% of the outstanding principal amount of the Term Facilities. FinCo may not enter into any Inflation Linked Hedges, Overlay Hedges or Offsetting Hedges. FinCo is not permitted to enter into hedging for speculative purposes.

FinCo will only enter into interest rate risk management transactions for the purposes of hedging the Term Facilities (together with the preceding paragraphs, the **FinCo Hedged Debt Covenant**).

Currency Hedging

If any Notes and Borrower Loans (including any FinCo/Borrower Loans but excluding any Issuer/Borrower Loans) are denominated in a currency other than sterling, the Borrower or the Issuer (as applicable) will enter into Currency Hedges in respect of such foreign currency with an aggregate notional amount equal to 100% of the aggregate outstanding principal amount of such Notes and Borrower Loans denominated in such foreign currency until the Final Maturity Date or any equivalent or analogous maturity date of such Notes and Borrower Loans. Such Currency Hedges will cover interest and principal payments under the relevant Notes and Borrower Loans (including FinCo/Borrower

Loans but excluding Issuer/Borrower Loans) (the **Currency Hedged Debt Covenant** and together with the Rate Hedged Debt Covenant and the FinCo Hedged Debt Covenant, the **Hedged Debt Covenant**).

General

No hedging is permitted for speculative purposes, but the Borrower and/or another Obligor may enter into general foreign exchange trades or interest rate risk management trades in the ordinary course of business (which shall be considered Permitted Treasury Transactions).

Ranking of Hedging Agreements

Any liability of the Issuer under the Issuer Hedges (other than Excluded Hedge Counterparty Amounts) will rank senior to (**Super Senior Issuer Hedges**) or pari passu with (**Pari Passu Issuer Hedges**) the Notes, as more fully set out in the provisions relating to the priority of payments applicable to the Issuer in the Common Documents. Any liability of FinCo under the FinCo Hedges (other than Excluded Hedge Counterparty Amounts) will rank pari passu with (**Pari Passu FinCo Hedges**) the Term Facilities, as more fully set out in the provisions relating to the order of priority of payments applicable to FinCo in the FinCo Intercreditor Agreement. Any liability of the Borrower under the Borrower Hedges will rank senior to (**Super Senior Borrower Hedges**) or pari passu with (**Pari Passu Borrower Hedges**) the Borrower Facilities (other than the Liquidity Facility, which will rank senior thereto except for Excluded Liquidity Facility Provider Amounts), as more fully set out in the provisions relating to the order of priority of payments applicable to the Borrower in the Common Documents. Pari Passu Issuer Hedges will be subject to a Pari Passu Issuer Hedging Agreement. Pari Passu FinCo Hedges will be subject to a Pari Passu FinCo Hedging Agreement. Pari Passu Borrower Hedges will be subject to a Pari Passu Borrower Hedging Agreement. Super Senior Issuer Hedges will be subject to a Super Senior Issuer Hedging Agreement. Super Senior Borrower Hedges will be subject to a Super Senior Borrower Hedging Agreement. Accordingly, if a Hedge Counterparty enters into more than one such category of Hedges, it must enter into a separate Hedging Agreement with the Borrower, FinCo or the Issuer (as applicable) in respect of each category of Hedges.

The ranking of each Hedging Agreement shall be specified as such in that Hedging Agreement.

Hedging (with Breaks) Condition

The Borrower and the Issuer may enter into Hedges with Hedge Counterparties that contain mandatory break clauses (each a **Hedge with Break Clause** and together the **Hedges with Break Clauses**), provided that (i) the aggregate notional amount of all Hedges with Break Clauses does not exceed 10% of Senior Debt and (ii) the mandatory break clause is on or after the tenth anniversary of the entry into such Hedge with Break Clause. For the purpose of calculating the aggregate notional amount of all Hedges with Break Clauses, the following will not be included (i) any Offsetting Hedges and any Hedges which have been offset by such Offsetting Hedges and (ii) any Overlay Hedges.

Overhedging

The Borrower and the Issuer may at any time reduce in part or in whole the notional amount of any Borrower Hedges and Issuer Hedges respectively and of any corresponding FinCo/Borrower Hedges and Issuer/Borrower Hedges (as required) (a **Reduction**), provided that the Borrower and the Issuer remain in compliance with the Hedged Debt Covenant.

In the event that the Borrower or the Issuer on any Hedging Test Date is overhedged pursuant to the above Hedged Debt Covenant, then Borrower or the Issuer (as applicable) must reduce the notional amount of the relevant Hedges in accordance with the terms of the relevant Hedging Agreement so that immediately following such Reduction it is in compliance with the above Hedged Debt Covenant.

Where the Borrower or the Issuer is in breach of the Hedged Debt Covenant by virtue of a disposal being applied towards repayment of the Senior Debt, the Borrower or the Issuer must effect an immediate Reduction across Currency Hedges or Rate Hedges (as applicable) such that, following such Reduction, the Borrower or the Issuer (as applicable) is in compliance with the Hedged Debt Covenant.

If FinCo determines that (i) it will be in breach of the FinCo Hedged Debt Covenant on a Hedging Test Date or (ii) the Borrower will be or is in breach of the Hedged Debt Covenant and will reduce the FinCo/Borrower Hedges, then FinCo must effect a reduction of the notional amount of one or more outstanding FinCo Hedges such that it is in compliance with the FinCo Hedged Debt Covenant (a **FinCo Reduction**).

The rate at which such FinCo Reduction will be conducted will be a “clearing unwind quotation”, which represents the price that must be paid by FinCo in order to clear the full notional amount that it is required to reduce in order to comply with the FinCo Hedged Debt Covenant. Each FinCo Hedge Counterparty will retain the right to match the clearing unwind quotation in accordance with the terms of the relevant Hedging Agreement.

The Borrower and the Issuer may enter into one or more Offsetting Hedges which will be used for the purposes of determining whether or not it is overhedged. FinCo may not enter into any Offsetting Hedges.

Cap on Super Senior Borrower Hedges and Super Senior Issuer Hedges

The Borrower and the Issuer may not enter Super Senior Borrower Hedges and Super Senior Issuer Hedges (other than Overlay Hedges or Offsetting Hedges) if the risk-weighted notional amount of existing Super Senior Borrower Hedges and Super Senior Issuer Hedges is more than 50% of the outstanding principal amount of the Borrower Loans and Notes. The risk-weighting of the existing Super Senior Borrower Hedges and Super Senior Issuer Hedges will be determined by reference to their mark-to-market value.

OVERVIEW OF SENIOR HEDGES

As at the date of this Offering Memorandum, the Group has a hedging portfolio of a notional amount of approximately £2.6 billion. This portfolio comprises approximately £1.3 billion of IRS to which Senior FinCo is party (also referred to in this Offering Memorandum as the Senior Existing Interest Rate Hedges) and approximately £1.3 billion of ILS to which the Senior Borrower is party (also referred to in this Offering Memorandum as the Senior Existing Inflation Linked Hedges and together with the Senior Existing Interest Rate Hedges as the Senior Existing Hedges). As part of the Senior Financing, the Group intends to retain approximately £2.3 billion in notional amount of Senior Existing Hedges and amend their terms as at the Senior Issue Date. In addition, the Group intends to terminate approximately £0.3 billion in notional amount of Senior Existing Hedges (representing approximately £0.3 billion of the IRS) as at the Senior Issue Date. The estimated costs for this termination are shown in “Use of Proceeds”.

The summary terms of the IRS and ILS, as remaining and amended as at the Senior Issue Date, will be as follows:

Swap	IRS	ILS
Notional amount	Approximately £1.0 billion	Approximately £1.3 billion
Maturity	2027	2027
Mandatory breaks	Split to reflect the maturities of the Senior Term Facilities as follows: £0.2 billion of the IRS have a break date falling 3 years after the Senior Issue Date £0.8 billion of the IRS have a break date falling 5 years after the Senior Issue Date	£0.2 billion of the ILS have a break date falling 10 years after the Senior Issue Date £1.1 billion of the ILS have no break date until their maturity
Ranking	<i>Pari passu</i> with Senior Term Facilities	Super senior to Senior FinCo/Borrower Loans
Structural features	N/A	Regular scheduled repayments of accretion, as follows: Accretion is repaid starting as at the Senior Issue Date and then in June 2015, June 2018, June 2021, June 2024 and April 2027 Assuming a flat annual inflation rate, accretion payments will grow larger over time due to the compounding effect of inflation
Estimated mark-to-market value pre-restructuring as at 31 December 2012	Approximately £481 million	Approximately £635 million (excluding accretion)
Pro forma estimated mark-to-market post-restructuring as at 31 December 2012	Approximately £446 million ⁽¹⁾	Approximately £1,055 million ⁽²⁾
Estimated coupons after the Senior Issue Date	5.6% on the IRS with 3 years mandatory break 5.8% on the IRS with 5 years mandatory break	3.0% real rate on the ILS with no mandatory breaks 2.8% real rate on the ILS with a 10 year mandatory break The interest payments are calculated on a swap notional amount that increases semi-annually with reference to the RPI The swap contracts have a base index level of 201.6 (i.e. the RPI figure for January 2007). This is the date falling three months before the date when the ILS were initially entered into by the Senior Borrower (in April 2007) ⁽³⁾

(1) This figure includes the impact of a partial termination and increased credit charges.

(2) This figure includes the impact of increased credit charges.

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

ILS

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

At the Senior Issue Date, the Senior Borrower will use most of the ILS to hedge a portion of the floating rate Senior Term Facilities and corresponding Senior FinCo/Borrower Facilities. As a result, the Senior Borrower will receive LIBOR and pay a fixed rate accreting with the RPI under such portion of the ILS. In order to hedge the fixed rate Senior Secured Notes issued at the Senior Issue Date, the Senior Borrower will amend the terms of this portion of the ILS to receive a fixed nominal swap rate instead of LIBOR. As and when the Senior Issuer issues more Senior Secured Notes to refinance the floating rate Senior Term Facilities and corresponding Senior FinCo/Borrower Facilities, the Senior Borrower will amend the terms of a corresponding amount of the ILS to receive a fixed rate instead of LIBOR. Such amendment will not trigger any termination rights for the Borrower Hedge Counterparties that are counterparties under the ILS.

Approximately £1.1 billion of the ILS do not have mandatory breaks until their maturity date falling in 2027. The remaining £0.2 billion of the ILS have a mandatory break date falling 10 years after the Senior Issue Date. At that mandatory break date, the Borrower Hedge Counterparties that are counterparties under the ILS will have the right to terminate these ILS. The termination costs for the Senior Borrower will be linked to the mark-to-market value of such portion of the ILS at such time. The Senior Borrower expects to fund the potential termination costs with cash and/or further Senior Debt. Alternatively, the Senior Borrower may be able to extend the mandatory break, subject to an incremental credit charge and the interest of the relevant Borrower Hedge Counterparties that are counterparties under the ILS in extending such break. The mandatory breaks were introduced to optimise the rate paid by the Senior Borrower under the ILS.

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

The Senior Borrower will be required to pay down any accrued amount under the ILS at the Senior Issue Date, on 30 June 2015 and every 3 years thereafter until maturity of the ILS. The Senior Borrower expects to fund this payment from available cash and/or the incurring of new Senior Debt.

Accretion payment on the ILS is calculated according the following formula:

$\{([RPI (3 \text{ month lag}) / 201.6 - 1] \times \text{ILS notional}) \text{ minus the sum of all previous accretion payments}\}$.
Assuming inflation is 3.0% post-restructuring until 30 June 2015, the accretion paydown on that date would be approximately £110 million. $\{[262.50^{(4)} / 201.6 - 1] \times £1,312.5 \text{ million}\}$ minus approximately £286.5 million (accretion repayment at refinancing in February 2013) = approximately £110 million

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

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

As an example, to calculate the semi-annual interest coupon payable at 30 June 2015 on the ILS, the calculation is as follows:

$\{[262.50^{(4)} / 201.6] \times £0.2 \text{ billion} \times 2.8\% \times 0.5\} = \text{approximately } £3.6 \text{ million cash interest cost}$

$\{[262.50^{(4)} / 201.6] \times £1.1 \text{ billion} \times 3.0\% \times 0.5\} = \text{approximately } £21.5 \text{ million cash interest cost}$

⁽⁴⁾ 262.50 is the approximate RPI fixing at 30 June 2015 with 3 month lag assuming 3% annual inflation until 30 June 2015.

Management estimates that, as at 31 December 2012, after giving *pro forma* effect to the restructuring and the rollover, the mark-to-market value on the ILS would have been approximately £1,055 million and the PV01 (as explained below) on the ILS would have been approximately £2.46 million. The PV01 represents the present value of adding one basis point to the fixed rate payable by the Senior Borrower and is a function of interest rates and time (which means that the PV01 will vary from time to time).

IRS

The Senior Borrower will novate approximately £1.0 billion of the IRS to Senior FinCo to hedge a portion of the floating rate Senior Term Facilities. As and when the Senior Issuer issues fixed rate Senior Secured Notes, to on-lend to the Senior Borrower for the Senior Borrower to refinance the Senior FinCo/Borrower Facilities and for Senior FinCo to refinance the corresponding Senior Term Facilities, the Senior Borrower will either (i) convert an equivalent amount of the ILS to receive fixed interest or (ii) Senior FinCo will terminate an equivalent amount of the IRS and the Senior Borrower will then terminate an equivalent amount of the corresponding back to back swaps between Senior FinCo and the Senior Borrower (the **Senior FinCo/Borrower Hedges**), to remain in compliance with the Hedged Debt Covenant (as defined in "*Certain Terms in the Common Terms Agreement*"). The Senior Borrower intends to continue to convert the ILS to receive fixed interest on £1.3 billion of Senior Secured Notes (including the issue of the first series of the Senior Secured Notes on the Senior Issue Date) and for Senior FinCo to only terminate the IRS and the corresponding Senior FinCo/Borrower Hedges thereafter. The associated termination costs will be linked to the mark-to-market value of the IRS and the corresponding Senior FinCo/Borrower Hedges at that time. The Senior Borrower expects to fund such termination costs from available cash and/or the incurring of new Senior Debt.

The IRS will have mandatory breaks at three and five years from the Senior Issue Date, in line with the maturity of the Senior Term Facilities. At such dates, the Senior FinCo Hedge Counterparties that are counterparties under the IRS will have the right to trigger the termination of the IRS. The associated termination costs will be linked to the mark-to-market value of the IRS at the time.

Management estimates that, as at 31 December 2012, after giving *pro forma* effect to the restructuring and the rollover, the mark-to-market value of the IRS would have been approximately £446 million (after having taken into account the impact of a partial termination and increased credit charges) and the PV01 (as explained below) on the IRS would have been approximately £1.29 million (after having taken into account the impact of a partial termination and increased credit charges).

The PV01 represents the present value of adding one basis point to the fixed swap rate payable by the Senior FinCo, and is a function of interest rates and time (which means that the PV01 will vary from time to time).

For the avoidance of doubt, payments under the IRS are included in the Senior ICRs.

TERMS AND CONDITIONS

*The following is the text of the terms and conditions which (subject to amendment) will be incorporated by reference into each Global Note and (if applicable) each Definitive Note (the **Conditions**).*

The £600,000,000 9.50% Senior Notes due 31 March 2020 (the **Notes**) of Arqiva Broadcast Finance plc (the **Issuer**) are constituted by a trust deed (the **Note Trust Deed**) dated on or about 28 February 2013 (the **Issue Date**) and made between the Issuer and Deutsche Trustee Company Limited (in such capacity, the **Note Trustee**) as trustee for the Noteholders (as defined below). Any reference in these terms and conditions (**Conditions**) to a **class** of Notes or of Noteholders shall be a reference to the Notes or to the respective holders thereof.

The expression **Notes** shall, in these Conditions, unless the context otherwise requires, include any Further Notes (as defined below) issued pursuant to Condition 16.1 (*Further Notes*) and forming a single series with the Notes and shall, unless the context otherwise requires, include any New Notes (as defined below) issued pursuant to Condition 16.2 (*New Notes*).

The security for the Notes is constituted by a security agreement (the **Security Agreement**) dated the Issue Date and made between, among others, the Issuer and Deutsche Trustee Company Limited (in such capacity, the **Security Trustee**).

Pursuant to an agency agreement (the **Agency Agreement**) dated the Issue Date and made between, *inter alios*, the Issuer, Deutsche Bank AG, London Branch as principal paying agent (the **Principal Paying Agent**) and, together with such additional or other paying agents, if any, appointed from time to time pursuant to the Agency Agreement, the **Paying Agents**) and as agent bank (the **Agent Bank**), Deutsche Bank Luxembourg S.A. as registrar with respect to the Global Notes (the **Registrar**) and Deutsche Bank Luxembourg S.A. as transfer agent with respect to the Global Notes (the **Transfer Agent**) and together with the Paying Agents, the Agent Bank and the Registrar, the **Agents**) and the Note Trustee, provision is made for the payment of principal, premium (if any) and interest in respect of the Notes of each class.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Note Trust Deed, the Security Agreement and the master definitions agreement (the **Master Definitions Agreement**) between, *inter alios*, the Issuer, the Note Trustee and the Security Trustee dated on or about the Issue Date.

Copies of the Note Trust Deed, the Security Agreement, the Agency Agreement, the Master Definitions Agreement and the other Transaction Documents are available for inspection during normal business hours at the specified office for the time being of each of the Paying Agents and the Registrar and may be obtained free of charge by Noteholders from the Note Trustee upon request. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

Capitalised terms not otherwise defined in these Conditions (including in Condition 19 (*Definitions*)) shall bear the meanings given to them in the Master Definitions Agreement available as described above. These Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions Agreement.

1. FORM, DENOMINATION AND TITLE

1.1 The Notes are represented by a Regulation S Global Note and a Rule 144A Global Note (each as defined in Condition 19 (*Definitions*)) (each, a **Global Note**) in registered form in the aggregate principal amount on issue of £600,000,000. Each Global Note has been deposited on behalf of the subscribers of the relevant class of Notes with a common depositary for Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) and Euroclear Bank S.A./N.V. (**Euroclear** and,

together with Clearstream, Luxembourg, the **Clearing Systems**) on the Issue Date. Upon deposit of the Global Notes, the Clearing Systems have credited each subscriber of Notes with the principal amount of Notes of the relevant class equal to the aggregate principal amount thereof for which it had subscribed and paid.

Interests in a Global Note will be transferable in accordance with the rules and procedures for the time being of the relevant Clearing System.

For so long as the Notes are represented by a Global Note and the Clearing Systems so permit, the Notes will be tradeable only in the minimum authorised denomination of £100,000 and higher integral multiples of £1,000.

1.2 If, while any of the Notes are represented by a Global Note, any of the Clearing Systems is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no other clearing system is then in existence or (ii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Issue Date, the Issuer or any Paying Agent is or will on the next Interest Payment Date (as defined below) be required to make any deduction or withholding from any payment in respect of such Notes which would not be required were such Notes in definitive form, then the Issuer will issue Notes of the relevant class in definitive form (**Definitive Notes**) in exchange for such Global Note (free of charge to the persons entitled to them) within 30 days of the occurrence of the relevant event. These Conditions and the Transaction Documents will be amended in such manner as the Note Trustee and Security Trustee require to take account of the issue of Definitive Notes.

1.3 Definitive Notes, if issued, will only be printed and issued in denominations of £100,000 and integral multiples of £1,000 in excess thereof. Such Notes will be serially numbered and will be issued in registered form.

1.4 Subject as set out below, title to the Notes will pass upon registration of transfers in the register by the Registrar, in accordance with the provisions of the Agency Agreement. The Issuer, the Note Trustee and any Agent will (except as otherwise required by law) deem and treat the registered holder of any Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out below.

For so long as any of the Notes are represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular Outstanding Principal Amount (as defined in Condition 19 (*Definitions*)) of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the Outstanding Principal Amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Note Trustee, the Security Trustee and the agents as the holder of such Outstanding Principal Amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the registered holder of the relevant Global Note shall be treated by the Issuer, the Note Trustee, the Security Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Note Trustee may rely on such evidence and/or information and/or certification as it

shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

2. TRANSFERS OF NOTES

2.1 Transfers of interests in Global Notes

Transfers of beneficial interests in Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such Clearing Systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Global Note only in the authorised denominations set out in Condition 1.1 and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Note Trust Deed and the Agency Agreement.

2.2 Transfers of Note in definitive form

Subject as provided in Conditions 2.6 (*Transfers of interests in Regulation S Global Notes*) and 2.7 (*Transfers of interests in Legended Notes*), upon the terms and subject to the conditions set forth in the Note Trust Deed and the Agency Agreement, a Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in Condition 1.3). In order to effect any such transfer (a) the holder or holders must (i) surrender the Note for registration of the transfer of the Note (or the relevant part of the Note) at the specified office of the Registrar or the Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, by the Transfer Agent and (b) the Registrar or the Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Note Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 2 and Schedule 3 of the Agency Agreement). Subject as provided above, the Registrar or the Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of such Registrar or such Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the transferee may request, a new Note in definitive form of a like aggregate nominal amount to the Note (or the relevant part of the Note) transferred. In the case of the transfer of part only of a Note in definitive form, a new Note in definitive form in respect of the balance of the Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 6 (*Redemption, Purchase and Cancellation*), the Issuer shall not be required to register the transfer of any Note, or part of a Note, called for partial redemption.

2.4 Regulations concerning the transfer of Notes

All transfers of Notes and entries on the register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer

with the prior written approval of the Principal Paying Agent, the Note Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

2.5 Cost of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any cost or expenses of delivery other than by regular uninsured mail and except that the Issuer may require payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

2.6 Transfers of interests in Regulation S Global Notes

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made:

- (i) upon receipt by the Registrar of a written certificate substantially in the form set out in Schedule 1 of the Agency Agreement, amended as appropriate (a **Transfer Certificate**), copies of which are available from the specified office of the Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or
- (ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any state of the United States,

and, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

In the case of paragraph (i) above, such transferee may take delivery through a Legended Note in global or definitive form. After expiry of the applicable Distribution Compliance Period (A) beneficial interests in Regulation S Global Notes registered in the name of a nominee of the common depository for Euroclear or Clearstream, Luxembourg may be held directly or indirectly through a participant in Euroclear or Clearstream, Luxembourg and (B) such certification requirements will no longer apply to such transfers.

2.7 Transfers of interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

- (i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or
- (ii) to a transferee who takes delivery of such interest through a Legended Note where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
- (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any state of the United States,

and, in each case, in accordance with (1) any applicable securities laws of any state of the United States or any other jurisdiction and (2) any applicable restriction on transfer imposed by the CEA as indicated.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

2.8 Exchanges and transfers of Notes generally

Holders of Notes in definitive form may exchange such Notes for interests in a Global Note of the same type at any time.

3. STATUS OF NOTES AND THE GUARANTEES

3.1 Status of the Notes

The Notes are direct, secured, unconditional and unsubordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and *pari passu* with any Facilities entered into by the Issuer from time to time in accordance with the Intercreditor Agreement and senior to any Subordinated Debt or intra-Group liabilities. The Notes will be structurally subordinated to the Senior Financing.

3.2 Status of the Guarantees

The payment of principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Note Trust Deed has been unconditionally and irrevocably guaranteed by Arqiva Financing No 2 Limited (the **Intermediate Guarantor**) and Arqiva Broadcast Parent Limited (the **Parent Guarantor** and, together with the Intermediate Guarantor, the **Guarantors**) (the **Guarantees**). The Guarantees are contained in the Note Trust Deed and are secured pursuant to the Security Agreement.

3.3 Transaction Security

(a) The Notes and the Guarantees will be secured by first ranking fixed and floating security interests over all (or substantially all) of the assets of the Issuer, the Intermediate Guarantor and the Parent Guarantor, including the shares in each of the Issuer and the Intermediate Guarantor held by the Parent Guarantor and the shares in Intermediate HoldCo held by the Intermediate Guarantor. In addition, Intermediate HoldCo will grant a fixed charge over the shares it holds in Arqiva Group Parent Limited in favour of the Intermediate HoldCo Security Trustee for its obligations under the Intermediate HoldCo Subordinated Guarantee, the enforcement proceeds of which will only become available to the Noteholders and the other Secured Creditors once all amounts outstanding under the Senior Term Facilities and the Senior FinCo Hedges have been repaid or paid in full.

(b) The security constituted by the Security Agreement is granted by the Issuer and the Guarantors to the Security Trustee, on trust for itself and certain other creditors of the Issuer (including the Noteholders), upon and subject to the terms and conditions of the Security Agreement and the Intercreditor Agreement.

(c) The Noteholders will share in the benefit of the security constituted by the Security Agreement, upon and subject to the terms and conditions of the Security Agreement and the Intercreditor Agreement.

3.4 Intermediate HoldCo Security

(a) The security constituted by the Intermediate HoldCo Security Agreement is granted by Intermediate HoldCo to the Intermediate HoldCo Security Trustee, on trust for itself and certain other creditors of Intermediate HoldCo (including the Noteholders), upon and subject to the terms and conditions of the Intermediate HoldCo Security Agreement and the Intermediate HoldCo Intercreditor Agreement.

(b) The Noteholders will share in the benefit of the security constituted by the Intermediate HoldCo Security Agreement, upon and subject to the terms and conditions of the Intermediate HoldCo Security Agreement and the Intermediate HoldCo Intercreditor Agreement.

3.5 Note Trust Deed

The Note Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the Noteholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise).

3.6 Further Securities

In the event of an issue of Further Notes (as defined in Condition 16.1 (*Further Notes*) or New Notes (as defined in Condition 16.2 (*New Notes*)), the provisions of these Conditions, the Note Trust Deed, the Security Agreement and the other Transaction Documents, including (in the case of New Notes) those concerning:

- (i) the basis on which the Note Trustee will be required to exercise or perform its rights, powers, trusts, authorities, duties and discretions (including in circumstances where, in the opinion of the Note Trustee, there is an actual or potential conflict between the interests of any class of the Noteholders and the holders of such New Notes);
- (ii) the circumstances in which the Note Trustee will become bound to take action, as referred to in Condition 9 (*Events of Default*) and Condition 10 (*Enforcement against Issuer, Guarantors and Intermediate HoldCo*);
- (iii) meetings of Noteholders and the passing of effective Extraordinary Resolutions; and
- (iv) the order of priority of payments (including the order which applies prior to the acceleration of the Notes (both prior to, and upon, enforcement of the security constituted by the Security Agreement) and the order which applies upon acceleration of the Notes),

will be modified in such manner as the Note Trustee or, as the case may be, the Security Trustee considers necessary to reflect the issue of such Further Notes or, as the case may be, New Notes and any new Transaction Documents entered into in connection with such Further Notes or, as the case may be, New Notes and the ranking thereof and of the claims of any party to any of such new Transaction Documents in relation to each class of the Notes.

3.7 Note Trustee not responsible for monitoring compliance

The Note Trustee shall not be responsible for monitoring compliance by the Issuer with any of its obligations under the Note Trust Deed or the other Transaction Documents except by means of receipt of a certificate from the Issuer which will state, among other things, that no Event of Default is outstanding. The Note Trustee shall be entitled to rely on such certificates absolutely. The Note Trustee is not responsible for monitoring compliance by any of the parties with their respective obligations under the Note Trust Deed or the other Transaction Documents. The Note Trustee may call for and is at liberty to accept as sufficient evidence a certificate signed by any one authorised signatory

director of the Issuer or any other party to the Note Trust Deed or other Transaction Documents to the effect that any particular dealing, transaction, step or thing is in the opinion of the persons so certifying suitable or expedient or as to any other fact or matter upon which the Note Trustee may require to be satisfied. The Note Trustee is in no way bound to call for further evidence or be responsible to any person for any loss that may be occasioned by acting on any such certificate although the same may contain some error or is not authentic. The Note Trustee is entitled to rely upon any certificate believed by it to be genuine and will not be liable for so acting.

4. COVENANTS

4.1 Financial covenant ratios

So long as any Notes are outstanding, the Parent Guarantor shall ensure that, in respect of each Test Period:

- (i) the Historic Net Debt to EBITDA Ratio is not higher than 8.5:1; and
- (ii) the Historic Cashflow ICR is not lower than 1.50:1,

(the Historic Net Debt to EBITDA Ratio and the Historic Cashflow ICR, each a **Financial Covenant Ratio** and together the **Financial Covenant Ratios**).

The Financial Covenant Ratios will be calculated in accordance with UK GAAP for the Group on a historical basis for each Test Period:

- (a) with respect to a Test Date occurring on 30 June, using the consolidated audited financial statements for the Parent Guarantor prepared in accordance with the Accounting Principles (and in the case of IFRS, converted into UK GAAP); and
- (b) with respect to a Test Date occurring on 31 December, using the consolidated unaudited financial statements of the Parent Guarantor prepared in accordance with the Accounting Principles (and in the case of IFRS, converted into UK GAAP).

4.2 Lock-Up

So long as any Notes are outstanding neither the Issuer nor either Guarantor nor Intermediate HoldCo shall make any payment (including distributions, dividends, bonus issues, return of capital, fees, interest, principal or other amounts whatsoever) (including, for the avoidance of doubt, in respect of the Subordinated Debt) by way of loan or repayment of any loan or otherwise (in cash or in kind) to any Holding Company of the Parent Guarantor or any Subsidiary of such a Holding Company (not being a Group Company) or any Shareholder, other than a Permitted Payment, if:

- (i) the Historic Net Debt to EBITDA Ratio for the Test Period ending on (and including) the immediately preceding Test Date or the Projected Net Debt to EBITDA Ratio for the Projected Test Period commencing on (but excluding) such Test Date (each as calculated for the purposes of the Financial Covenant Ratios pursuant to Condition 4.1 (*Financial covenant ratios*) above and on a *pro forma* basis to take into account the relevant payment as if it had been made at the start of the relevant Test Period or, as the case may be, Projected Test Period, but subject as provided immediately below in respect of the Projected Net Debt to EBITDA Ratio) is higher than 7.5:1;
- (ii) the Senior Historic Net Debt to EBITDA Ratio for the Test Period ending on (and including) the immediately preceding Test Date or the Senior Projected Net Debt to EBITDA Ratio for the Projected Test Period commencing on (but excluding) such Test Date (each as calculated for the purposes of the Financial Covenant Ratios pursuant to Condition 4.1 (*Financial covenant ratios*) above and on a *pro forma* basis to take into account the relevant payment as if it had been made

at the start of the relevant Test Period or, as the case may be, Projected Test Period, but subject as provided immediately below in respect of the Projected Net Debt to EBITDA Ratio) is higher than 6.25:1;

(iii) the amount standing to the credit of the Liquidity Reserve Account is less than Liquidity Reserve Amount required pursuant to Condition 4.3 (*Liquidity Reserve Account*) above on any Test Date;

(iv) an Equity Cure has been made since delivery by the Issuer of the most recent Compliance Certificate or Interim Compliance Certificate (as applicable);

(v) the payment is to be made within 60 days of the delivery of the most recent Compliance Certificate or (if applicable) Interim Compliance Certificate;

(vi) a Senior Trigger Event has occurred and is continuing; or

(vii) any Event of Default is continuing or would occur immediately after making such payment.

The **Projected Net Debt to EBITDA Ratio** for these purposes will be calculated on the same basis as the Financial Covenant Ratios for each Test Date but using management projections which shall be prepared on a consistent basis and the assumptions to which shall be updated by reference to the most recently available relevant financial information and the most recently delivered financial statements.

The Senior Historic Net Debt to EBITDA Ratio for these purposes will be calculated for the Senior Group in accordance with UK GAAP semi-annually as at each Test Date on a historical basis commencing with the Test Date occurring on 30 June 2013:

(a) with respect to a Test Date occurring on 30 June, using the consolidated audited financial statements for the Senior Parent prepared in accordance with the Accounting Principles (and in the case of IFRS, converted into UK GAAP); and

(b) with respect to a Test Date occurring on 31 December, using the consolidated unaudited financial statements of the Senior Parent prepared in accordance with the Accounting Principles (and in the case of IFRS, converted into UK GAAP).

The Senior Projected Net Debt to EBITDA Ratio for these purposes will be calculated on the same basis as the Senior Historic Net Debt to EBITDA Ratio but using management projections which shall be prepared on a consistent basis and the assumptions to which shall be updated by reference to the most recently available relevant financial information and the most recently delivered financial statements.

4.3 Liquidity Reserve Account

So long as any Notes are outstanding the Issuer shall maintain an account (the **Liquidity Reserve Account**) with a balance equal to the amount determined by the Issuer (on the basis of assumptions made in good faith) on the first day of each Interest Period as the projected interest payable in the following 6 months in respect of the Notes and any other Permitted Financial Indebtedness of the Issuer and the Guarantors (including, without limitation, any Facilities ranking *pari passu* with the Notes) (the **Liquidity Reserve Amount**).

Amounts standing to the credit of the Liquidity Reserve Account will be available to the Issuer to meet any shortfall in the amount required to pay interest under the Notes and any Facility ranking senior thereto in accordance with the Intercreditor Agreement (to the extent that the Issuer and the Guarantors have insufficient cash resources available to them to meet such interest payments when due).

All credits and debits to the Liquidity Reserve Account will be recorded on a ledger which, upon request, must be made available to the Note Trustee within 5 Business Days of that request.

The Issuer shall supply to the Note Trustee on the first day of each Interest Period its calculation in respect of the applicable Liquidity Reserve Amount.

4.4 Restrictive Covenants

So long as any Notes are outstanding:

- (i) there shall be no substantial change to the general nature of the business of the Issuer, each Guarantor or Intermediate HoldCo from that carried on at the Issue Date;
- (ii) none of the Issuer, either Guarantor or Intermediate HoldCo shall enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to acquire any assets, other than by a Permitted Transaction;
- (iii) none of the Issuer, either Guarantor or Intermediate HoldCo shall enter into a single transaction or series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any assets or undertakings, other than any sale, lease, transfer or other disposal which is a Permitted Transaction;
- (iv) none of the Issuer, either Guarantor or Intermediate HoldCo shall enter into any amalgamation, demerger, merger, consolidation or corporate reconstruction, other than a Permitted Reorganisation;
- (v) none of the Issuer, either Guarantor or Intermediate HoldCo shall incur or allow to remain outstanding any Financial Indebtedness, other than Financial Indebtedness which is a Permitted Transaction;
- (vi) none of the Issuer, either Guarantor or Intermediate HoldCo shall incur or allow to remain outstanding any guarantee in respect of any obligation of any person, other than a guarantee which is a Permitted Transaction;
- (vii) none of the Issuer, either Guarantor or Intermediate HoldCo shall be a creditor in respect of any Financial Indebtedness, other than pursuant to a Permitted Transaction;
- (viii) none of the Issuer, either Guarantor or Intermediate HoldCo shall create or permit to subsist any Security Interest, other than a Permitted Security;
- (ix) none of the Issuer, either Guarantor or Intermediate HoldCo shall enter into any Treasury Transaction, other than a Permitted Treasury Transaction;
- (x) none of the Issuer, either Guarantor or Intermediate HoldCo shall enter into any Tax Transaction, other than a Permitted Tax Transaction;
- (xi) none of the Issuer, either Guarantor or Intermediate HoldCo shall incorporate or acquire any Subsidiaries, other than (in the case of the Parent Guarantor) the Intermediate Guarantor and the Issuer and (in the case of the Intermediate Guarantor) Intermediate HoldCo;
- (xii) no Obligor may enter into, invest in or acquire any interest in any joint venture entity, whether a company, unincorporated firm, undertaking, association, joint venture or partnership; and
- (xiii) none of the Issuer, either Guarantor or Intermediate HoldCo shall trade, carry on any business, own any assets or incur any liabilities or enter into any documents, other than:
 - (A) ownership of shares in its Subsidiaries, intra-Group debit balances, intra-Group credit balances and other credit balances in bank accounts, cash and Cash Equivalents, but only if those shares, credit balances, cash and Cash Equivalents are subject to the Transaction Security;

(B) any liabilities under the Note Trust Deed and the other Transaction Documents to which it is a party and under any Facility Agreement and related documents entered into by it from time to time and professional fees and administration costs in the ordinary course of business as a holding company;

(C) the provision of administrative services (excluding treasury services) to other members of the Group (other than Senior FinCo) of a type customarily provided by a holding company to its Subsidiaries; or

(D) those permitted under, or arising in connection with transactions permitted by, these Conditions, the Note Trust Deed and the other Transaction Documents.

4.5 Information covenants

So long as any Notes are outstanding, the Issuer shall (or, in the case of each Guarantor, shall procure that the Issuer):

(i) give to the Note Trustee:

(A) as soon as they are available, but in any event within 120 days after the end of each of the Parent Guarantor's Financial Years, annual reports prepared in accordance with the Accounting Principles (and in the case of IFRS, converted into UK GAAP) containing the following information with a level of detail that is substantially comparable to the Offering Memorandum and the following information:

I. audited consolidated balance sheet of the Parent Guarantor as of the end of the two most recent Financial Years and audited consolidated income statements and statements of cash flow of the Parent Guarantor for the two most recent annual Financial Years, including complete footnotes to such financial statements and the report of the independent auditors on such financial statements;

II. *pro forma* income statement and balance sheet information of the Parent Guarantor, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalisations that have occurred since the beginning of the most recently completed Financial Year as to which such annual report relates (unless such *pro forma* information has been provided in a previous report pursuant to Condition 4.5(i)(B) or 4.5(i)(C) below), provided that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case, the Issuer (or, in the case of each Guarantor, shall procure that the Issuer) shall provide, in the case of a material acquisition, acquired company financial statements to the extent reasonably available;

III. an operating and financial review of the audited financial statements of the Parent Guarantor and its Subsidiaries, including a discussion of the results of operations, financial condition and liquidity and capital resources and a discussion of material commitments and contingencies and critical accounting policies;

IV. a description of the business, management and shareholders, material transactions and material debt instruments of the Parent Guarantor and its Subsidiaries; and

V. material risk factors and material recent developments (to the extent not previously reported pursuant to Condition 4.5(i)(C) below) affecting the Parent Guarantor and its Subsidiaries;

(B) as soon as they are available, but in any event within 60 days (or 90 days, with respect to the financial quarter ending on 31 March 2013) following the end of:

I. the first financial half year in each of the Parent Guarantor's Financial Years, half yearly financial statements; and

II. each of the first and the third financial quarters in each Financial Year of the Parent Guarantor's quarterly reports,

in each case containing the following information prepared in accordance with the Accounting Principles (and in the case of IFRS, converted into UK GAAP):

(1) an unaudited condensed consolidated balance sheet as of the end of such financial half-year or quarter (as applicable) and unaudited condensed statements of income and cash flow for the year to date periods ending on the unaudited condensed balance sheet date, and the comparable prior year period for the Parent Guarantor, together with condensed footnote disclosure, in each case converted to UK GAAP so long as the audited consolidated statements for the Financial Year in which such financial half-year or quarter (as applicable) falls is prepared in accordance with UK GAAP;

(2) *pro forma* income statement and balance sheet information of the Parent Guarantor, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalisations that have occurred since the beginning of the most recently completed financial quarter as to which such report relates (unless such *pro forma* information has been provided in a previous report pursuant to Condition 4.5(i)(C) below);

(3) an operating and financial review of the unaudited financial statements, including a discussion of the consolidated financial condition and results of operations of the Parent Guarantor and its Subsidiaries and any material change between the current financial half-year or quarter (as applicable) and the corresponding period of the prior year; and

(4) material recent developments (to the extent not previously reported pursuant to Condition 4.5(i)(C) below) affecting the Parent Guarantor and its Subsidiaries;

(C) promptly after the occurrence of any material acquisition, disposition or restructuring of the Parent Guarantor or any of its Subsidiaries, or change in auditors of the Parent Guarantor or any other material event that the Issuer announces publicly, a report containing a description of such event; and

(D) in addition to the financial statements required to be provided to the Note Trustee pursuant to Conditions 4.5(i)(A) and 4.5(i)(B) above, a certificate substantially in the form set out in Part 2 of Schedule 4 of the Note Trust Deed (each a **Compliance Certificate**) signed by two Directors of the Issuer (or a director of the Issuer and (if not a director) the chief financial officer of any Group Company),

and provided further that the reports set forth in Conditions 4.5(i)(A), 4.5(i)(B) and 4.5(i)(C) above will not be required to include separate financial statements for the Issuer, the Intermediate Guarantor or any other Subsidiaries of the Parent Guarantor;

(ii) give to the Note Trustee (i) within fifteen days after demand by the Note Trustee and (ii) (without the necessity for any such demand) promptly, as soon as they become available and in any event not later than 120 days after the end of each of the Parent Guarantor's Financial Years a certificate substantially in the form set out in the Note Trust Deed signed by two authorised signatories of the Issuer to the effect that there does not exist and has not existed since the relevant certification date of the previous certificate (or, in the case of the first such certificate, the Issue Date) any Event of Default;

- (iii) promptly notify in writing to the Note Trustee of the occurrence of a Senior Trigger Event or a Rating Downgrade Event or breach of the Senior Modified Net Debt to EBITDA Ratio upon becoming aware of such occurrence without waiting for the Note Trustee to take any further action;
- (iv) during any period during which the Issuer is not subject to Section 13 or 15(d) of the US Exchange Act of 1934 nor exempt therefrom pursuant to Rule 12g3-2(b), furnish to the Noteholders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the US Securities Act of 1933;
- (v) within five Business Days following the date on which the Issuer or the Guarantor furnishes a report pursuant to Condition 4.5(i)(A) or 4.5(i)(B), hold a conference call with the holders of the Notes hosted by the chief financial officer of a Group Company and open to any person to discuss the operations of the Parent Guarantor and its direct and indirect subsidiaries in respect of the relevant period; and
- (vi) make available copies of all reports required by Conditions 4.5(i), (ii) and (iii) on a website maintained by the Issuer and, if and so long as the Notes are listed on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, at the specified office of the Paying Agent in Luxembourg; and
- (vii) after a test date and prior to the delivery of the Compliance Certificate with respect to the Test Period ending on that Test Date, the Issuer shall, if it or either Guarantor or Intermediate HoldCo wishes to make a payment permitted under Condition 4.2 (*Lock-Up*) prior to the delivery of a Compliance Certificate, deliver a certificate (which shall be based on the most recent available management accounts of the Group) (an **Interim Compliance Certificate**) to the Note Trustee evidencing compliance with the Lock-Up Covenants. Each Interim Compliance Certificate must:
 - (i) be signed to two directors of the Issuer or a director of the Issuer and (if not a director) the chief financial officer of any Group Company confirming, to the best of such person's knowledge after verification, that the statements made in the Interim Compliance Certificate are accurate in all material respects; (ii) append the financial information of the management accounts on which such Interim Compliance Certificate has been based, and (iii) in reasonable detail, to permit reconciliation back to the management accounts provided, confirm the computations made in respect of Condition 4.2 (*Lock-Up*).

4.6 Covenants with respect to Senior Obligors

So long as any Notes are outstanding the Issuer and the Guarantors shall each procure that:

- (i) other than Permitted Acquisitions or Authorised Investments, no Senior Obligor shall acquire or subscribe for shares or ownership interests in or securities of any company or other person or acquire any business without the prior written consent of the Note Trustee (directed by an Extraordinary Resolution of the Noteholders);
- (ii) other than a Permitted Disposal, no Senior Obligor may enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, licence, transfer or otherwise dispose of any asset or all or any part of its business or undertaking without the prior written consent of the Note Trustee (directed by an Extraordinary Resolution of the Noteholders);
- (iii) no modification is agreed by the Senior Obligors to the covenant contained in the Common Terms Agreement regarding Restricted Payments if this would be more restrictive of the Senior Obligors in any material respect, unless the Note Trustee (directed by an Extraordinary Resolution of the Noteholders) has provided its prior written consent thereto; and
- (iv) no modification is agreed by the Senior Obligors to the covenant contained in the Common Terms Agreement regarding Permitted Business if this would be more permissive of the Senior Obligors in any material respect, unless the Note Trustee (directed by an Extraordinary Resolution of the Noteholders) has provided its prior written consent thereto.

4.7 General Covenants

So long as any Notes are outstanding the Issuer and each Guarantor shall:

- (i) comply with and perform all its obligations under the Notes and the Note Trust Deed and the other Transaction Documents;
- (ii) ensure that at all times any secured and unsubordinated claims of the Note Trustee and each Noteholder against it under the Notes and the Note Trust Deed rank at least *pari passu* to the claims of all its unsecured and unsubordinated creditors, except those creditors whose claims are mandatorily preferred by laws of general application to companies;
- (iii) hold itself out as a separate entity, conduct its business in its own name and maintain an arm's length relationship with its affiliates;
- (iv) observe all formalities required by its articles of association;
- (v) pay and discharge all Taxes imposed upon it or its assets within the time period allowed without incurring material penalties (except to the extent that (a) such payment is being contested in good faith, (b) adequate reserves are being maintained for those Taxes and (c) such payment can be lawfully withheld); and
- (vi) comply with all judgments, laws, rules, regulations, agreements, orders or decrees to which it is subject, if failure so to comply has or is reasonably likely to have a Material Adverse Effect.

5. INTEREST

5.1 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from and including the date for its redemption unless upon due presentation in accordance with Condition 7 (*Payments*), payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (i) the date on which all amounts due in respect of such Note have been paid and/or all assets deliverable in respect of the Transaction Security have been delivered; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 15 (*Notices*).

5.2 Interest Rate and Interest Payment Dates

The Notes bear interest on their respective Outstanding Principal Amounts from and including the Issue Date at the rate of 9.50% per annum (the **Interest Rate**), payable semi-annually in arrear on 31 March and 30 September (each an **Interest Payment Date**) in respect of the Interest Period (as defined below) ended immediately prior thereto. The first payment shall be due on 30 September 2013. The period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next succeeding Interest Payment Date is called an **Interest Period**.

5.3 Calculation of Fixed Rate Interest

Interest in respect of the Notes shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

The resulting figure shall be rounded downwards to the nearest penny.

6. REDEMPTION, PURCHASE AND CANCELLATION

6.1 Final Redemption

If any class of the Notes have not previously been redeemed in full, or purchased and cancelled, the Notes will be finally redeemed at the then Outstanding Principal Amount plus accrued but unpaid interest on 31 March 2020 (the **Maturity Date**).

6.2 Optional Redemption

Subject as provided below, upon giving not more than 60 nor less than 15 days' notice to the Note Trustee and the Noteholders, the Issuer may (prior to the Maturity Date) redeem any class of the Notes in whole or in part on any Interest Payment Date at their Redemption Amount plus accrued but unpaid interest.

The **Redemption Amount** will be an amount equal to the Outstanding Principal Amount and the Redemption Premium.

Redemption Premium means a premium calculated in the manner below:

Interest Payment Date	Redemption Premium
Interest Payment Date falling between the Issue Date and (but excluding) the third anniversary of the Issue Date	Applicable Premium
Interest Payment Date falling between (and including) the third anniversary of the Issue Date and (but excluding) the fourth anniversary of the Issue Date	75% of Interest Rate applied to the Outstanding Principal Amount of the Notes so redeemed on such Interest Payment Date
Interest Payment Date falling between (and including) the fourth anniversary of the Issue Date and (but excluding) the fifth anniversary of the Issue Date	50% of Interest Rate applied to the Outstanding Principal Amount of the Notes so redeemed on such Interest Payment Date
Interest Payment Date falling between (and including) the fifth anniversary of the Issue Date and (but excluding) the sixth anniversary of the Issue Date	25% of Interest Rate applied to the Outstanding Principal Amount of the Notes so redeemed on such Interest Payment Date
Interest Payment Date falling after the sixth anniversary of the Issue Date	Nil

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by Definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by Definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 (*Notices*) not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the Interest Payment Date fixed for redemption pursuant to this Condition 6.2 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 15 (*Notices*) at least five days prior to the Selection Date.

In any such case, prior to giving any such notice, the Issuer must certify (as further specified in the Note Trust Deed and the other Transaction Documents) to the Note Trustee that it will have the funds, not subject to any interest (other than under the Transaction Security) of any other person, required to redeem the Notes as aforesaid and to meet any amounts to be paid in priority to, or *pari passu* with, the Notes being redeemed.

6.3 Redemption for Taxation or Other Reasons

If at any time the Issuer satisfies the Note Trustee that:

- (a) by reason of a change in law (or the application or official interpretation thereof), which change becomes effective on or after the Issue Date, the Issuer would, on the next Interest Payment Date, become obliged to deduct or withhold from any payment of interest, premium or principal in respect of the Notes (other than in respect of default interest), any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the UK or any political subdivision thereof, or any other authority thereof or any change in the application or official interpretation of such laws or regulations (**Taxes**);
- (b) the Issuer or any Paying Agent would be required to deduct or withhold any amount from any payment in respect of any Notes pursuant to FATCA;
- (c) the Intercompany Borrower would on the next Interest Payment Date be required to make any withholding or deduction for or on account of any Taxes from payments under the Intercompany Loan Agreement in respect of any Intercompany Loan corresponding to the Notes; or
- (d) by reason of a change of law (or the application or official interpretation thereof), which change becomes effective on or after the Issue Date, it has or will become unlawful for the Issuer to perform any of its obligations under the Intercompany Loan Agreement in respect of any Intercompany Loan corresponding to the Notes or to fund or to maintain its participation in any Intercompany Loan corresponding to the Notes,

then the Issuer may, in order to avoid the relevant deduction, withholding or illegality but is not obliged to, use its reasonable endeavours to arrange the substitution of a company incorporated under the laws of another jurisdiction approved by the Note Trustee as principal debtor under the Notes and as lender under the Intercompany Loan Agreement upon satisfying the conditions for substitution of the Issuer as set out in Condition 13 (*Meetings of Noteholders, Modification, Waiver and Substitution*). The Issuer may, upon giving not more than 15 nor less than five Business Days' notice to the Note Trustee and the Noteholders in accordance with Condition 15 (*Notices*), redeem all (but not some only) of the Notes on any Interest Payment Date at their Outstanding Principal Amount plus accrued but unpaid interest thereon. Before giving any such notice of redemption, the Issuer shall provide to the Note Trustee a certificate signed by an authorised signatory of the Issuer (a) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have been satisfied (together with evidence satisfactory to the Note Trustee that such conditions have been satisfied, including such legal opinions as the Note Trustee may require) and (b) confirming that the Issuer will have sufficient funds on such Interest Payment Date to effect such redemption and to discharge any amounts to be paid in priority to, or *pari passu* with, the Notes being redeemed.

6.4 Change of Control

If at any time there occurs a Change of Control, a **Change of Control Event** shall be deemed to have occurred. Promptly upon the Issuer or any Guarantor being aware of a Change of Control Event having occurred and in any event within 14 days thereof, the relevant Guarantor or the Issuer shall give notice to the Noteholders of the occurrence of such Change of Control Event (such notice, a **Change of Control Event Notice**), any such notice to be delivered in accordance with the provisions of Condition 15 (*Notices*). At any time from the date of giving such Change of Control Event Notice to the date falling 45 days thereafter (such period, the **Put Exercise Period**) upon the Issuer receiving at least five Business Days' notice from any Noteholder (any such notice, a **Put Event Notice**), the Notes of such Noteholder as specified in the Put Event Notice shall become due and repayable and the Issuer will,

upon the expiry of such Put Event Notice (such date, the **Change of Control Event Date**), redeem each Note the subject of such Put Event Notice at 101% of its principal amount together with interest accrued to (but excluding) the Change of Control Event Date.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Condition 6.4 as the related provisions of the Agency Agreement, the Issuer will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Condition 6.4 and the related provisions of the Agency Agreement by virtue of compliance with such securities laws or regulations.

Pursuant to the above provisions, any Noteholder having the right to require early redemption of any Notes held by it pursuant to this Condition 6.4, to exercise the right to require redemption of such Notes such Noteholder must, if such Note is in definitive form and held outside Euroclear, Clearstream, Luxembourg, as the case may be, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the Put Exercise Period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Exercise Notice**) and in which the Noteholder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 6.4 accompanied by such Note or evidence satisfactory to the Paying Agent concerned that such Note will, following delivery of the Put Exercise Notice, be held to its order or under its control. If such Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of such Notes the holder of such Note must, within the Put Exercise Period, give notice to the Paying Agent of such exercise in accordance with the standard procedures of Euroclear or Clearstream, Luxembourg, as the case may be, (which may include notice being given on instruction of the relevant Noteholder by Euroclear or Clearstream, Luxembourg, as the case may be, or any common service provider for them to the Paying Agent by electronic means) in a form acceptable to Euroclear or Clearstream, Luxembourg, as the case may be, from time to time and, if such Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Paying Agent for notation accordingly.

Any Put Exercise Notice or other notice given by a holder of any Note in accordance with the standard procedures of Euroclear or Clearstream, Luxembourg, as the case may be, pursuant to this Condition 6.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Note Trustee has declared the Notes to be due and repayable pursuant to Condition 9 (*Events of Default*), in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.4.

6.5 Purchase of Notes

The Issuer or any Obligor may, provided that no Event of Default has occurred and is continuing, purchase Notes in the open market or otherwise at any price. Any purchase by tender shall be made available to all Noteholders alike.

All such Notes purchased by the Issuer must be surrendered to any Paying Agent and/or the Registrar for cancellation. All Notes purchased by any Guarantor may be held, resold or, at the option of the relevant Guarantor, may be surrendered to any Paying Agent and/or the Registrar for or to the order of the Principal Paying Agent or the Registrar, as the case may be, for cancellation in accordance with Condition 6.6 (*Cancellation*).

If not all the Notes which are in registered and definitive form are to be purchased, upon surrender of the existing Definitive Note, the Registrar shall forthwith upon the written request of the Noteholder

concerned issue a new Definitive Note in respect of the Notes which are not to be purchased and despatch such Definitive Note to the Noteholder (at the risk of the Noteholder and to such address as the Noteholder may specify in such request).

While the Notes are represented by a Global Note, the relevant Global Note will be endorsed to reflect the Outstanding Principal Amount of Notes to be so purchased and cancelled.

6.6 Cancellation

Any Notes purchased by or on behalf of the Issuer must be surrendered to or to the order of any Paying Agent or the Registrar, as the case may be, for cancellation and, if so surrendered, will, together with all Notes redeemed by the Issuer or Notes purchased and surrendered by either Guarantor in accordance with Condition 6.5 (*Purchase of Notes*), be cancelled forthwith. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantors in respect of any such Notes shall be discharged.

7. PAYMENTS

7.1 Payments of principal and interest

Payments of principal (or, as the case may be, Redemption Amounts) in respect of Notes will be made to the holder (or the first named of joint holders) of such Note against presentation and surrender of the relevant Note at the specified office of the Registrar.

Interest on Notes payable on any Interest Payment Date will be paid to the holder (or the first named of joint holders) (i) in respect of a Global Note, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date and (ii) in respect of a Note in definitive form, on the 15th day before the due date for payment thereof (the **Record Date**). Payment of interest on each Note will be made in the currency in which such payment is due by cheque drawn on a bank in the principal financial centre of the country of the currency concerned and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the register. Upon application by the Noteholder to the specified office of the Registrar before the relevant Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank in the principal financial centre of the country of that currency.

On the occasion of each payment a record of each payment so made will be endorsed on the schedule to the Global Note or the Note in definitive form by or on behalf of the Principal Paying Agent or the Registrar, as the case may be, which endorsement shall be *prima facie* evidence that such payment has been made.

Holders of Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Note as a result of a cheque posted in accordance with this Condition 7 arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Notes.

None of the Issuer, the Note Trustee or the agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

7.2 General Provisions Applicable To Payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of,

the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

7.3 Payment Day

(a) If the date for payment of any amount in respect of any Note is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 11 (*Prescription*)) is:

- (i) (in the case of Notes in definitive form only) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation; and
- (ii) in relation to any sum payable in respect of the Notes, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London.

7.4 Payments subject to fiscal laws; payments on Global Notes

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of this Condition 7. No commission or expenses shall be charged to the Noteholders in respect of such payments.

The holder of a Global Note shall be the only person entitled to receive payments of principal (or Redemption Amounts) and interest on the Global Note (as the case may be) and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount paid.

7.5 Appointment of the Agents

The agents appointed by the Issuer (and their respective specified offices) are listed in the Agency Agreement. The agents act solely as agents of the Issuer (and, in the circumstances as set out in the Agency Agreement, the Note Trustee) and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right, with the prior written consent of the Note Trustee, at any time to vary or terminate the appointment of any Agent, and to appoint additional or other agents, provided that the Issuer will at all times maintain:

- (a) a Principal Paying Agent;
- (b) a Registrar which, for so long as the Notes are listed on the Euro MTF Market, shall have offices in Luxembourg;
- (c) an Agent Bank;
- (d) a transfer agent in Luxembourg (the **Transfer Agent**); and
- (e) one or more paying agents (each, a **Paying Agent**), including: (a) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such Directive as long as at least one such member state does not require a paying agent with an

office in that member state to withhold or deduct amounts for or on account of tax, whether pursuant to European Council Directive 2003/48/EC, under the law of that member state or otherwise; (b) a paying agent in the City of London (which may be the Principal Paying Agent); and (c) for so long as the Notes are listed on the Euro MTF market of the Luxembourg Stock Exchange (the **Euro MTF Market**), a paying agent in Luxembourg (the **Luxembourg Paying Agent**). Notice of any such variation, termination, resignation or appointment shall be given promptly to the Noteholders in accordance with Condition 15 (*Notices*).

The initial Registrar will be Deutsche Bank Luxembourg S.A. in Luxembourg.

The initial Transfer Agent will be Deutsche Bank Luxembourg S.A. in Luxembourg.

The Registrar will maintain a register reflecting ownership of the Notes outstanding from time to time and will facilitate transfer of the Notes on the behalf of the Issuer.

The Issuer may change any Paying Agents, the Registrar or the Transfer Agent without prior notice to the holders of Notes. For so long as the Notes are listed on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxembourger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (www.bourse.lu).

8. TAXATION

All payments in respect of the Notes will be made (whether by the Issuer, either Guarantor, any Paying Agent or the Note Trustee) free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature unless the Issuer, either Guarantor, any Paying Agent or the Note Trustee, as the case may be is required by applicable law to make any payment in respect of the Notes, subject to any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature. In that event, the Issuer, such Guarantor, such Paying Agent or the Note Trustee, as the case may be, shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted, but without limitation to Condition 6.3 (*Redemption for Taxation or Other Reasons*). The Issuer, the Guarantors, any Paying Agent, the Registrar or the Note Trustee may require holders to provide such certifications and other documents as required by applicable law in order to qualify for exemptions from applicable tax laws.

The Issuer or, as the case may be, the Guarantors will pay such additional amounts in respect of any taxes imposed by the Tax Jurisdiction as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and premium (if applicable) and interest which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction in respect of such taxes, except that no such additional amounts shall be payable with respect to any Note:

- (a) the holder of which is liable for such taxes or duties in respect of such Note by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7.3 (*Payment Day*)); or
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to a Paying Agent in another Member State of the European Union.

As used herein:

(i) **Tax Jurisdiction** means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax; and

(ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Note Trustee or the relevant Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15 (*Notices*).

For the avoidance of doubt, payments will be subject in all cases, to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement). Any such amounts withheld or deducted will be treated as paid for all purposes under the Notes, and no additional amounts will be paid on the Notes with respect to any such withholding or deduction.

9. EVENTS OF DEFAULT

9.1 Events of Default

Each and any of the following events will be an **Event of Default**:

(i) *Non-payment*: if default is made in the payment of any principal, premium or interest due in respect of the Notes or any of them (in the case of the Obligor) or the Intermediate HoldCo Common Documents and the Intermediate HoldCo Subordinated Guarantee (in the case of Intermediate HoldCo) and the default continues for a period of five days;

(ii) *Financial Covenant Ratios*: a Financial Covenant Ratio is breached, which has not been cured in accordance with the terms of Condition 9.2 (*Equity Cure*);

(iii) *Breach of other obligations*: if the Issuer, any Guarantor, Intermediate HoldCo, an Intra Group Lender or any Investor fails to perform or observe any of its other obligations under these Conditions, the Note Trust Deed or any other Transaction Document to which it is a party and (except in any case where the Note Trustee or, in the case of the Security Agreement, the Security Trustee or, in the case of the Intermediate HoldCo Security Agreement, the Intermediate HoldCo Security Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 20 Business Days (or such longer period as the Note Trustee may permit) of the earlier of (A) the service by the Note Trustee or, as the case may be, the Security Trustee or the Intermediate HoldCo Security Trustee on the Issuer of notice requiring the same to be remedied or (B) the party that failed to perform or observe its obligation becoming aware of the failure to comply.

(iv) *Non-payment cross default and cross acceleration*:

(A) there is a failure to pay on any Financial Indebtedness of an Obligor or Intermediate HoldCo (other than in relation to the Notes) within the applicable grace period, provided that the aggregate amount of the Financial Indebtedness which is not incurred under a

Transaction Document in respect of which the events mentioned in this paragraph (iv)(A) have occurred equals or exceeds £10,000,000 (as adjusted by the RPI on the first day of each Financial Year) or its equivalent; or

(B) (i) any Financial Indebtedness owed by an Obligor or Intermediate HoldCo (other than in relation to the Notes) is declared to be, or otherwise becomes, due and payable prior to its specified maturity date by reason of any actual event of default (howsoever described), (ii) any commitment for any Financial Indebtedness of an Obligor or Intermediate HoldCo (other than in relation to the Notes) is cancelled or suspended by a creditor of that Obligor or Intermediate HoldCo (as the case may be) as a result of an event of default (however described) or (iii) any creditor of an Obligor becomes entitled to declare any Financial Indebtedness of that Obligor (other than in relation to the Notes) due and payable prior to the specified maturity as a result of an event of default (however described) provided that the aggregate amount of the Financial Indebtedness in respect of which the events mentioned in this paragraph (iv)(B)(i) to (iii) have occurred equals or exceeds £25,000,000 (as adjusted by the RPI on the first day of each Financial Year) or its equivalent;

(v) *Enforcement proceedings*: expropriation, sequestration, distress, attachment or execution is enforced against any material part of the property, assets or revenues of any Obligor or Intermediate HoldCo and is not discharged within 30 days;

(vi) *Security enforced*: any security granted by any Obligor or Intermediate HoldCo becomes enforceable and steps are taken to enforce it;

(vii) *Insolvency*: any Obligor or Intermediate HoldCo (A) is insolvent, bankrupt, unable to pay its debts as they fall due, (B) suspends making payments on any of its debts or a moratorium is declared in respect of any of its indebtedness, (C) by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness, or (D) makes a general assignment for the benefit of or a composition with its creditors;

(viii) *Winding up*: an administrator is appointed to any Obligor or Intermediate HoldCo, an order for the winding-up or dissolution is passed of any Obligor or Intermediate HoldCo, any Obligor or Intermediate HoldCo applies for winding-up or administration in respect of itself or any Obligor or Intermediate HoldCo ceases to carry on all or substantially all of its business;

(ix) *Analogous events*: any event which has analogous effect to paragraphs (v) to (viii) above occurs in relation to any Obligor or Intermediate HoldCo;

(x) *Ownership*: the Parent Guarantor ceases to be wholly-owned and controlled by AF No 3 or the Issuer and the Intermediate Guarantor ceases to be wholly-owned and controlled by the Parent Guarantor or Intermediate HoldCo ceases to be wholly-owned and controlled by the Intermediate Guarantor or the Senior Parent ceases to be wholly-owned and controlled by Intermediate HoldCo;

(xi) *Illegality*: (A) it becomes unlawful for the Issuer, any Guarantor, Intermediate HoldCo, an Intra Group Lender or the Investor to perform or comply with any one or more of its material obligations under the Notes, the Note Trust Deed and the other Transaction Documents or (B) any Transaction Security created or expressed to be created or evidenced by the Security Agreement or the Intermediate HoldCo Security Agreement ceases to be effective or (C) any Transaction Document ceases to be in full force and effect or any Security or Intermediate HoldCo Security or any subordination created under the Intercreditor Agreement or the Intermediate HoldCo Intercreditor Agreement ceases to be legal, valid, binding, enforceable or effective;

(xii) *Guarantee*: the Guarantee of the Notes, the Security Agreement or the Intercreditor Agreement are not in full force and effect;

(xiii) *Intermediate HoldCo Subordinated Guarantee*: the Intermediate HoldCo Subordinated Guarantee, the Intermediate HoldCo Security Agreement or the Intermediate HoldCo Intercreditor Agreement are not in full force and effect or any Security Interest created or expressed to be created by the Intermediate HoldCo Security Agreement ceases to be effective;

(xiv) *Senior Financing payment default or cross acceleration*: a non-payment Senior Obligor Event of Default occurs under the Common Terms Agreement or any Senior Debt is declared to be or otherwise becomes due and payable prior to its maturity date by reason of a Senior Obligor Event of Default under the Common Terms Agreement;

(xv) *Senior Term Facilities payment default or cross-acceleration*: a non-payment Senior FinCo Event of Default occurs under the Senior Term Facilities Agreement or a Senior FinCo Event of Default occurs under Clauses 21.5 (Insolvency) or 21.6 (Insolvency Proceedings) of the Senior Term Facilities Agreement or the Senior Term Facilities are declared to be or otherwise become due and payable prior to their maturity date by reason of a Senior FinCo Event of Default under the Senior Term Facilities Agreement or a non-payment Event of Default (as defined therein) occurs under the Senior FinCo Hedges on the Termination Date (as defined therein) or the Senior FinCo Hedges are terminated prior to their Termination Date (as defined therein) by reason of an Event of Default (as defined therein);

(xvi) *Expropriation*: the authority or ability of any Obligor or Intermediate HoldCo to conduct its business is limited or wholly or substantially curtailed by any seizure, expropriation, nationalisation, intervention, restriction or other action by or on behalf of any governmental, regulatory or other authority or other person;

(xvii) *Repudiation and rescission of agreements*: an Obligor or Intermediate HoldCo rescinds or purports to rescind or repudiates or purports to repudiate the Note Trust Deed or any other Transaction Document or any of the Transaction Security or the Intermediate HoldCo Security or evidences an intention to rescind or repudiate the Note Trust Deed or any other Transaction Document or any Transaction Security or Intermediate HoldCo Security or an Investor or an Intra Group Lender rescinds or purports to rescind or repudiates or purports to repudiate the Intercreditor Agreement in whole or in part;

(xviii) *Litigation*: any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced against the Issuer, any Guarantor or Intermediate HoldCo (or against any of their directors) or any of their respective assets which have or are reasonably likely to have a Material Adverse Effect; and

(xix) *Restricted Payment*: (A) subject to Condition 9.1(xix)(B) any Restricted Payment is made on the basis of an Interim Compliance Certificate and the Compliance Certificate in respect of the Test Date or the Test Period to which such Interim Compliance Certificate relates evidences that the Lock-Up Covenant was not complied with, provided that (B) no Event of Default under Condition 9.1 (xix)(A) will occur if within five Business Days of the date of the Compliance Certificate, AF No 3 pays to the Parent Guarantor by way of Additional Equity, an amount equal to the lower of (i) the amount of the Restricted Payment and (ii) the amount of the Restricted Payment less the amount which could have been paid without breaching the Lock-Up Covenant on the basis of the relevant Compliance Certificate.

9.2 Equity Cure

No Event of Default shall occur under Condition 9.1 (ii) in the event that:

(i) a Compliance Certificate that for any period shows a Financial Covenant Ratio has been breached (a **Financial Covenant Breach**) includes a notice by the Issuer of an intention of the Parent Guarantor or the Senior Parent to apply the proceeds of an Equity Cure to cure the relevant Financial Covenant Breach;

(ii) the Subordinated Lender within 20 Business Days after delivery of that Compliance Certificate provides or procures the provision of Additional Equity in an amount at least sufficient to cure the relevant Financial Covenant Breach by its application to prepay, redeem or purchase the Junior Debt or as a loan to or subscription for shares in Intermediate HoldCo for the purpose of Intermediate HoldCo making a subordinated loan to or subscribing for shares in the Senior Parent for the Senior Parent to apply such amounts as an Equity Cure for the purposes of the Common Terms Agreement (the **Equity Cure**); and

(iii) the Issuer delivers to the Note Trustee a revised Compliance Certificate as provided above showing compliance with the Financial Covenant Ratios once such Equity Cure has been taken into account as set out below.

On application of the Equity Cure, the relevant Financial Covenant Ratio will be re-calculated by the Issuer on a *pro forma* basis as prescribed above as if the relevant Junior Debt had been prepaid, redeemed and/or purchased at the start of the previous Test Period or, if applied as a loan to or a subscription for shares in Intermediate HoldCo for the above purposes, as if it had been so applied at the start of the previous Test Period. If, after the relevant Financial Covenant Ratio is re-calculated on such basis, the breach has been cured, the relevant Financial Covenant Ratio shall be deemed to have been satisfied on the relevant Test Date as though no Financial Covenant Breach had ever occurred and the related Financial Covenant Breach shall be deemed not to have occurred (as applicable).

The right to utilise the Equity Cure will be limited to a maximum of three Test Dates in any rolling 60 month period and may not be in respect of consecutive Test Dates.

9.3 Delivery of an Issuer Acceleration Notice

If any Event of Default occurs the Note Trustee: (i) may, at any time, at its discretion and (ii) shall, upon being so directed in writing by the holders of at least one-quarter in aggregate Outstanding Principal Amount of any class of the Notes then outstanding or if so directed by an Extraordinary Resolution of any class of the Noteholders deliver a notice (the **Issuer Acceleration Notice**) to the Issuer provided that, in both cases, it is indemnified and/or secured and/or prefunded to its satisfaction (but, in the case of the happening of any of the events described in Condition 9.1 (iii), only if the Note Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders).

Upon delivery of an Issuer Acceleration Notice, the Notes then outstanding shall thereby immediately become due and repayable at their respective Outstanding Principal Amount plus accrued but unpaid interest as provided in the Note Trust Deed.

9.4 Confirmation of no Event of Default

The Issuer, pursuant to the terms of the Note Trust Deed, shall provide written confirmation to the Note Trustee, on an annual basis (and at any other time on the request of the Note Trustee), that no Event of Default have occurred.

9.5 Consequences of the delivery of an Issuer Acceleration Notice

Upon delivery of an Issuer Acceleration Notice in accordance with Condition 9.3 (*Delivery of an Issuer Acceleration Notice*) the Transaction Security shall become enforceable by the Security Trustee in accordance with the Intercreditor Agreement and the Intermediate HoldCo Security shall become enforceable by the Intermediate HoldCo Security Trustee in accordance with the Intermediate HoldCo Intercreditor Agreement.

10. ENFORCEMENT AGAINST ISSUER, GUARANTORS AND INTERMEDIATE HOLDCO

The Note Trustee may, at any time, at its discretion and without notice, take such action under or in connection with any of the Transaction Documents as it may think fit (including, without limitation, directing the Security Trustee to take any action under or in connection with any of the Transaction Documents or, after the occurrence of an Event of Default, (subject to the Intercreditor Agreement) to take steps to enforce the Transaction Security and (subject to the Intermediate HoldCo Intercreditor Agreement) directing the Security Trustee to direct the Intermediate HoldCo Security Trustee to take steps to enforce the Intermediate HoldCo Security), provided that:

- (i) the Note Trustee shall not be bound to take any such action unless it shall have been so directed by an Extraordinary Resolution of the Noteholders or so directed in writing by the holders of at least one-quarter in aggregate Outstanding Principal Amount of the Notes;
- (ii) (except where expressly provided otherwise) the Security Trustee shall not, and shall not be bound to, take any such action unless it shall have been so directed by (i) the Note Trustee and/or (ii) any or all of the Secured Creditors (other than the Note Trustee and the Noteholders) in accordance with the Intercreditor Agreement;
- (iii) (except where expressly provided otherwise) the Intermediate HoldCo Security Trustee shall not, and shall not be bound to, take any such action unless it shall have been so directed in accordance with the Intermediate HoldCo Intercreditor Agreement by the Instructing Group (as defined therein); and
- (iv) neither the Note Trustee nor the Security Trustee nor the Intermediate HoldCo Security Trustee shall be bound to take any such action unless it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Noteholder or other Secured Creditor is entitled to take any action against the Issuer or against any assets of the Issuer to enforce its rights in respect of the Notes or to enforce any of the Transaction Security unless the Note Trustee or, as the case may be, the Security Trustee, having become bound so to proceed, fails or neglects to do so within a reasonable period and such failure or neglect is continuing.

11. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect thereof.

12. REPLACEMENT OF NOTES

If any Note is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws and requirements of the Luxembourg Stock Exchange, at the specified office of the Principal Paying Agent or, as the case may be, the Registrar, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

13. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

13.1 Meetings of Noteholders, Modifications and Waiver

The Note Trust Deed contains provisions for convening meetings of holders of one or more classes of the Notes, to consider matters affecting their interests, including the modification of these Conditions,

the Note Trust Deed and any other Transaction Document and any other document to which the Note Trustee is a party or in relation to which the Security Trustee or the Intermediate HoldCo Security Trustee holds security. Subject to Condition 13.2 (*Modification and waiver*), any modification may (except in relation to any matter that has the effect of changing or which relates to (i) the requirements to redistribute any recoveries made other than in accordance with the priority of payments; (ii) the priority of payments and/or the subordination arrangements; or (iii) the right to give instructions to the Security Trustee and subject to the provisions concerning meetings of particular combinations of classes of Notes as set out in this Condition 13 and the Note Trust Deed) be made if sanctioned by a resolution passed at a meeting or meetings of the Noteholders of the relevant class or classes duly convened and held in accordance with the Note Trust Deed by a majority of not less than three-quarters of the votes cast (an **Extraordinary Resolution**) of such Noteholders. Such a meeting may be convened by the Note Trustee or the Issuer and shall be convened by the Issuer upon the request in writing of the Noteholders holding not less than one-tenth of the aggregate Outstanding Principal Amount of the outstanding Notes of the relevant class.

The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing not less than 50% of the aggregate Outstanding Principal Amount of the relevant outstanding Notes or, at any adjourned meeting, one or more persons being or representing Noteholders, whatever the Outstanding Principal Amount of the relevant outstanding Notes held or represented, provided, however, that certain proposals (the **Basic Terms Modifications**) in respect of any particular class of Notes, being any proposal:

- (i) to change any date fixed for payment of principal or interest in respect of such Notes, to change the amount of principal or the rate of interest payable on any date in respect of such class of Notes or (other than as specified in Conditions 6 (*Redemption, Purchase and Cancellation*) and 7 (*Payments*)) to alter the method of calculating the amount of any payment in respect of such Notes on redemption or maturity;
- (ii) other than pursuant to Condition 13.2 (*Modification and waiver*), to effect the exchange, conversion or substitution of such Notes for, or their conversion into shares, Notes or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed and/or for cash;
- (iii) to change the currency in which amounts due in respect of such Notes are payable other than pursuant to redenomination into euro pursuant to Condition 17 (*European Economic and Monetary Union*);
- (iv) to change the quorum required at any meeting or the majority required to pass an Extraordinary Resolution;
- (v) the sanctioning of any such scheme or proposal or substitution as is described in paragraphs 20(i) and 20(j) of Schedule 5 of the Note Trust Deed; or
- (vi) to amend this definition or this Condition 13,

may be sanctioned only by an Extraordinary Resolution passed at a meeting of holders of such class of Notes at which one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate Outstanding Principal Amount of the relevant outstanding Notes form a quorum. Any resolution duly passed at any such meeting shall be binding on all the relevant Noteholders whether present or not.

In addition, a resolution in writing signed by or on behalf of the holders of not less than 75% or (in the case of any Basic Terms Modification) 90% of the aggregate Outstanding Principal Amount of the relevant class or classes of Notes will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more relevant Noteholders.

A meeting of such Noteholders will also have the power (exercisable by Extraordinary Resolution) to advise or instruct the Note Trustee (including to instruct the Note Trustee to instruct the Security Trustee or to instruct the Security Trustee to instruct the Intermediate HoldCo Security Trustee) in connection with the exercise by the Note Trustee and/or the Security Trustee (at the direction of the Note Trustee) and/or the Intermediate HoldCo Security Trustee (at the direction of the Security Trustee at the direction of the Note Trustee), as the case may be, of any of their rights, powers and discretions under the Note Trust Deed, the Security Agreement, the Intermediate HoldCo Security Agreement or the other Transaction Documents including to appoint any persons (whether Noteholders or not) as a committee to represent the interests of such Noteholders and to confer upon such committee any powers which such Noteholders could themselves exercise by Extraordinary Resolution.

For the avoidance of doubt, the provisions of articles 86 to 94-8 of the Luxembourg Act dated 10 August 1915 on commercial companies, as amended, shall not apply in respect of the Notes.

13.2 Modification and waiver

The Note Trustee may (subject to the terms of the Intercreditor Agreement), without the consent of the Noteholders or (subject as provided below) any other Secured Creditor, concur with, or direct the Security Trustee or direct the Security Trustee to direct the Intermediate HoldCo Security Trustee to concur with, the Issuer, any Guarantor, Intermediate HoldCo or any other relevant parties in making (i) any modification to these Conditions, Notes, the Note Trust Deed, the Security Agreement, the Intermediate HoldCo Security Agreement or the other Transaction Documents or other document to which the Note Trustee, the Security Trustee or the Intermediate HoldCo Security Trustee is a party or, in respect of which the Security Trustee or the Intermediate HoldCo Security Trustee holds security, if in the opinion of the Note Trustee such modification is made to correct a manifest error or is of a formal, minor or technical nature or (ii) any modification (other than a Basic Terms Modification) to these Conditions, Notes, the Note Trust Deed, the Security Agreement, the Intermediate HoldCo Security Agreement or the other Transaction Documents (subject as provided in the Intercreditor Agreement and the Intermediate HoldCo Intercreditor Agreement) or other document to which the Note Trustee, the Security Trustee or the Intermediate HoldCo Security Trustee is a party or in respect of which the Security Trustee or the Intermediate HoldCo Security Trustee holds security, if the Note Trustee is of the opinion that such modification is not materially prejudicial to the interests of the Noteholders then outstanding, provided that any modification that has the effect of changing or which relates to (i) the requirements to redistribute any recoveries made other than in accordance with the priority of payments; (ii) the priority of payments and/or the subordination arrangements; or (iii) the right to give instructions to the Security Trustee shall not be made without the consent of the Noteholders (in accordance with these Conditions), the Facility Providers and the Security Trustee. The Note Trustee, the Security Trustee and the Intermediate HoldCo Security Trustee are authorised to execute and deliver on behalf of each Secured Creditor other than the affected Secured Creditors all documentation required to implement such modification and such execution by the Note Trustee and/or the Security Trustee and/or the Intermediate HoldCo Security Trustee, as the case may be, shall bind each of the Noteholders and such Secured Creditors as if (in the case of such Secured Creditors) such documentation had been duly executed by it.

The Note Trustee may, without the consent of the Noteholders or (subject as provided below) any other Secured Creditor and without prejudice to its rights in respect of any subsequent breach or Event of Default, from time to time, and at any time but only if and in so far as in its opinion the interests of the Noteholders then outstanding shall not be materially prejudiced thereby, (subject to the terms of the Intercreditor Agreement) waive or authorise, or direct the Security Trustee or direct the Security Trustee to direct the Intermediate HoldCo Security Trustee to waive or authorise, any breach or proposed breach by the Issuer, any Guarantor, Intermediate HoldCo or any other relevant party of any of the covenants or provisions contained in these Conditions or the Note Trust Deed or the other

Transaction Documents or other document to which the Note Trustee, the Security Trustee or the Intermediate HoldCo Security Trustee is a party or in respect of which the Security Trustee or the Intermediate HoldCo Security Trustee holds security, or determine that any event which would otherwise constitute an Event of Default shall not be treated as such for the purposes of the Note Trust Deed, provided that, to the extent such event, matter or thing relates to a matter or thing that has the effect of changing or which relates to (i) the requirements to redistribute any recoveries made other than in accordance with the priority of payments; (ii) the priority of payments and/or the subordination arrangements; or (iii) the right to give instructions to the Security Trustee, shall not be made without the consent of the Noteholders (in accordance with these Conditions), the Facility Providers and the Security Trustee and provided further that the Note Trustee shall not exercise such powers in contravention of the Intercreditor Agreement, of any express direction given by Extraordinary Resolution of the holders of the Notes then outstanding or of a request in writing made by holders of not less than one-quarter in aggregate of the principal amount of the Notes then outstanding (but no such direction or request shall affect any waiver, authorisation or determination previously given or made) or so as to authorise or waive any proposed breach or breach relating to any matter which is the subject of a Basic Terms Modification.

Any such modification, waiver, authorisation or determination may be given or made on such terms and subject to such conditions (if any) as the Note Trustee may determine, shall be binding on the Noteholders and the other Secured Creditors and, unless the Note Trustee agrees otherwise, notice thereof shall be given by the Issuer to the Noteholders in accordance with Condition 15 (*Notices*) as soon as practicable thereafter.

Notwithstanding that none of the Note Trustee, the Security Trustee, the Intermediate HoldCo Security Trustee, the Noteholders or the other Secured Creditors has any right of recourse against the Rating Agencies in respect of any confirmation from the Rating Agencies which is relied upon by the Note Trustee, the Security Trustee or the Intermediate HoldCo Security Trustee, as the case may be, and the Note Trustee, the Security Trustee and the Intermediate HoldCo Security Trustee shall be entitled to assume, for the purposes of exercising any power, trust, authority, duty or discretion under or in relation to the Notes, the Note Trust Deed, any other Transaction Documents or any other document to which the Note Trustee, the Security Trustee or the Intermediate HoldCo Security Trustee is a party or in respect of which the Security Trustee or the Intermediate HoldCo Security Trustee holds security, that such exercise will not be materially prejudicial to the interests of the Noteholders if the Rating Agencies have provided confirmation that such exercise will not have an adverse effect on the then ratings of the Notes. Without prejudice to the foregoing, the Noteholders are deemed to agree for the benefit of the Rating Agencies only that a credit rating is, however, an assessment of credit and does not address other matters that may be of relevance to Noteholders. The Note Trustee, the Security Trustee, the Intermediate HoldCo Security Trustee and the Noteholders agree and acknowledge that being entitled to rely on the fact that the Rating Agencies have delivered confirmation that the ratings of their Notes will not be adversely affected does not impose or extend any actual or contingent liability for the Rating Agencies to the Note Trustee, the Security Trustee, the Intermediate HoldCo Security Trustee, the Noteholders, any other Secured Creditor or any other person or create any legal relations between the Rating Agencies and the Note Trustee, the Security Trustee, the Intermediate HoldCo Security Trustee, the Noteholders, any other Secured Creditor or any other person whether by way of contract or otherwise.

13.3 Substitution of the Issuer

The Note Trustee may without the consent of the Noteholders at any time agree with the Issuer to the substitution in place of the Issuer (or of the previous substitute under this Condition) as the principal debtor under the Notes and the Note Trust Deed of any holding company of the Issuer, any Subsidiary of such holding company or any Subsidiary of the Issuer (such substituted company being hereinafter called the **New Company**) provided that a trust deed is executed or some other form of undertaking is

given by the New Company in form and manner, satisfactory to the Note Trustee, agreeing to be bound by the provisions of the Note Trust Deed and these Conditions with any consequential amendments which the Note Trustee may deem appropriate as fully as if the New Company had been named as the principal debtor in place of the Issuer (or of the previous substitute under this Condition 13.3) and provided further that except where all of the assets and undertakings of the Issuer are transferred to the New Company the Issuer unconditionally and irrevocably guarantees all amounts payable under the Notes to the satisfaction of the Note Trustee.

The following further conditions shall apply to substitution of the Issuer as set out above:

- (i) the New Company is a single purpose company similar to, and with like constitution as, and having substantially the same restrictions and prohibitions on its activities and operations as the Issuer, and undertakes to be bound by provisions corresponding to those set out in these Conditions;
- (ii) the Note Trustee is satisfied that in accordance with all applicable requirements of law and regulatory directions:
 - (A) the New Company has obtained all governmental and regulatory approvals and consents necessary for its assumption of liability as principal debtor in respect of the Notes and the other Secured Liabilities of the Issuer; and
 - (B) such approvals and consents are at the time of substitution in full force and effect;
- (iii) the Issuer and the New Company shall comply with such other requirements as the Note Trustee may direct in the interests of the Noteholders;
- (iv) (where applicable) Condition 6.3 (*Redemption for Taxation or Other Reasons*) shall be modified accordingly;
- (v) undertakings or covenants shall be given by the New Company in terms corresponding to the provisions of these Conditions;
- (vi) without prejudice to the rights of reliance of the Note Trustee under paragraph (vii) below, the Note Trustee is satisfied that the relevant transaction is not materially prejudicial to the interests of the Noteholders; and
- (vii) if two directors of the New Company (or other officers acceptable to the Note Trustee) shall certify that the New Company is solvent both at the time at which the relevant transaction is proposed to be effected and immediately thereafter (which certificate the Note Trustee may rely upon absolutely), the Note Trustee shall not be under any duty to have regard to the financial condition, profits or prospects of the New Company or to compare the same with those of the Issuer or the previous substitute under this Condition 13.3, as applicable.

14. NOTE TRUSTEE PROTECTIONS

14.1 Trustee Considerations

The Note Trust Deed contains provisions for the indemnification of the Note Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction.

In connection with the exercise by the Note Trustee under these Conditions, the Note Trust Deed or the other Transaction Documents of its rights, powers, trusts, authorities and discretions (including any modification, consent, waiver or authorisation), the Note Trustee shall where it is required to have regard to the interests of the holders of the Notes, have regard to the general interests of the holders of

the Notes as a class and will not have regard to the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Note Trustee shall not be entitled to require from the Issuer, nor shall any Noteholders be entitled to claim from the Issuer or the Note Trustee, any indemnification or other payment in respect of any consequence (including any tax consequence) for individual Noteholders of any such exercise.

14.2 Reliance on certificates

The Note Trustee shall be entitled to rely absolutely on a certificate or report of any director of the Issuer in relation to any matter and to accept without liability any such certificate or report as sufficient evidence of the relevant fact or matter stated in such certificate.

15. NOTICES

Notices to holders of Notes will be posted to them at their respective addresses in the register and deemed to have been given on the date of posting. Other notices to Noteholders will be valid if published in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *Luxembourg Wort*) or if published on the Luxembourg Stock Exchange official website (www.bourse.lu). The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of the Luxembourg Stock Exchange and any other listing authority, stock exchange and/or quotation system on which the Notes are for the time being listed. Any such notice (other than to holders of Notes as specified above) shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

For Notes which are represented by Global Notes held on behalf of Euroclear or Clearstream, Luxembourg, notices may be given by delivery of the relevant notices to Euroclear or Clearstream, Luxembourg for communication to entitled account holders in substitution for the aforesaid mailing. So long as any Notes are listed on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, any such notice to the holders of the relevant Notes shall also be published in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxembourger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (www.bourse.lu), and, in connection with any redemption, the Issuer will notify the Luxembourg Stock Exchange of any change in the Outstanding Principal Amount of the Notes.

16. FURTHER NOTES AND NEW NOTES

16.1 Further Notes

The Issuer may, without the consent of the Noteholders, raise further funds, from time to time, on any date by the creation and issue of further notes (**Further Notes**) carrying the same terms and conditions in all respects (or in all respects except for the first Interest Period) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, any class of the Notes provided that:

- (a) the aggregate principal amount of all Further Notes to be issued on such date is not less than £5,000,000;
- (b) any Further Notes are assigned the same ratings as are then applicable to the class of Notes with which they are to be consolidated and form a single series;
- (c) the ratings of each class of Notes at that time outstanding are not downgraded, withdrawn or qualified as a result of such issue of Further Notes and none of such ratings is lower than it was upon the date of issue of any of the Notes;

(d) an amount equal to the aggregate principal amount of such Further Notes will be on-lent by the Issuer pursuant to the provisions of the Intercompany Loan Agreement; and

(e) application will be made, in respect of the Further Notes, for such notes to be admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange and listed on the official list of the Luxembourg Stock Exchange or, if the Notes then issued are no longer admitted to trading on that exchange, such exchange, if any, on which the Notes then issued are then admitted to trading on.

16.2 New Notes

The Issuer may, without the consent of the Noteholders, raise further funds, from time to time and on any date, by the creation and issue of new notes (**New Notes**) which may rank *pari passu* with the Notes and which may have terms and conditions which differ from the Notes and which do not form a single series with any class of the Notes provided that the conditions to the issue of Further Notes as set out in Condition 16.1(a), (c), (d) and (e) are satisfied, *mutatis mutandis*, in respect of such issue of New Notes.

16.3 Supplemental trust deeds and security

Any such Further Notes or New Notes will be constituted by a further deed or deeds supplemental to the Note Trust Deed and have the benefit of the security constituted by the Security Agreement. Any of the Transaction Documents may be amended as provided in Condition 13 (*Meetings of Noteholders, Modification, Waiver and Substitution*) or otherwise, and further Transaction Documents may be entered into, in connection with the issue of such Further Notes or New Notes and the claims of any of the parties to any amended Transaction Document or any further Transaction Document may rank ahead of, *pari passu* with, or behind, any class or classes of the Notes, provided, in each case, that the condition set out in Condition 16.1(c) is satisfied, *mutatis mutandis*.

17. EUROPEAN ECONOMIC AND MONETARY UNION

17.1 Notice of redenomination

The Issuer may, without the consent of the Noteholders, and on giving at least 30 days' prior notice to the Noteholders, the Note Trustee and the Principal Paying Agent, designate a date (the **Redenomination Date**), being an Interest Payment Date under the Notes falling on or after the date on which the UK becomes a Participating Member State.

17.2 Redenomination

Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

(i) the Notes shall be deemed to be redenominated into euro in the denomination of €0.01 with a principal amount for each Note equal to the principal amount of that Note in sterling, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty establishing the European Union, as amended (including compliance with rules relating to rounding in accordance with European Community regulations), provided, however, that, if the Issuer determines, with the agreement of the Note Trustee, that the then current market practice in respect of the redenomination into €0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the Luxembourg Stock Exchange and any stock exchange (if any) on which the Notes are then listed and the Principal Paying Agent of such deemed amendments;

(ii) if Notes have been issued in definitive form:

(A) all Notes will become void with effect from the date (the **Euro Exchange Date**) on which the Issuer gives notice (the **Euro Exchange Notice**) to the Noteholders and the Note Trustee that replacement Notes denominated in euro are available for exchange (provided that such Notes are available) and no payments will be made in respect thereof;

(B) the payment obligations contained in all Notes will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 17) shall remain in full force and effect; and

(C) new Notes denominated in euro will be issued in exchange for the Notes in such manner as the Principal Paying Agent or the Registrar, as the case may be, may specify and as shall be notified to the Noteholders in the Euro Exchange Notice;

(iii) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as sterling ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Participating Member State; and

(iv) a Note may only be presented for payment on a day which is a business day in the place of presentation.

17.3 Interest

Following redenomination of the Notes pursuant to this Condition 17:

(i) where Notes have been issued in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes presented for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest €0.01; and

(ii) the amount of interest payable in respect of the Notes for any Interest Period shall be calculated by applying the Interest Rate applicable to the Notes denominated in euro ranking *pari passu* to the Notes.

18. MISCELLANEOUS

18.1 Governing law

The Notes, the Note Trust Deed, the Security Agreement, the Intermediate HoldCo Security Agreement and the other Transaction Documents and any non-contractual obligations arising out of or in connection with them shall be governed by, and shall be construed in accordance with, English law.

18.2 Jurisdiction

The Issuer irrevocably agrees, for the benefit of the Note Trustee and the Noteholders that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Note Trust Deed and/or the Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with the Note Trust Deed and/or the Notes) and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.

18.3 Third Party Rights

No person shall have any right to enforce any term or condition of the Notes or the Note Trust Deed under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18.4 Rights Against Issuer

Under the Note Trust Deed, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to interests in the Notes will (subject to the terms of the Note Trust Deed) acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Note became void, they had been the registered holders of Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear or Clearstream, Luxembourg (as the case may be).

18.5 Clearing System Accountholders

References in these Conditions of the Notes to **Noteholder** are references to the person shown in the register as the holder of the Global Note.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg, as the case may be, as being entitled to an interest in a Global Note (each an **Accountholder**) must look solely to Euroclear and/or Clearstream, Luxembourg (as the case may be) for such Accountholder's share of each payment made by the Issuer to such Accountholder and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note will be determined by the respective rules and procedures of any relevant Clearing System (as the case may be) from time to time. For so long as the relevant Notes are represented by a Global Note, Accountholders shall have no claim directly against the Issuer or in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the registered holder of the Global Note.

19. DEFINITIONS

In these Conditions, the following expressions shall have the following meanings:

ABHL means Arqiva Broadcast Holdings Limited (formerly Macquarie UK Broadcast Holdings Limited);

Acceptable Bank means:

- (i) a bank or financial institution which has a rating for its long term unsecured debt obligations of A- or higher by S&P or Fitch or A3 or higher by Moody's or a comparable rating from an internationally recognised credit rating agency; or
- (ii) any other bank or financial institution selected by the Issuer and approved by the Note Trustee;

Accounting Principles means accounting principles, policies, standards, bases and practices which, from time to time, are generally accepted under UK GAAP or IFRS;

Additional Equity means (in each case in addition to such amounts subscribed, committed or incurred on or before the Issue Date or the relevant Test Date):

- (i) any amount subscribed by AF No 3 in cash for shares in the Parent Guarantor or any other form of capital contribution in cash to the Parent Guarantor by AF No 3 (which is not Financial Indebtedness and provided that repayment (if any) of such amounts is subject to the terms of the Note Trust Deed and the other Transaction Documents); or

(ii) the incurrence of Subordinated Debt by the Parent Guarantor (in its capacity as the Subordinated Borrower) from AF No 3 (in its capacity as the Subordinated Lender) (subject to the terms of the Intercreditor Agreement);

Administrative Parties means the Note Trustee, the Security Trustee, any Facility Agent and their replacements or successors;

AF No 3 means Arqiva Financing No 3 plc (formerly Macquarie UK Broadcast Service plc), a company incorporated in England and Wales with limited liability (registered number 05253998);

Applicable Premium means, with respect to any Note redeemed on any Interest Payment Date, the greater of:

(a) 1.0% of the principal amount of the Notes; or

(b) the excess of:

(i) the present value at such Interest Payment Date of (1) the Outstanding Principal Amount of such Notes, plus (2) all required interest payments due on the Notes through to 31 March 2016 (excluding accrued but unpaid interest to such Interest Payment Date), computed using a discount rate equal to the Gilt Rate as of such Interest Payment Date plus 50 basis points; over

(ii) the Outstanding Principal Amount of the Notes.

Authorised Investments means investments in Cash Equivalents or, for the purposes of Condition 4.6(i), has the same meaning as for the purposes of the Common Terms Agreement;

Beneficial Owner has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the Exchange Act), such “person” will be deemed to have beneficial ownership of all securities that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The term “**Beneficially Owns**” and “**Beneficially Owned**” have a corresponding meaning;

Business Day means a day (other than a Saturday or Sunday) on which banks are open for general business in London;

Capex has the same meaning as for the purposes of the Common Terms Agreement;

Cash means cash deposits with any bank or financial institution (including, for the avoidance of doubt, any cash deposits standing to the credit of the Liquidity Reserve Account), other than any cash deposits standing to the credit of the Minimum Maintenance Capex Reserve Account;

Cashflow means, for any Test Date, Net Cash Flow during the Test Period ending on (and including) such Test Date (without double counting):

(i) plus any insurance proceeds related to business interruption (where to be applied to cover operating losses in respect of which the relevant insurance claim was made) and third party liability received by a member of the Group (to the extent such amounts are not subsequently paid to a third party);

(ii) plus any Finance Lease payments in respect of interest payable and equivalent financial charges included in Net Cash Flow; and

(iii) plus any dividends or other distributions received in cash by any Group Company from any entity which is not a Group Company, including any cash receipts from joint ventures,

in each case during the Test Period ending on (and including) such Test Date;

Cash Equivalents means at any time:

- (i) certificates of deposit maturing within one year after the relevant date of calculation, issued by an Acceptable Bank;
- (ii) any investment in marketable securities issued or guaranteed by the government of the United States of America, the United Kingdom, France or Germany or by an instrumentality or agency of any of them having an equal credit rating which:
 - (A) matures within one year after the relevant date of calculation; and
 - (B) is not convertible to any other security;
- (iii) commercial paper not convertible to any other security:
 - (A) for which a recognised trading market exists;
 - (B) issued in the United States of America, the United Kingdom, France or Germany;
 - (C) which matures within one year after the relevant date of calculation; and
 - (D) which has a credit rating of or higher than either A-1 by S&P or F-1 by Fitch or P-1 by Moody's or, if no rating is available in respect of such commercial paper, the issuer of which has, in respect of its long-term unsecured debt obligation, an equivalent rating;
- (iv) sterling bills of exchange eligible for rediscount at the Bank of England and accepted by an Acceptable Bank (or any dematerialised equivalent);
- (v) investments accessible within 30 days in money market or liquid funds which:
 - (A) have a credit rating of or higher than either A-1 by S&P or F-1 by Fitch or P-1 by Moody's; and
 - (B) invest substantially all their assets in securities of the types described in paragraphs (i) to (iv) above; or
- (vi) any other debt security or investment approved by the Security Trustee acting in accordance with instructions under and in accordance with the Intercreditor Agreement,

in each case, which is not issued or guaranteed by any Group Company or subject to any Security Interest (other than any Security Interest securing Senior Debt or Junior Debt) or, for the purposes of Condition 4.6(i), has the same meaning as for the purposes of the Common Terms Agreement;

CEA means the U.S. Commodity Exchange Act, as amended;

Change of Control means:

- (a) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Parent Guarantor and its Subsidiaries, taken as a whole, to any Person (including any "person" (as that term is used in Section 13(d)(3) of the United States Exchange Act of 1934, as amended)) other than a Subsidiary or one or more Shareholder Controllers/Affiliates;
- (b) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that (i) any Person (including any "person" as defined above), other than one or more of the Shareholder Controllers/Affiliates, becomes the Beneficial Owner, directly or indirectly, of shares with the right to vote more than 50% of the issued share capital of the Parent Guarantor, measured by number of shares;

(c) the adoption of a plan relating to liquidation or dissolution of the Parent Guarantor or the Issuer;
or

(d) the Parent Guarantor ceases to Beneficially Own, directly or indirectly, shares with the right to vote 100% of the issued share capital of the Issuer;

Common Terms Agreement means the common terms agreement dated 22 February 2013 entered into by (among others) Arqiva Financing No 1 Limited as a Senior Obligor and applying in respect of the facilities entered into by it;

Debt Document has the meaning given to that term in the Intercreditor Agreement;

Debtor means each of the Parent Guarantor, the Intermediate Guarantor and the Issuer;

Distribution Compliance Period means the period that ends 40 days after the completion of the distribution of each class of Notes, as certified by the relevant Joint Global Coordinator and Joint Bookrunner;

EBITDA means, for any Test Date, the consolidated earnings of the Group calculated in accordance with UK GAAP during the Test Period ending on (and including) such Test Date before (and without double counting):

- (i) the deduction of taxation;
- (ii) the deduction of any interest, commission, fees, discounts, prepayment fees, premiums or charges and other payments in the nature of a finance charge whether paid, payable or capitalised by any Group Company (calculated on a consolidated basis);
- (iii) the addition of interest receivable;
- (iv) the deduction of any amount attributable to amortisation of goodwill or other intangible assets and any deduction for depreciation or impairment;
- (v) the deduction or addition (as applicable) of any non-cash charges resulting from fair value adjustments and mark-to-market adjustments;
- (vi) the deduction of any non-cash charges relating to long-term compensation schemes;
- (vii) taking into account any non-cash charges relating to recognition of pension plan deficits; and
- (viii) taking into account fair value gains or losses on any financial instrument other than any derivative instrument which is accounted for on a hedge accounting basis,

and after adjusting to (a) exclude exceptional items which shall include (but not be limited to) transaction costs, integration costs, separation costs, restructuring costs, reorganisation costs and other one-off expenditure and (b) deduct (A) any amounts paid by a member of the Senior Financing Group to a Subsidiary of ABHL which is not a member of the Group pursuant to paragraph (e) of the definition of Restricted Payment (as defined in the Common Terms Agreement) or (B) any amounts paid by an Obligor to a Non-Group Company pursuant to paragraph (ii) of the definition of Permitted Payments;

Existing Bank Facilities has the same meaning as for the purposes of the Common Terms Agreement;

Existing Hedges has the same meaning as for the purposes of the Common Terms Agreement;

Facility Agent means any entity which has become a party to the Intercreditor Agreement and the Intermediate HoldCo Intercreditor Agreement as a facility agent (or any equivalent term) in accordance with the provisions of the Intercreditor Agreement and the Intermediate HoldCo Intercreditor Agreement;

Facility Agreement means any facility agreement entered into by the Issuer, a Facility Provider and a Facility Agent;

Facility Provider means any entity which has become a party to the Intercreditor Agreement and the Intermediate HoldCo Intercreditor Agreement as a facility provider or lender (or any equivalent term) in accordance with the provisions of the Intercreditor Agreement and the Intermediate HoldCo Intercreditor Agreement;

Finance Lease has the same meaning as for the purposes of the Common Terms Agreement;

Financial Indebtedness means (without double counting) any indebtedness of any Group Company for or in respect of:

- (i) moneys borrowed or raised (whether or not for cash);
- (ii) any amounts drawn under acceptance credit or bill discounting facility;
- (iii) any bond, note, debenture, loan stock or other similar instrument;
- (iv) any Finance Lease;
- (v) any share in any Group Company which is not held by another Group Company and which is capable of redemption prior to the Maturity Date of any Notes;
- (vi) the acquisition cost of any asset or service to the extent payable after its acquisition or possession by the party liable where one of the primary reasons for which the deferred payment is arranged is as a method of raising finance or financing the acquisition or construction of that asset or the supply of that service (but excluding trade credit on customary commercial terms) or is due more than six months after the date of acquisition or supply;
- (vii) receivables sold or discounted (other than on a non-recourse basis);
- (viii) net liability under any Treasury Transaction including, for the avoidance of doubt, any portion in respect of accretion (but excluding any mark-to-market);
- (ix) any other transaction which has the commercial effect of a borrowing or otherwise is treated as such under Accounting Principles;
- (x) any counter indemnity obligation in respect of any guarantee, indemnity, bond, letter of credit or any other instrument issued by a bank or financial institution in respect of an underlying liability of any person which is of the nature referred to above; and
- (xi) any guarantee in respect of an underlying liability of any person which is of the nature referred to in the above paragraphs (but excluding any Permitted Guarantee),

provided that:

- (A) any amount owed by one Group Company to another Group Company shall not be taken into account;
- (B) any amounts outstanding under any Subordinated Debt shall not be taken into account; and
- (C) any pension deficit shall not be taken into account;

Financial Statistics means financial statistics published monthly by the Office for National Statistics and containing information on, among other things, public sector finance and money supply and credit in the United Kingdom;

Financial Year means the annual accounting period of the Group ending on or about 30 June in each year;

Fitch means Fitch Ratings Ltd.;

Gilt Rate means, with respect to any Interest Payment Date that any Note is redeemed, the yield to maturity as of such Interest Payment Date of UK Government Securities with a fixed maturity (as compiled by the Office for National Statistics and published in the most recent Financial Statistics that have become publicly available at least two Business Days in London prior to such Interest Payment Date (or, if such Financial Statistics are no longer published, any publicly available source of similar market date)) most nearly equal to the period from such redemption date to 31 March 2016; *provided, however*, that if the period from such Interest Payment Date to 31 March 2016 is less than one year, the weekly average yield on actually traded UK Government Securities denominated in sterling adjusted to a fixed maturity of one year shall be used.

Global Notes means the Regulation S Global Note and the Rule 144A Global Note;

Group means the Parent Guarantor and its Subsidiaries;

Group Company means each company that is a member of the Group;

Hedges has the same meaning as for the purposes of the Common Terms Agreement;

Historic Cashflow ICR means, for each Test Date in respect of the Test Period ending on (and including) such Test Date, the ratio of Cashflow to Net Interest Payable;

Historic Net Debt to EBITDA Ratio means, for each Test Date in respect of the Test Period ending on (and including) such Test Date, the ratio of Net Debt to EBITDA (calculated on a *pro forma* basis to take into account the earnings from any asset acquired during the Test Period from the start of such Test Period and to exclude the earnings from any asset disposed of during the Test Period for the entire Test Period);

Holding Company means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary, except that for the definition of Permitted Tax Transaction only, Holding Company shall mean AF No 3 and ABHL only;

Inflation Linked Hedging Agreement has the same meaning as for the purposes of the Common Terms Agreement;

Intercreditor Agreement means the intercreditor agreement to be entered into on or before the Issue Date between, amongst others, the Obligors, the Note Trustee and the Security Trustee initially and from time to time any Facility Providers and any Facility Agents;

Intermediate HoldCo Common Documents means the Intermediate HoldCo Security Agreement and the Intermediate HoldCo Intercreditor Agreement;

Intermediate HoldCo Documents means the Intermediate HoldCo Subordinated Guarantee and the Intermediate HoldCo Common Documents;

Intermediate HoldCo Intercreditor Agreement means the intercreditor agreement relating to, amongst other things, the Intermediate HoldCo Subordinated Guarantee entered into on or before the Issue Date between, amongst others, Intermediate HoldCo, the Intermediate HoldCo Security Trustee and any Facility Providers initially and from time to time, any Facility Agents and any Senior FinCo Hedge Counterparties;

Intermediate HoldCo Security means the security in favour of the Intermediate HoldCo Security Trustee under or pursuant to the Intermediate HoldCo Security Agreement;

Intermediate HoldCo Security Agreement means the security agreement to be entered on or before the Issue Date into between Intermediate HoldCo and the Intermediate HoldCo Security Trustee;

Intermediate HoldCo Security Trustee means Deutsche Trustee Company Limited as security trustee under the Intermediate HoldCo Security Agreement;

Intermediate HoldCo Subordinated Guarantee means the subordinated guarantee to be entered into on or before the Issue Date from Intermediate HoldCo in favour of, amongst others, the Intermediate HoldCo Security Trustee and the Noteholders;

Intra Group Lenders means each Group Company which has made a loan available to, granted credit to or made any other financial arrangement having similar effect with, a Debtor and which is or becomes a party as an Intra Group Lender in accordance with the terms of Clause 18 (Changes to the Parties) of the Intercreditor Agreement;

Investors means (a) the Original Investor and (b) each party that enters into a creditor/creditor representative accession undertaking as an Investor in accordance with the Intercreditor Agreement;

Investor Documents means any agreement providing for a loan by an Investor to the Parent Guarantor and any other document or agreement providing for the payment of any amount by the Parent Guarantor to an Investor;

Junior Debt means any Financial Indebtedness of the Obligors that is not Subordinated Debt;

Legended Note means Notes (whether in definitive form or represented by a Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A which bear a legend specifying certain restrictions on transfer (a **Legend**);

Liquidity Reserve Account Bank means the bank at which the Liquidity Reserve Amount is held in accordance with the terms of the Intercreditor Agreement, which shall be an Acceptable Bank;

Lock-Up Covenant means the covenant under Condition 4.2 (*Lock-Up Covenant*);

Lock-Up Ratio means any ratio calculated pursuant to Condition 4.2 (i) or 4.2 (ii);

Maintenance Capex has the same meaning as for the purposes of the Common Terms Agreement;

Material Adverse Effect means a material adverse effect on:

- (i) the business, assets or financial condition of the Group taken as a whole;
- (ii) (taking into account the resources available to an Obligor from other Obligors and/or members of the Group and any guarantees given by other Obligors and/or members of the Group) the ability of such Obligor to perform any of its payment obligations under any of the Note Trust Deed and the other Transaction Documents; or
- (iii) the legality, validity or enforceability of any of the Note Trust Deed or the other Transaction Documents, in each case in a manner which is prejudicial to the interests of the Noteholders or the Secured Creditors;

Minimum Maintenance Capex Reserve Account has the same meaning as for the purposes of the Common Terms Agreement;

Minimum Maintenance Capex Spend Amount has the same meaning as for the purposes of the Common Terms Agreement;

Moody's means Moody's Investors Service Limited;

Net Cash Flow means, for any Test Date, EBITDA for such Test Date (and without double counting):

(i) less the greater of Maintenance Capex during the Test Period ending on (and including) such Test Date and the Minimum Maintenance Capex Spend Amount for the Test Period ending on (and including) such Test Date (which shall be the same as the Minimum Maintenance Capex Spend Amount for each Financial Year); and

(ii) less all amounts of corporation tax paid net of any tax rebate or refund for corporation tax during the Test Period ending on (and including) such Test Date;

Net Debt means, for any Test Date, the aggregate outstanding principal amount of Financial Indebtedness of the Group Companies, (excluding amounts under any Senior Hedging Agreements except to the extent as provided in paragraphs (i) to (iii) below) as at such Test Date (and without double counting):

(i) plus (for the avoidance of doubt) any accretion by indexation to the notional amount under any Senior Hedging Agreements and the accretion portion of any other Financial Indebtedness of the Group Companies;

(ii) plus in respect of any Senior Hedging Agreement, the amount (if any) that is payable by the Senior Borrower or Senior FinCo to the relevant Senior Hedge Counterparty if an Early Termination Date (as defined in the Senior Hedging Agreement) has been designated on or prior to such Test Date in respect of the transaction or transactions arising under the Senior Hedging Agreement and is outstanding on such Test Date;

(iii) in respect of two Senior Hedging Transactions, that are subject to and part of the same Senior Hedging Agreement, one of which is a Senior Offsetting Hedge in respect of the other or a portion thereof, the net amount which would be payable (if any) by the Senior Borrower or Senior FinCo to the Senior Hedge Counterparty if an Early Termination Date (as defined in the Senior Hedging Agreement) were to occur on such date with respect to both such Senior Hedging Transactions and with the Senior Borrower or Senior FinCo as sole Affected Party (as defined in the Senior Hedging Agreement);

(iv) less the aggregate amount of any such Financial Indebtedness purchased and held by any Group Company; and

(v) less Cash and Cash Equivalents held by any Group Company;

Net Interest Payable means, for any Test Date, the interest, fees (including commitment fees (but excluding, for the avoidance of doubt, any Senior Issuer/Borrower Facilities Fees and Senior FinCo/Borrower Facilities Fees (other than and therefore to be included in Senior Net Interest Payable, any amounts of the Senior FinCo/Borrower Facilities Fees to compensate Senior FinCo for any shortfall in (i) interest due and payable by Senior FinCo in respect of the Term Loans and (ii) amounts due and payable by Senior FinCo in respect of the Senior FinCo Hedges))), charges, commissions or equivalent finance charges that are paid, or payable (excluding, for the avoidance of doubt, non-cash charges and imputed interest) or accrued as an obligation of any Group Company in respect of the Financial Indebtedness of the Group Companies during the Test Period ending on (and including) such Test Date and all Finance Lease payments in respect of interest payable and equivalent financial charges during the Test Period ending on (and including) such Test Date, but (without double counting):

(i) excluding any upfront or amortised fees or costs;

(ii) excluding the fees and expenses of the Senior Administrative Parties and the Administrative Parties;

- (iii) excluding any break costs;
- (iv) excluding the mark-to-market under any Treasury Transactions;
- (v) excluding any interest or equivalent finance charge accrued in respect of Financial Indebtedness between Group Companies;
- (vi) excluding any interest or equivalent finance charge on deferred income or on unwinding a discounted liability;
- (vii) deducting any interest or equivalent finance charge receivable by any Group Company (after deducting applicable withholding tax) in respect of Cash or Cash Equivalents held by such Group Company;
- (viii) before taking into account fair value gains or losses on any financial instrument other than any derivative instrument which is accounted for on a hedge accounting basis and only to the extent gains and losses in the hedged item are also included in EBITDA;
- (ix) excluding any interest or equivalent finance charge which is capitalised, rolled up or deferred during such Test Period; and
- (x) excluding any fees, costs and expenses incurred in respect of the implementation of the refinancing of the Existing Bank Facilities and the Existing Hedges,

and taking into account any net payment or net receipt which is payable or receivable under any Senior Hedging Agreements (including, for the avoidance of doubt, any net payment and net receipt under any Inflation Linked Hedging Agreement (but excluding, for the avoidance of doubt, any accretions paid, payable or accruing under any Inflation Linked Hedging Agreements) and any mark-to-market termination payments under any Senior Hedging Agreements);

Non-Group Companies means AF No 3 and ABHL and any other subsidiaries of ABHL (excluding any Group Companies);

Obligors means the Issuer and the Guarantors;

Original Investor means AF No 3;

Outstanding Principal Amount means in respect of a Note the principal amount thereof as at the Issue Date as reduced by any payment of principal to the holder of such Note up to (and including) that time;

Participating Member State means any member state of the European Union that has the euro as its lawful currency in accordance with legislation of the European Union relating to Economic and Monetary Union;

Payment Amount means such amount as results from multiplying the amount of Tax losses surrendered by the full percentage rate of UK corporation tax in force for the accounting period in respect of which the surrender is made, provided that where there is more than one rate of corporation tax in force for an accounting period, the Payment Amount shall be calculated by reference to a weighted average of the corporation tax rates in force in such period calculated on a time basis;

Permitted Acquisitions has the same meanings as for the purposes of the Common Terms Agreement except that for the purposes of the proviso in paragraph (iv) "5%" shall be replaced with "7.5%";

Permitted Borrowings means:

- (i) in respect of the Intermediate Guarantor, borrowing under a loan made by Intermediate HoldCo or the Parent Guarantor;

(ii) in respect of the Parent Guarantor, borrowing under a loan made by the Intermediate Guarantor or an Intercompany Loan made by the Issuer or a Subordinated Loan; and

(iii) in respect of Intermediate HoldCo borrowing under a loan made by the Intermediate Guarantor or the Senior Parent;

Permitted Business has the same meaning as for the purposes of the Common Terms Agreement;

Permitted Disposals has the same meanings as for the purposes of the Common Terms Agreement except that for the purposes of the proviso in paragraph (iii) “5%” shall be replaced with “7.5%”;

Permitted Financial Indebtedness means Financial Indebtedness:

(i) arising under any Subordinated Debt;

(ii) arising under Permitted Borrowings;

(iii) arising under Permitted Loans;

(iv) arising under Permitted Guarantees;

(v) not otherwise restricted pursuant to Condition 4.4 (ix); and

(vi) which:

(A) is incurred on the Issue Date or is incurred only to refinance then existing Financial Indebtedness of the Obligors;

(B) when aggregated with (after the application of such Financial Indebtedness incurred for the purposes of refinancing any then existing Financial Indebtedness of the Obligors) the aggregate principal amount outstanding under then existing Financial Indebtedness of the Obligors does not exceed £600 million (or its equivalent in other currencies determined on the basis of the foreign exchange rate entered into by the relevant Obligor pursuant to a spot or forward foreign exchange contract entered into by such Obligor in respect of the principal amount of such Junior Debt or, if no such contract is entered into by the relevant Obligor, the spot rate of exchange for the purchase of the relevant currency with sterling in the London foreign exchange market on or about 11:00 am on the date on which the Financial Indebtedness was incurred and, in respect of any issue of New Notes, the spot rate of exchange for the purchase of the relevant currency with sterling in the London foreign exchange market on or about 11:00 am on the date of pricing of such New Notes);

(C) does not rank senior to the Notes;

(D) to the extent that it is secured, it is only made available to the Issuer or, as the case may be, any other Obligor (subject to the terms of the Intercreditor Agreement) once the relevant creditors (and/or their representative) have acceded to the Intercreditor Agreement and the Intermediate HoldCo Intercreditor Agreement; and

(E) at the time its incurrence would not result in a breach of any of the Lock-Up Covenants or result in the occurrence of an Event of Default as certified by the Parent Guarantor;

Permitted Guarantees means:

(i) any guarantee arising under, or which is permitted by, the Note Trust Deed and other Transaction Documents;

(ii) any guarantee arising under the Intermediate HoldCo Documents;

(iii) any guarantee given in respect of the netting or set-off arrangements permitted pursuant to the definition of Permitted Security; and

(iv) any guarantee of Financial Indebtedness which constitutes Permitted Financial Indebtedness;

Permitted Loans means, in respect of the Issuer, the Guarantors and Intermediate HoldCo:

- (i) a loan made by an Obligor to another Obligor (including the Intercompany Loans);
- (ii) any loan made by an Obligor to Intermediate HoldCo or by Intermediate HoldCo to the Intermediate Guarantor or to the Senior Parent; and
- (iii) any loan made by an Obligor or Intermediate HoldCo to any Holding Company or to any Subsidiary of any such Holding Company (other than a Group Company) or any Shareholder, provided that the making of each such loan shall be subject to compliance with the Lock-Up Covenant;

Permitted Payments means a payment by an Obligor or Intermediate HoldCo to any Holding Company or any Subsidiary of any such Holding Company (other than a Group Company) or any Shareholder (in each case other than pursuant to or in accordance with or permitted by the Note Trust Deed and the other Transaction Documents):

- (i) pursuant to a Permitted Tax Transaction; or
- (ii) so long as an Event of Default is not continuing or would not result therefrom, not otherwise permitted under paragraph (i) above if the amount of that payment when aggregated with the amount of all other payments under this paragraph (ii) does not exceed £5 million (or its equivalent) (as adjusted by the RPI on the first day of each Financial Year) in any consecutive twelve month period;

Permitted Reorganisations means the subscription for shares in, or reduction in the share capital of, any Obligor or Intermediate HoldCo as part of the reorganisation of the Group, provided that:

- (i) any payments made or assets distributed by an Obligor or Intermediate HoldCo as a result of such reorganisation are paid or distributed to another Obligor or Intermediate HoldCo or to the Senior Parent or, if by any Obligor or Intermediate HoldCo to any Holding Company or any Subsidiary of any such Holding Company (other than a Group Company) or any Shareholder comply with the Lock-Up Covenants;
- (ii) such reorganisation does not result in the direct shareholders, as at the Issue Date, of the entire issued share capital of each Obligor and Intermediate HoldCo ceasing to be the 100% direct shareholders of the entire issued share capital of such Obligor or Intermediate HoldCo (as the case may be);
- (iii) the same or equivalent security is provided after such reorganisation as is provided by the Obligors and Intermediate HoldCo before such reorganisation;

Permitted Security means:

- (i) any Security Interest created pursuant to or expressly contemplated in the Note Trust Deed or other Transaction Documents;
- (ii) any Security Interest created under or pursuant to the Intermediate HoldCo Common Documents or expressly contemplated by the Intermediate HoldCo Common Documents;
- (iii) any lien arising under statute or by operation of law and not as a result of a default by an Obligor or Intermediate HoldCo;

(iv) any payment or close out netting or set-off arrangement pursuant to any Permitted Treasury Transaction;

(v) any Security Interest created by an Obligor or Intermediate HoldCo in the ordinary course of its banking arrangements (including any netting or set-off arrangements, banker's liens or other security interests arising by operation of law or pursuant to the relevant bank's standard terms and conditions); and

(vi) any Security Interest permitted under the terms of the Intercreditor Agreement or the Intermediate HoldCo Intercreditor Agreement, or as otherwise agreed by the Security Trustee (acting in accordance with instructions received under the Intercreditor Agreement) or the Intermediate HoldCo Security Trustee (acting in accordance with instructions received under the Intermediate HoldCo Intercreditor Agreement) (as applicable);

Permitted Tax Transaction means any surrender of Tax losses or agreement relating to any tax benefit or relief (including, but not limited to, an election under section 171A of the Taxation of Chargeable Gains Act 1992) or any other agreement in relation to Tax (including, but not limited to, the payment of any balancing payment pursuant to and in accordance with the provisions of section 195 to 198 inclusive of the Taxation (International and Other Provisions) Act 2010 and the allocation of disallowances pursuant to Part 7 of that Act) between:

(i) two Obligors or an Obligor and Intermediate HoldCo;

(ii) an Obligor or Intermediate HoldCo and any Holding Company or any Subsidiary of any such Holding Company (not being an Obligor or Intermediate HoldCo), provided in the case of this subparagraph (ii) that:

(A) where the relevant transaction is a surrender of Tax losses (other than in the circumstances described in (C) below), this is for a sum at least equal to, in the case of a surrender by an Obligor or Intermediate HoldCo, or no more than, in the case of a surrender to an Obligor or Intermediate HoldCo, the Payment Amount;

(B) where the transaction is any transaction other than a surrender of Tax losses it leaves the Obligors and Intermediate HoldCo, taken together, in no worse net economic position (taking into account, without limitation, the overall net Tax position of the Obligors and Intermediate HoldCo) than they would have been in had the transaction not taken place; and

(C) where the relevant transaction is a surrender of Tax losses from an Obligor or Intermediate HoldCo to Senior FinCo or the Senior Borrower which Tax losses arise as a result of a corresponding adjustment in respect of a disallowance of deductions in the Senior Borrower or Senior FinCo under Part 4 Taxation (International and Other Provisions) Act 2010, the surrender may be made for no consideration;

Permitted Transactions means:

(i) any Authorised Investments (other than any securities issued by the Senior Issuer);

(ii) any Permitted Financial Indebtedness;

(iii) any Permitted Loans;

(iv) any Permitted Guarantees;

(v) any Permitted Security;

(vi) any Permitted Payments;

(vii) any Permitted Treasury Transactions;

- (viii) any Permitted Reorganisations;
- (ix) any Permitted Borrowings;
- (x) any Permitted Tax Transactions;
- (xi) any other transactions under or as permitted by the Note Trust Deed and the other Transaction Documents;
- (xii) any other transactions between Group Companies (including, but not limited to, any payments to Group Companies not otherwise prohibited under the Note Trust Deed (but excluding, for the avoidance of doubt, any Tax Transactions that are not Permitted Tax Transactions));
- (xiii) any transactions agreed to by the Note Trustee (if directed by an Extraordinary Resolution of the Noteholders);
- (xiv) any payments or other transactions set out in the Structure Memorandum;
- (xv) any Financial Indebtedness, Security Interest, guarantee or other transaction outstanding under or in connection with the Existing Bank Facilities;
- (xvi) any subscription by the Intermediate Guarantor for share capital in Intermediate HoldCo provided that the newly-issued shares become subject to the Transaction Security on the same terms as the existing shares in Intermediate HoldCo; and
- (xvii) the disposal of cash for a purpose not prohibited under the Transaction Documents;

Permitted Treasury Transactions means any Hedge and any Treasury Transaction that is not a Hedge, entered into for the purpose of hedging exposure to interest rates and foreign currency exchange rates arising in the ordinary course of the Arqiva Group's business (as applicable), but excluding any hedging for investment or speculative purposes;

Person means any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organisation or government or other entity;

Projected Test Period means each 12 month period commencing on (but excluding) a Test Date, commencing with the Test Date occurring on 30 June 2013;

QIB means a "qualified institutional buyer" within the meaning of Rule 144A;

Quasi Security means an arrangement or transaction whereby an Obligor would:

- (i) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by an Obligor or Intermediate HoldCo;
 - (ii) sell, transfer or otherwise dispose of any of its receivables on recourse terms;
 - (iii) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or
 - (iv) enter into any other preferential arrangement having a similar effect,
- in circumstances where the arrangement or transaction is entered into primarily as a method of, in each case, raising Financial Indebtedness or of financing the acquisition of an asset;

Rating Agencies means the relevant rating agencies that are appointed by the Issuer from time to time, being at the Issue Date, Fitch and Moody's;

Rating Downgrade Event has the same meaning as for the purposes of the Common Terms Agreement;

Regulation S means Regulation S under the Securities Act;

Regulation S Global Note means a Global Note representing Notes which are offered and sold to non-U.S. persons only outside the United States in reliance on Regulation S;

Regulation S Notes means those Notes which are offered and sold to non-U.S. persons only outside the United States in reliance on Regulation S;

Restricted Payments has the same meaning as for the purposes of the Common Terms Agreement;

RPI means UK Retail Price Index;

Rule 144A means Rule 144A under the Securities Act;

Rule 144A Global Note means a Global Note representing Notes which are offered and sold within the United States in reliance on Rule 144A only to persons that are QIBs, acting for their own account or for the account of one or more QIBs;

Rule 144A Notes means those Notes which are offered and sold within the United States in reliance on Rule 144A only to persons that are QIBs, acting for their own account or for the account of one or more QIBs;

S&P means Standard & Poor's Ratings Service;

Securities Act means the United States Securities Act of 1933, as amended;

Security Interest means any mortgage, pledge, lien, charge (fixed or floating), assignment, assignation, hypothecation, set-off or trust arrangement for the purpose of creating security, reservation or title or security interest, any arrangement giving rise to a Quasi Security or any other agreement or arrangement having a substantially similar effect;

Senior Administrative Parties has the same meaning as "Administrative Parties" for the purposes of the Common Terms Agreement;

Senior Borrower means Arqiva Financing No 1 Limited;

Senior Debt has the same meaning as for the purposes of the Common Terms Agreement;

Senior Financing Group means the Senior Group other than the Senior Issuer and Senior FinCo;

Senior FinCo means Arqiva Senior Finance Limited;

Senior FinCo Event of Default has the same meaning as "Event of Default" for the purposes of the Senior Term Facilities Agreement;

Senior FinCo Hedge Counterparties has the same meaning as "FinCo/Bank Hedge Counterparties" for the purposes of the Senior Term Facilities Agreement;

Senior FinCo Hedges has the same meaning as "FinCo/Bank Hedges" for the purposes of the Senior Term Facilities Agreement;

Senior FinCo Secured Creditors means the Senior FinCo Security Trustee, the Senior Term Facility Providers, the Senior Term Facilities Agent and the Senior FinCo Hedge Counterparties and the other secured creditors of Senior FinCo who have acceded to, and in accordance with, the STID and the Common Terms Agreement;

Senior FinCo Security Trustee means Deutsche Trustee Company Limited, or any successor thereto, or any other or additional trustee and all other persons for the time being appointed to act as security trustee for the Senior FinCo Secured Creditors;

Senior Group means the Senior Parent and its Subsidiaries;

Senior Hedge Counterparty has the same meaning as “Hedge Counterparty” in the Common Terms Agreement;

Senior Hedging Agreement has the same meaning as “Hedging Agreement” for the purposes of the Common Terms Agreement;

Senior Hedging Transaction means each transaction under a Senior Hedging Agreement;

Senior Intermediate Parent means Arqiva Group Intermediate Limited (registered number 08126989), a company with limited liability incorporated under the laws of England and Wales;

Senior Issuer means Arqiva Financing plc;

Senior Issuer/Borrower Facilities means the facilities pursuant to which the proceeds of Senior Secured Notes are on-lent by the Senior Issuer to the Senior Borrower;

Senior Issuer/Borrower Facilities Agreement has the same meaning as “Issuer/Borrower Facilities Agreement” in the Common Terms Agreement;

Senior Issuer/Borrower Interest Payment Date means, in respect of the Senior Issuer/Borrower Facilities, the interest payment dates set out in the applicable Senior Issuer/Borrower Loan Tranche Supplement;

Senior Issuer/Borrower Loan Tranche Supplement means a loan tranche supplement substantially in the form set out in Schedule 2 (Form of Issuer/Borrower Loan Tranche Supplement) to the Senior Issuer/Borrower Facilities Agreement;

Senior Modified Net Debt to EBITDA Ratio has the same meaning as “Modified Net Debt to EBITDA Ratio” for the purposes of the Common Terms Agreement;

Senior Note Trust Deed means the trust deed constituting the Senior Secured Notes dated on or about the Senior Signing Date between, the Senior Issuer and the Senior Note Trustee, and any deed supplemental thereto;

Senior Note Trustee means Deutsche Trustee Company Limited, or any other or additional trustee and all other persons for the time being appointed pursuant to the Senior Note Trust Deed to act for and on behalf of the holders of the Senior Secured Notes;

Senior Obligor Event of Default has the same meaning as “Obligor Event of Default” for the purposes of the Common Terms Agreement;

Senior Obligors means those Senior Financing Group Companies party to the Common Terms Agreement as an Obligor (as defined therein);

Senior Offsetting Hedges has the same meaning as “Offsetting Hedges” in the Common Terms Agreement;

Senior Parent means Arqiva Group Parent Limited;

Senior Secured Notes means each note which is or is to be constituted under the Senior Note Trust Deed;

Senior Signing Date has the same meaning as “Signing Date” in the Common Terms Agreement;

Senior Term Facilities has the same meaning as “Facilities” for the purposes of the Senior Term Facilities Agreement;

Senior Term Facilities Agent means the facility agent appointed pursuant to the Senior Term Facilities Agreement;

Senior Term Facilities Agreement means the term facility agreement dated 22 February 2013 under which Senior FinCo is the borrower from a syndicate of lenders;

Senior Trigger Event has the same meaning as “Trigger Event” for the purposes of the Common Terms Agreement;

Shareholder Affiliate means:

- (i) any manager or adviser (including as trustee, general partner or limited partner) of: the persons listed in paragraph (a) of the definition of Shareholder Controllers/Affiliates;
- (ii) any direct or indirect Holding Company or Subsidiary of: (1) the persons listed in paragraph (i) of the definition of Shareholder Controllers/Affiliates or (2) any person referred to in paragraph (i) above; or
- (iii) any fund, partnership, trust or other entity that is managed or advised (including as trustee, general partner or limited partner) by any person referred to in paragraphs (i) or (ii) above.

For this purpose, the terms “**adviser**” and “**advised**” means being in receipt of and implementing advice in relation to the management of investments of that legal entity which (other than in relation to actually making decisions to implement such advice) is substantially the same as the services which would be provided by a fund manager of the relevant legal entity;

Shareholder Controllers/Affiliates means:

- (i) Canada Pension Plan Investment Board, Macquarie Global Infrastructure Funds 2, Macquarie Prism Proprietary Limited, Macquarie European Infrastructure Fund II LP, Industry Funds Management, MTAA Superannuation Fund and FSS Trustee Corporation; and
- (ii) in each case, any Shareholder Affiliate;

STID means the security trust and intercreditor deed dated 22 February 2013 and made between, amongst others, the Senior Issuer, Senior FinCo and the Senior Borrower;

Structure Paper means the steps paper in the agreed form, setting out certain transactions to be entered into in connection with the refinancing;

Subordinated Debt means all money and liabilities now or in the future due or owing to any Investor by the Parent Guarantor under or in connection with any Investor Document in any currency, whether actual or contingent, whether incurred solely or jointly with any other person and whether as principal or surety, together with all accrued interest, all related costs, charges and expenses;

Subsidiary means a subsidiary within the meaning of Section 1159 of the Companies Act 2006 and, unless the context otherwise requires, a subsidiary undertaking within the meaning of Section 1162 of the Companies Act 2006, which, in each case, for this purpose shall be treated as including any person the shares or ownership interests in which are subject to any Security Interest and where the legal title to the shares or ownership interests so secured are registered in the name of the secured party or its nominee pursuant to such Security Interest;

Tax Transaction means any surrender of tax losses or agreement relating to any tax benefit or relief (including, but not limited to, an election under section 171A of the Taxation of Chargeable Gains Act 1992) or any other agreement in relation to tax (including, for the avoidance of doubt, but not limited to the payment of any balancing payment pursuant to and in accordance with the provisions of section 195 to 198 inclusive of the Taxation (International and Other Provisions) Act 2010) and the allocation of disallowances pursuant to Part 7 of that Act;

Test Date means 30 June and 31 December in each year;

Test Period means each 12 month period ending on (and including) a Test Date commencing with the Test Date occurring on 30 June 2013;

Transaction Security means the security in favour of the Security Trustee under or pursuant to the Security Agreement or the Intermediate HoldCo Security Trustee pursuant to the Intermediate HoldCo Security Agreement;

Treasury Transaction means any currency or interest rate purchase, cap or collar agreement, forward rate agreement, interest rate agreement, index linked agreement, interest rate or currency or future or option contract, foreign exchange or currency purchase or sale agreement, interest rate swap, currency swap, basis rate swap or combined similar agreement, any energy, oil or other commodity derivative transaction or any derivative transaction protecting against or benefiting from fluctuations in any rate, index or price;

UK Government Securities means direct obligations of, or obligations guaranteed by, the United Kingdom, and the payment for which the United Kingdom pledges its full faith and credit; and

U.S. person has the meaning in the Regulation S.

DEFINED TERMS FOR THE PURPOSES OF THE COMMON TERMS AGREEMENT

For the purposes of this Offering Memorandum, any terms defined by reference to the Common Terms Agreement shall have the following meanings:

ABHL means Arqiva Broadcast Holdings Limited (formerly Macquarie UK Broadcast Holdings Limited), a company incorporated in England and Wales with limited liability (registered number 05254001).

Acceptable Bank means:

- (a) a bank or financial institution which has a rating for its long term unsecured debt obligations of A- or higher by S&P and Fitch or A3 or higher by Moody's or a comparable rating from another rating agency; or
- (b) any other bank or financial institution approved by the Obligor Security Trustee as directed in accordance with the STID.

Accession Memorandum means: (a) with respect to the STID, each memorandum to be entered into pursuant to Clause 2 (Accession), Clause 4 (Accession of Additional Obligors) or Clause 29 (Benefit of Deed) (as applicable) of the STID and which is substantially in the form set out in Schedule 1 (Form of Accession Memorandum) to the STID; and (b) with respect to the CTA, each memorandum to be entered into pursuant to Clause 1.4(a) (Obligors) of the CTA and which is substantially in the form set out in Schedule 11 (Form of Accession Memorandum) to the CTA.

Accounting Principles means accounting principles, policies, standards, bases and practices which, from time to time, are generally accepted under UK GAAP or IFRS.

Additional Equity means (in each case in addition to such amounts subscribed, committed or incurred on or before the Closing Date or the relevant Test Date):

- (a) any amount subscribed by the Subordinated Lender in cash for shares in the Parent or any other form of capital contribution in cash to the Parent by the Subordinated Lender (which is not Financial Indebtedness and provided that repayment (if any) of such amounts is subject to the terms of the STID); or
- (b) the incurrence of Subordinated Debt by the Parent from the Subordinated Lender.

Additional Issuer Secured Creditor means any person that as at the Closing Date is not already an Issuer Secured Creditor and which becomes an Issuer Secured Creditor pursuant to the provisions of Clause 2.5 (Accession of Additional Issuer Secured Creditor) of the Issuer Deed of Charge.

Administrative Party means the Obligor Security Trustee, the Issuer Security Trustee, the FinCo Security Trustee, the Intermediate HoldCo Security Trustee, the Borrower Account Bank, the Issuer Account Bank, any Agent or any Facility Agent and their replacements or successors.

AF No 1 means Arqiva Financing No 1 Limited, a company incorporated in England and Wales with limited liability (registered number 06137924).

AF No 2 means Arqiva Financing No 2 Limited, a company incorporated in England and Wales with limited liability (registered number 06137899).

AF No 3 means Arqiva Financing No 3 plc, a public limited company incorporated in England and Wales with limited liability (registered number 05253998).

Affected Liquidity Facility Provider means a Liquidity Facility Provider which has advanced a Standby Drawing.

Affected Obligor Secured Creditor means each Obligor Secured Creditor (and, (i) where the Issuer is the Affected Obligor Secured Creditor, each Issuer Secured Creditor (an **Affected Issuer Secured**

Creditor) and, (ii) where FinCo is the Affected Obligor Secured Creditor, each FinCo Secured Creditor (an **Affected FinCo Secured Creditor**) whose Entrenched Rights are affected by a STID Proposal given by the Borrower to the Obligor Security Trustee pursuant to the STID (together the **Affected Secured Creditors**).

Agency Agreement means the agreement dated on or about the Signing Date between, *inter alios*, the Issuer, Principal Paying Agent and Note Trustee pursuant to which the Agents provide agency services to the Issuer and, for the purposes of Clause 2.7 thereof only, the Note Trustee.

Agent means each of the Paying Agents, the Principal Paying Agent, the Transfer Agent, the Agent Bank, the Registrar, any Calculation Agent and the Exchange Agent or any other agent appointed by the Issuer pursuant to the Agency Agreement and **Agents** means all of them.

Agent Bank means Deutsche Bank AG, London Branch, or any successors or replacement thereto, in its capacity as the agent bank to the Issuer under the Agency Agreement.

Agreed Form Borrower Master Agreement shall have the meaning given to such term in paragraph 3.1 of the Issuer/Borrower Hedging Policy.

Agreed Form FinCo ISDA Master Agreement shall have the meaning given to such term in the FinCo Hedging Policy.

Ancillary Facility means a facility made available to the Borrower by an Ancillary Facility Provider on a bilateral basis and on normal commercial terms in place of all or part of a Working Capital Facility Provider's participation in a Working Capital Facility.

Ancillary Facility Provider means a consenting Working Capital Facility Provider or an affiliate of a Working Capital Facility Provider that makes an Ancillary Facility available to the Borrower.

Arqiva Group means ABHL and its subsidiaries.

ATIL means Arqiva Telecoms Investment Limited (registered number 03696564), a company incorporated in England and Wales with limited liability.

AUKBL means Arqiva UK Broadcast Holdings Limited (registered number 05254048), a company incorporated in England and Wales with limited liability.

Authorised Facility means any facility, agreement, security, derivative or finance lease entered into by the Borrower for Senior Debt as permitted by the terms of the CTA, the providers of which are parties to or have acceded to the MDA, the STID and the CTA, and includes (amongst others) the Issuer/Borrower Facilities Agreement, the FinCo/Borrower Facilities Agreement, the Capex and Working Capital Facilities Agreement, the Liquidity Facility Agreement, the Borrower Hedging Agreements, the FinCo/Borrower Hedging Agreements and the Issuer/Borrower Hedging Agreements and (a) any fee letter or commitment letter entered into in connection with the foregoing facilities, agreements, securities or finance leases or the transactions contemplated in the foregoing facilities, agreements, securities or finance leases and (b) any other document (not being a Common Document) that has been entered into in connection with or to refinance any of the foregoing facilities, agreements, securities or finance leases or the transactions contemplated in the foregoing facilities, agreements, securities or finance leases that has been designated as a document that should be deemed to be an Authorised Facility for the purposes of this definition by the parties thereto (including the Borrower).

Authorised Facility Provider means a lender or other provider of credit or financial accommodation to the Borrower under any Authorised Facility (including, for the avoidance of doubt, the Issuer, FinCo and each Borrower Hedge Counterparty).

Authorised Investments means investments in Cash Equivalents.

BBF Agents means the CF&WCF Agent and the LF Agent.

Base Case Model means the base case financial model referred to in Schedule 1 of the CP Agreement.

Borrower means AF No 1 or any successor thereto appointed in accordance with the CTA.

Borrower Account Bank means National Westminster Bank plc, or any successor thereto, appointed to act as the account bank to the Borrower pursuant to the Borrower Account Bank Agreement.

Borrower Account Bank Agreement means the account bank agreement dated on or about the Signing Date between the Borrower, the Borrower Account Bank, the Borrower Cash Manager, the LF Agent, the Issuer, the Issuer Security Trustee and the Obligor Security Trustee.

Borrower Bank Facilities means each Capex Facility, Working Capital Facility, Liquidity Facility, any Ancillary Facility, any Permitted Facility and any other Authorised Facility other than a Finance Lease, Issuer/Borrower Facility, FinCo/Borrower Facility or Borrower Hedge (each a **Borrower Bank Facility**).

Borrower Bank Facility Agreements means the agreements pursuant to which the Borrower Bank Facilities are provided.

Borrower Bank Facility Providers and **BBF Providers** means the providers of the Borrower Bank Facilities under the Borrower Bank Facility Agreements.

Borrower Cash Manager means the Initial Borrower Cash Manager and any successor or replacement.

Borrower Facilities means the Borrower Bank Facilities, the FinCo/Borrower Facilities and the Issuer/Borrower Facilities.

Borrower Hedge Counterparties means those financial institutions listed in Part 6 (Borrower Hedge Counterparties) of Schedule 13 (Financial Institutions) to the CTA and each other Obligor Secured Creditor that accedes to the CTA and the STID and enters into an Agreed Form Borrower Master Agreement with the Borrower (but excluding, for the avoidance of doubt, the Issuer and FinCo).

Borrower Hedges means the New Hedges entered into by the Borrower (but excluding, for the avoidance of doubt, any Issuer/Borrower Hedges and FinCo/Borrower Hedges).

Borrower Hedging means all of the Borrower Hedges.

Borrower Hedging Agreement means each Pari Passu Borrower Hedging Agreement and each Super Senior Borrower Hedging Agreement.

Borrower Liquidity DSR Account means an account opened in the name of the Borrower and maintained with the Borrower Account Bank pursuant to the terms of the Borrower Account Bank Agreement and credited with a cash reserve for the purpose of satisfying the Debt Service Shortfall Test or such other account as may be opened, with the consent of the Obligor Security Trustee, at any branch of the Borrower Account Bank in replacement of such account.

Borrower Loans means the loans made under the Borrower Facilities.

Borrower Payment Priorities means the Borrower Pre-Enforcement Payment Priorities, the Borrower Post-Enforcement (Pre-Acceleration) Payment Priorities and the Borrower Post-Enforcement (Post-Acceleration) Payment Priorities.

Borrower Post-Enforcement Payment Priorities means the provisions relating to the order of the priority of payments as set out in Schedule 2 (Borrower Post-Enforcement Payment Priorities) to the STID.

Borrower Post-Enforcement (Post-Acceleration) Payment Priorities means the provisions relating to the order of priority of payments following the delivery of an Obligor Acceleration Notice to the Borrower as set out in Part 2 of Schedule 2 (Borrower Post-Enforcement (Post-Acceleration) Payment Priorities) to the STID.

Borrower Post-Enforcement (Pre-Acceleration) Payment Priorities means the provisions relating to the order of priority of payments following the delivery of an Obligor Enforcement Notice to the Borrower but prior to an Obligor Acceleration Notice being delivered to the Borrower as set out in Part 1 of Schedule 2 (Borrower Post-Enforcement (Pre-Acceleration) Payment Priorities) to the STID.

Borrower Pre-Enforcement Payment Priorities means the provisions relating to the order of priority of payments prior to the delivery of an Obligor Enforcement Notice and/or an Obligor Acceleration Notice to the Borrower as set out in Schedule 8 (Borrower Pre-Enforcement Pre-Acceleration Payment Priorities) to the CTA.

Business Days means a day (other than a Saturday or a Sunday) (a) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and Luxembourg; or (b) if a payment in U.S. Dollars is required to be made on that day, is a day on which banks generally are open for business in London and New York City, unless (in either case) specified otherwise in the Conditions, Final Terms or any Transaction Document.

Calculation Agency Agreement means, in relation to any Series of Notes, an agreement in or substantially in the form set out in Schedule 1 (Form of Calculation Agency Agreement) to the Agency Agreement.

Calculation Agent means the entity, or any successor thereto, appointed to act as the calculation agent to the Issuer and shall include any successor calculation agent.

Capex means any capital expenditure by a Senior Financing Group Company (net of any associated non-refundable grants and contributions received) incurred (or, in respect of any future period, forecast to be incurred) relating to increases in capacity or enhancement of service levels, quality or security of supply in relation to a Permitted Business.

Capex and Working Capital Facilities Agreement means the Initial Capex and Working Capital Facilities Agreement and any other facility agreement under which a Capex Facility and a Working Capital Facility is made available to the Borrower after the Signing Date.

Capex Facility means the Initial Capex Facility and any other facility made available to the Borrower after the Signing Date to fund the Borrower's capex requirements (or, as the context requires, the agreements pursuant to which they are made available).

Capex Facility Providers means the Initial Capex Facility Providers and any other bank or financial institution which provides the Borrower with credit under a Capex Facility and who accedes to the MDA, the CTA and the STID after the Signing Date.

Capex Loans means the Initial Capex Loans and any other term loans made after the Signing Date and in accordance with the terms of the relevant Capex and Working Capital Facilities Agreement.

Cash means cash deposits with any bank or financial institution (including for the avoidance of doubt, any cash deposits standing to the credit of any Liquidity DSR Account or any Liquidity Standby Account), but excluding any cash deposits standing to the credit of the Minimum Maintenance Capex Reserve Account.

Cash Equivalents means at any time:

- (a) certificates of deposit maturing within one year after the relevant date of calculation, issued by an Acceptable Bank;
- (b) any investment in marketable securities issued or guaranteed by the government of the United States of America, the United Kingdom, France or Germany or by an instrumentality or agency of any of them having an equal credit rating which:
 - (i) matures within one year after the relevant date of calculation; and

- (ii) is not convertible to any other security;
- (c) commercial paper not convertible to any other security:
 - (i) for which a recognised trading market exists;
 - (ii) issued in the United States of America, the United Kingdom, France or Germany;
 - (iii) which matures within one year after the relevant date of calculation; and
 - (iv) which has a credit rating of or higher than either A-1 by S&P and F-1 by Fitch, or, if no rating is available in respect of such commercial paper, the issuer of which has, in respect of its long-term unsecured debt obligation, an equivalent rating;
- (d) sterling bills of exchange eligible for rediscount at the Bank of England and accepted by an Acceptable Bank (or any dematerialised equivalent);
- (e) investments accessible within 30 days in money market or liquid funds which:
 - (i) have a credit rating of or higher than A-1 by S&P and F-1 by Fitch; and
 - (ii) invest substantially all their assets in securities of the types described in Paragraphs (a) to (d) above; or
- (f) any other debt security or investment with a fixed principal amount due at its maturity and (i.e., it is not callable, puttable, or convertible), unless full payment of principal is paid in cash upon the exercise of the embedded option, that (i) is issued or guaranteed by the government of the United States of America, the United Kingdom, France or Germany or by an instrumentality or agency or (ii) has a credit rating of or higher than either A-1 by S&P and F-1 by Fitch and is approved by the Obligor Security Trustee as directed in accordance with the STID,

in each case, which is not issued or guaranteed by any Senior Financing Group Company, FinCo or the Issuer or subject to any Security Interest (other than one arising under the Obligor Security Documents).

Cash Sweep Period means any Test Period in respect of which the Borrower is required to deposit Excess Cash Flow into the Lock-up Account, for application in accordance with Part 5 (Mandatory Prepayment and Voluntary Prepayment) of Schedule 2 (Covenants) to the CTA.

Cashflow means, for any Test Date, Net Cash Flow during the Test Period ending on (and including) such Test Date (without double counting):

- (a) plus any insurance proceeds related to business interruption (where to be applied to cover operating losses in respect of which the relevant insurance claim was made) and third party liability received by a member of the Senior Financing Group (to the extent such amounts are not subsequently paid to a third party);
- (b) plus any Finance Lease payments in respect of interest payable and equivalent financial charges included in Net Cash Flow; and
- (c) plus any dividends or other distributions received in cash by any Senior Financing Group Company from any entity which is not a Senior Financing Group Company, including any cash receipts from joint ventures,

in each case during the Test Period ending on (and including) such Test Date.

CF&WCF Agent means the Initial CF&WCF Agent and any other agent appointed after the Signing Date under the relevant Capex and Working Capital Facilities Agreement.

Closing Date means the date of issue of the first Series of Notes under the Programme.

Common Documents means the CTA, the STID, the Security Deed, the other Security Documents, the Master Definitions Agreement, the CP Agreement, the Borrower Account Bank Agreement and the Tax Deed of Covenant and any other agreement, instrument or deed designated by the Obligor Security Trustee and at least one Obligor as a Common Document.

Common Terms Agreement or **CTA** means the common terms agreement dated on or about the Signing Date between, among others, the Obligors, the Obligor Secured Creditors (including the Borrower Bank Facility Providers, FinCo and the Issuer), the Obligor Security Trustee, the FinCo Security Trustee and the Issuer Security Trustee.

Companies Act means the Companies Act 2006.

Compliance Certificate means the compliance certificate prepared by the Borrower or on the Borrower's behalf in substantially the form set out in Schedule 6 to the Common Terms Agreement.

Compliance Certificate Date means the date on which a Compliance Certificate is dated.

Conditions means the terms and conditions of the Notes set out in the Note Trust Deed as modified and/or supplemented by the Final Terms in relation to a particular Series of Notes, as the same may, from time to time be modified in the manner permitted under the Note Trust Deed.

Conditions Precedent means the various conditions precedent, as detailed in the CP Agreement, which must be satisfied before the Closing Date.

CP Agreement means the agreement dated on or about the Signing Date to be entered into by all of the parties to the Master Definitions Agreement which sets out all of the Conditions Precedent.

Currency means sterling, U.S. dollars, euro and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer (each a **Currency**) as specified in the applicable Final Terms.

Currency Hedges means any Treasury Transaction forming part of and subject to a Hedging Agreement pursuant to which amounts payable by a party are determined by reference to a currency exchange rate.

Currency Hedging means all of the Currency Hedges.

Current Shareholders means any one or more of Codan Trust Company (Cayman) Limited, Frequency Infrastructure Communications Assets Limited, Macquarie Global Infrastructure Funds 2 S.A.R.L., Macquarie Prism Proprietary Limited, MEIF II Luxembourg Communications S.a.r.l., MTAA Superannuation Fund (NTL Broadcast) Utilities Pty Ltd and The Trust Company Limited as custodian for Health Super Investments Pty Ltd (in its capacity as trustee of FSS Infrastructure Trust).

Dealers means HSBC Bank plc, Barclays Bank plc, Lloyds TSB Bank plc, Mitsubishi UFJ Securities International plc and The Royal Bank of Scotland plc appointed to act in the capacity of dealer in respect of the initial issuance under the Programme on the Closing Date, any new dealer (as defined in the Programme Agreement) appointed in accordance with Clause 14 (Changes in Dealers) of the Programme Agreement and excludes any entity whose appointment has been terminated pursuant to Clause 14 (Changes in Dealers) of the Programme Agreement and references in the Programme Agreement to the relevant Dealer shall, in relation to any Note, be references to the Dealer or Dealers with whom the Issuer has agreed the initial issue and purchase of such Note.

Debt Service means, for any Test Date, the sum of Net Interest Payable during the relevant Test Period ending on (and including) such Test Date and scheduled amortisation in respect of the Senior Debt due as an obligation of any Senior Financing Group Company during the Test Period ending on (and including) such Test Date (without double counting):

- (a) excluding any principal payment due on the Final Maturity Date (other than any final scheduled repayment for fully amortising debt) of any Senior Debt; and

(b) taking into account any interim principal exchange payments that are payable and receivable under any Hedging Agreements (but excluding, for the avoidance of doubt, (i) any final principal exchange payments that are payable and receivable under any Hedging Agreements (other than in respect of any final scheduled repayment of fully amortising debt) and (ii) any accretions by indexation to the notional amount under any Inflation Linked Hedging Agreements).

Debt Service Test Shortfall Test means the sum of interest, recurring fees and commissions (that are accounted for as interest under UK GAAP), scheduled principal amounts and other scheduled amounts payable by the Borrower on the Borrower Facilities (other than the Issuer/Borrower Facilities) and under any Issuer/Borrower Hedges, FinCo/Borrower Hedges and Borrower Hedges or by the Issuer on the Notes and under any Issuer Hedges, in each case without double counting consolidating obligations (including any Issuer Hedge with a corresponding Issuer/Borrower Hedge), for the Projected Test Period commencing on (but excluding) such Test Date (but excluding any principal payment due on the Final Maturity Date (other than any final scheduled repayment for fully amortising debt) of the Borrower Facilities (other than the Issuer/Borrower Facilities) and of the Notes, and taking into account:

(a) (in the case of the Borrower) any interest payments receivable by the Borrower and any interim principal exchange payments payable and receivable by the Borrower under any Issuer/Borrower Hedging Agreements other than in respect of any final scheduled repayment except for fully amortising debt, FinCo/Borrower Hedging Agreements and Borrower Hedging Agreements (but excluding, for the avoidance of doubt, (i) any final principal exchange payments that are payable and receivable by the Borrower under any Borrower Hedging Agreements other than in respect of any final scheduled payment in respect of fully amortising debt, Issuer/Borrower Hedging Agreements and FinCo/Borrower Hedging Agreements and (ii) any accretions by indexation to the notional amount under any Inflation Linked Hedging Agreements or corresponding FinCo/Borrower Hedging Agreements or Issuer/Borrower Hedging Agreements entered into by the Borrower); and

(b) (in the case of the Issuer) any interest payments receivable by the Issuer under any Issuer Hedging Agreements (but excluding, for the avoidance of doubt, any final principal exchange payments that are payable and receivable by the Issuer under any Issuer Hedging Agreements other than in respect of any final exchange payment in respect of fully amortising debt),

is more than the sum of amounts available to the Borrower and the Issuer for drawing under the Liquidity Facility and the balance (if any) on the Liquidity Standby Account, the Borrower Liquidity DSR Account and the Issuer Liquidity DSR Account.

Debt Service Shortfall Test has the meaning given to it in Paragraph 3 of Part 1 (Trigger Events) of Schedule 3 (Trigger Events) to the CTA.

Decision Period means the period of time within which the approval of the Obligor Security Trustee is sought as specified in relation to each type of voting matter in the STID.

Discretion Matters means a matter in relation to which the Obligor Security Trustee may exercise its discretion to approve any request made in a STID Proposal without any requirement to seek the approval of any Obligor Secured Creditor, Issuer Secured Creditor or FinCo Secured Creditor or any of their representatives.

Disposal Cure has the meaning given to it in Paragraph 6 of Part 2 (Trigger Event Consequences) of Schedule 3 (Trigger Events) to the CTA.

Distressed Disposal means a disposal of an asset of a member of the Senior Financing Group which is:

(a) being effected pursuant to instruction in accordance with the STID in circumstances where the Obligor Security has become enforceable;

(b) being effected by enforcement of the Obligor Security; or

(c) being effected, after the occurrence of an Enforcement Action, by an Obligor to a person or persons outside of the Senior Financing Group.

Downgraded Liquidity Facility Provider means a Liquidity Facility Provider which does not on any day have a minimum long term rating of at least equal to the Liquidity Facility Provider Requisite Rating.

Drawing means a Liquidity Loan Drawing or a Standby Drawing.

Duration Fee means the duration fee payable to TF Agent for the account of each Term Facilities Provider pursuant to clause 12.4 (Duration fee) of the Initial Term Facilities Agreement.

Early Termination Date has the meaning given to it in the relevant Hedging Agreement.

EBITDA means for any Test Date, the consolidated earnings of the Senior Financing Group calculated in accordance with UK GAAP during the Test Period ending on (and including) such Test Date before (without double counting):

- (a) the deduction of taxation;
- (b) the deduction of any interest, commission, fees, discounts, prepayment fees, premiums, charges or other payments in the nature of a finance charge whether paid, payable or capitalised by any member of the Senior Financing Group (calculated on a consolidated basis);
- (c) the addition of interest receivable;
- (d) the deduction of any amount attributable to amortisation of goodwill or other intangible assets and any deduction for depreciation or impairment;
- (e) the deduction or addition (as applicable) of any non-cash charges resulting from fair value adjustments and mark-to-market adjustments;
- (f) the deduction of any non-cash charges relating to long-term compensation schemes;
- (g) taking into account any non-cash charges relating to recognition of pension plan deficits; and
- (h) taking into account fair value gains or losses on any financial instrument other than any derivative instrument which is accounted for on a hedge accounting basis,

and after adjusting to (i) exclude exceptional items which shall include (but not be limited to) transaction costs, integration costs, separation costs, restructuring costs, reorganisation costs and other one-off expenditure and (ii) deduct any amounts paid by a Senior Financing Group Company to a Non-Senior Financing Group Company pursuant to paragraph (e) of the definition of Restricted Payments,

less the consolidated earnings (before the deductions and adjustments referred to above) of the Senior Financing Group Companies that are incorporated outside of the United Kingdom and in aggregate exceed 5% of the consolidated earnings (before the deductions and adjustments referred to above) of the Senior Financing Group.

Enforcement Action means any step that an Obligor Secured Creditor is entitled to take to enforce its rights against an Obligor under an Obligor Transaction Document following the occurrence of an Obligor Event of Default including, but not limited to, the declaration of an Obligor Event of Default, the institution of proceedings, the making of a demand for payment under a guarantee, the making of a demand for cash collateral under a guarantee or the acceleration of Obligor Secured Liabilities by an Obligor Secured Creditor or Obligor Secured Creditors pursuant to the terms of the applicable Obligor Transaction Documents or the enforcement of the Obligor Security, provided that the making of a demand under a Hedging Agreement shall not constitute Enforcement Action for the purposes of this definition.

Enforcement Instruction Notice has the meaning given to it in Clause 18.2 (Enforcement Instruction Notices) of the STID.

Entrenched Rights means any modification to, consent or waiver under or in respect of, any term of any Common Document if the proposed modification, consent or waiver:

- (a) would delay the date fixed for payment of any amount of the debt owed to the relevant Obligor Secured Creditor or would reduce the amount payable in respect of such debt;
- (b) other than pursuant to an Obligor Acceleration Notice, would bring forward the date fixed for payment of principal, interest or other amount in respect of the debt owed to an Obligor Secured Creditor or would increase the amount of principal or other amount or the rate of interest payable on any date in respect of the debt owed to the Obligor Secured Creditor;
- (c) would have the effect of adversely changing any of the Borrower Post-Enforcement Payment Priorities or application thereof in respect of an Obligor Secured Creditor (including, in the case of the Issuer, any Issuer Secured Creditor that would be adversely affected by such change and, in the case of FinCo, any FinCo Secured Creditor that would be adversely affected by such change);
- (d) would have the effect of adversely changing any of the Borrower Pre-Enforcement Payment Priorities or application thereof in respect of an Obligor Secured Creditor (including, in the case of the Issuer, any Issuer Secured Creditor that would be adversely affected by such change and, in the case of FinCo, any FinCo Secured Creditor that would be adversely affected by such change);
- (e) would change or would have the effect of changing:
 - (i) any of the following definitions: Affected Obligor Secured Creditor, Qualifying Debt, Voted Qualifying Debt, Qualifying Secured Creditors, Secured Creditor Representatives, STID Proposal, Discretion Matters, Ordinary Voting Matters, Extraordinary Voting Matter, Enforcement Instruction Notice, Further Enforcement Instruction Notice, Reserved Matters, Entrenched Rights, Obligor Secured Liabilities and/or Distressed Disposal;
 - (ii) the Decision Period, Quorum Requirement or voting majority required in respect of any Ordinary Voting Matter, Extraordinary Voting Matter, Enforcement Instruction Notice or Further Enforcement Instruction Notice;
 - (iii) any of the matters that give rise to Entrenched Rights under the STID; or
 - (iv) Clause 16.1 (Scope of Entrenched Rights) of the STID;
- (f) would result in the exchange of the debt owed to the relevant Obligor Secured Creditor for, or the conversion of such debt into, shares, bonds or other obligations of any other person;
- (g) would have the effect of changing or would relate to the currency of payments due in respect of the debt owed to the relevant Obligor Secured Creditor (other than due to the United Kingdom becoming one of the countries participating in the third stage of European economic and monetary union pursuant to the Treaty or otherwise participating in European economic and monetary union in a manner with similar effect to such third stage);
- (h) would have the effect of changing or would relate to the rights of the relevant debt provider to receive any sums owing to it for its own account in respect of fees, costs, charges, liabilities, taxes, damages, proceedings, claims and demands in relation to any Transaction Document to which it is a party;
- (i) would change or would relate to any existing obligation of an Obligor to gross up any payment in respect of the debt owed to the relevant Obligor Secured Creditor in the event of the imposition of withholding taxes (including, in the case of the Issuer, any Issuer Secured Creditor that would be adversely affected by such change and, in the case of FinCo, any FinCo Secured Creditor that would be adversely affected by such change);
- (j) would change or have the effect of changing Clause 10.2 (Participating Secured Creditors) of the STID;

- (k) would change or have the effect of changing Schedule 3 (Reserved Matters) to the STID;
- (l) would have the effect of changing the nature or the scope or would release any of the Obligor Security (unless equivalent replacement security is taken at the same time) unless such release is permitted in accordance with the terms of the Common Documents, for the avoidance of doubt, the taking of any Enforcement Action shall not be an Entrenched Right;
- (m) in respect of each Liquidity Facility Provider, would change or have the effect of changing Clause 20.4 (Borrower Post-Enforcement (Post-Acceleration) Payment Priorities) of the STID and Paragraph 7 (Disposals) of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA or would affect the ability of such Liquidity Facility Provider to enforce its rights under the Liquidity Facility Agreement;
- (n) would effect the exchange, conversion or substitution of the debt owed to the relevant Obligor Secured Creditor for, or their conversion into, shares, notes or other obligations or securities of the Borrower or any other person or body corporate formed or to be formed;
- (o) would change or have the effect of changing the definitions of Obligor Acceleration Notice, Obligor Enforcement Notice or Issuer Enforcement Notice or the consequences of the delivery of an Obligor Acceleration Notice, the Borrower Payment Priorities, the Borrower Pre-Enforcement Payment Priorities, the Borrower Post-Enforcement (Pre-Acceleration) Payment Priorities or the Borrower Post-Enforcement (Post-Acceleration) Payment Priorities;
- (p) in respect of each Pari Passu Borrower Hedge Counterparty, each Pari Passu Issuer Hedge Counterparty, each Super Senior Borrower Hedge Counterparty and each Super Senior Issuer Hedge Counterparty (in addition to those matters specified in paragraphs (a) to (o) above (inclusive) and subject to Clause 16.2(a) of the STID):
- (i) would change or have the effect of changing the Minimum Rating Agency Requirement that either (A) each Hedge Counterparty must satisfy, or (B) the guarantor of such Hedge Counterparty's obligations under the relevant Hedging Agreement must satisfy, as the case may be, at any time, other than a change required by a Rating Agency in respect of the Minimum Rating Agency Requirements that apply to any Hedge Counterparty or guarantor of any Hedge Counterparty on the date on which it enters into any Hedge or becomes the transferee in respect of the novation of any Hedge in order to maintain the current rating of the Notes of BBB or to restore the rating of the Notes to BBB, as the case may be;
 - (ii) would change or have the effect of changing the provisions of paragraphs 5, 9, 10 and 12 of the Issuer/Borrower Hedging Policy;
 - (iii) would deny or have the effect of denying a Borrower Hedge Counterparty or an Issuer Hedge Counterparty the right to receive the same information as provided to the other parties pursuant to part 1 (Information Covenants) of schedule 2 (Covenants) to the CTA; or
 - (iv) would change or would have the effect of changing any of the following definitions in a manner that relates to, and is materially prejudicial to the rights and obligations of such Hedge Counterparty (as applicable): Agreed Form Borrower Master Agreement; Borrower Hedge Counterparties; Borrower Hedges; Borrower Hedging; Borrower Hedging Agreement; Currency Hedges; Currency Hedging; the proviso to the definition of Enforcement Action; FinCo/Borrower Hedges; FinCo/Borrower Hedging Agreements; Hedge Counterparties; Hedge with Break Clause; Hedged Debt Covenant; Hedges; Hedging; Hedging (with Breaks) Condition; Hedging Agreements; Hedging Policy; Hedging Test Date; Inflation Linked Hedges; Inflation Linked Hedging; Inflation Linked Hedging Agreement; Interest Rate Hedges; Interest Rate Hedging; Intermediate HoldCo Secured Creditors; Issuer Hedges; Issuer Hedging; Issuer Hedging Agreements; Issuer Qualifying Debt; Issuer Qualifying Secured Creditors;

Issuer Secured Creditor Entrenched Right; Issuer Secured Creditors; Issuer Secured Liabilities; Issuer Security; Issuer Transaction Documents; Issuer/Borrower Hedges; Issuer/Borrower Hedging Agreements; Issuer/Borrower Hedging Policy; Issuer/Borrower Rate Hedge; Mark Statement; New Hedges; New Pari Passu Hedges; New Super Senior Hedges; Obligor Secured Creditors; Obligor Secured Liabilities; Obligor Transaction Documents; Offsetting Hedge Annuity; Offsetting Hedges; the sub-paragraphs of the definition of Outstanding Principal Amount relating to Hedging Agreements; Pari Passu Borrower Hedge Counterparty; Pari Passu Borrower Hedges; Pari Passu Borrower Hedging Agreement; Pari Passu FinCo/Borrower Hedges; Pari Passu FinCo/Borrower Hedging Agreement; Pari Passu Hedges; Pari Passu Hedging Agreement; Pari Passu Hedging Transaction; Pari Passu Issuer Hedge Counterparty; Pari Passu Issuer Hedges; Pari Passu Issuer Hedging Agreement; Pari Passu Issuer/Borrower Hedges; Pari Passu Issuer/Borrower Hedging Agreement; Permitted Hedge Termination; Permitted Treasury Transaction; Proposed Super Senior Trade Date; Qualifying Debt; Qualifying Secured Creditors; Rate Hedge Type; Rate Hedges; Risk Weighted Notional Amount; Secured Creditors; Super Senior Borrower Hedges; Super Senior Borrower Hedging Agreement; Super Senior Ceiling; Super Senior Hedge Counterparty; Super Senior Hedging Agreement; Super Senior Issuer Hedges; Super Senior Issuer Hedging Agreement; Super Senior Issuer/Borrower Hedge; Super Senior Issuer/Borrower Hedging Agreements and Super Senior Test Date;

(q) in respect of each FinCo Hedge Counterparty (subject to Clause 16.2(b) of the STID):

(i) would change or have the effect of changing the provisions of paragraph 10 of the Issuer/Borrower Hedging Policy;

(ii) would deny or have the effect of denying a FinCo Hedge Counterparty the right to receive the same information as provided to the other parties pursuant to part 1 (Information Covenants) of schedule 2 (Covenants) to the CTA; or

(iii) would change or would have the effect of changing any of the following definitions in a manner that relates to, and is materially prejudicial to the rights and obligations of such Hedge Counterparty (as applicable): Agreed Form Borrower ISDA Master Agreement, Agreed Form FinCo ISDA Master Agreement, Borrower Hedge Counterparties; Borrower Hedges; Borrower Hedging; Borrower Hedging Agreement; Currency Hedges; Currency Hedging; the proviso to the definition of Enforcement Action; FinCo Hedge ETD ATE, FinCo Hedge Counterparties; FinCo Hedges; FinCo Hedging Agreements; FinCo Hedging Policy; FinCo Secured Creditor Entrenched Right; FinCo Secured Creditors; FinCo Secured Liabilities; FinCo Security; FinCo Transaction Documents; FinCo/Borrower Hedges; FinCo/Borrower Hedging Agreements; Hedge Counterparties; Hedge with Break Clause; Hedged Debt Covenant; Hedges; Hedging; Hedging (with Breaks) Condition; Hedging Agreements; Hedging Policy; Hedging Test Date; Inflation Linked Hedges; Inflation Linked Hedging; Inflation Linked Hedging Agreement; Interest Rate Hedges; Interest Rate Hedging; Intermediate HoldCo Secured Creditors; Issuer Hedges; Issuer Hedging; Issuer Hedging Agreements; Issuer Qualifying Debt; Issuer Qualifying Secured Creditors; Issuer Secured Creditor Entrenched Right; Issuer Secured Creditors; Issuer Secured Liabilities; Issuer Security; Issuer Transaction Documents; Issuer/Borrower Hedges; Issuer/Borrower Hedging Agreements; Issuer/Borrower Hedging Policy; Issuer/Borrower Rate Hedge, Mark Statement (as defined in the CTA); New Hedges; New Pari Passu Hedges; New Super Senior Hedges; Obligor Secured Creditors; Obligor Secured Liabilities; Obligor Transaction Documents; Offsetting Hedge Annuity; Offsetting Hedges; the sub-paragraphs of the definition of Outstanding Principal Amount relating to Hedging Agreements; Pari Passu Borrower Hedge Counterparty; Pari Passu Borrower Hedges; Pari Passu Borrower Hedging Agreement; Pari Passu FinCo Hedges; Pari Passu FinCo Hedging Agreement; Pari Passu FinCo/Borrower Hedges; Pari Passu FinCo/Borrower

Hedging Agreement; Pari Passu Hedges; Pari Passu Hedging Agreement; Pari Passu Hedging Transaction; Pari Passu Issuer Hedge Counterparty; Pari Passu Issuer Hedges; Pari Passu Issuer Hedging Agreement; Pari Passu Issuer/Borrower Hedges; Pari Passu Issuer/Borrower Hedging Agreement; Permitted Hedge Termination; Permitted Treasury Transaction; Proposed Super Senior Trade Date (as defined in the CTA); Qualifying Debt; Qualifying Secured Creditors; Rate Hedge Type; Rate Hedges; Risk Weighted Notional Amount (as defined in the CTA); Secured Creditors; Super Senior Borrower Hedges; Super Senior Borrower Hedging Agreement; Super Senior Ceiling (as defined in the CTA); Super Senior Hedge Counterparty; Super Senior Hedging Agreement; Super Senior Issuer Hedges; Super Senior Issuer Hedging Agreement; Super Senior Issuer/Borrower Hedge; Super Senior Issuer/Borrower Hedging Agreements and Super Senior Test Date (as defined in the CTA);

(r) in respect of each Super Senior Hedge Counterparty (in addition to those matters specified in Paragraphs (a) to (p) above (inclusive) and subject to Clause 16.2(a) of the STID), would change or have the effect of changing the provisions of Subparagraphs 4.1 (a) and (b) (Interest Rate Hedging and Inflation Linked Hedging) of Schedule 5 (Hedging Policy and Overriding Provisions Relating To Hedging Agreements) to the CTA but only in so far as such change relates to:

(a) any increase to, or waiver in respect of, the maximum percentage specified in such Subparagraph 4.1(a) such that the amount equal to:

(i) the sum of:

(A) the total outstanding principal amount of the Notes and the Borrower Loans (including any FinCo/Borrower Loans but excluding any Issuer/Borrower Loans) which either:

I. bear interest at a fixed rate; or

II. pay a return that is index-linked to inflation; and

(B) the aggregate notional amount of all outstanding Interest Rate Hedges and Inflation Linked Hedges which are entered into by either the Issuer or the Borrower (including any FinCo/Borrower Hedges but excluding any Issuer/Borrower Hedges) (together, the **Rate Hedges**), less

(ii) the aggregate notional amount of: (x) any Offsetting Hedges and the portion (which may be a part or the entirety) of any Primary Hedges which have been offset by such Offsetting Hedges, (y) any Overlay Hedges, and (z) any Inflation Linked Hedges in respect of which the Borrower or the Issuer (as applicable) receives a fixed rate of interest,

would be permitted to be greater than 110% of the total outstanding principal amount of the Notes and the Borrower Loans (including any FinCo/Borrower Loans but excluding any Issuer/Borrower Loans) for the period up to (and including) the day that is five years from the relevant Hedging Test Date, and/or

(b) any increase to, or waiver in respect of the maximum percentage specified in such Subparagraph 4.1(b) such that the amount equal to:

(i) the sum of:

(A) the total outstanding principal amount of the Notes and the Borrower Loans (including any FinCo/Borrower Loans but excluding any Issuer/Borrower Loans) which either:

I. bear interest at a fixed rate; or

II. pay a return that is index-linked to inflation; and

(B) the aggregate notional amount of all outstanding Rate Hedges, less

(ii) the aggregate notional amount of: (x) any Offsetting Hedges and the portion (which may be a part or the entirety) of any Primary Hedges which have been offset by such Offsetting Hedges, (y) any Overlay Hedges, and (z) any Inflation Linked Hedges in respect of which the Borrower or the Issuer (as applicable) receives a fixed rate of interest,

would be permitted to be greater than 115% of the total outstanding principal amount of the Notes and the Borrower Loans (including any FinCo/Borrower Loans but excluding any Issuer/Borrower Loans) for the period up to (and including) the day that is seven years from such Hedging Test Date; and

(c) would change or have the effect of changing the provisions of subparagraphs 7.3, 7.4 or 8 of the Issuer/Borrower Hedging Policy, but only in so far as such change would be materially prejudicial to the rights of such Super Senior Issuer Hedge Counterparty and/or such Super Senior Borrower Hedge Counterparty (as applicable).

Equivalent Amount means the amount in question expressed in the terms of pounds sterling, calculated on the basis of the Exchange Rate.

Excess Cash Flow means, in respect of the six month period ending on any Test Date, the Cashflow for such period:

(a) plus any exceptional or one-off items that represent cash receipts by the Senior Financing Group and were excluded from EBITDA;

(b) minus any exceptional or one-off items that represent expenditure by the Senior Financing Group and were excluded from EBITDA;

(c) minus the aggregate Debt Service, any voluntary prepayments of Senior Debt (other than any voluntary prepayments made after an Obligor becoming aware of a Trigger Event or during any Cash Sweep Period other than (and therefore to be deducted from Cashflow), following the Expected Maturity Date of FinCo/Borrower Loan A, any voluntary prepayments of the Capex Loans if the Borrower exercises its right of voluntary prepayment under the relevant Capex Loan) and all other payments due in respect of the Senior Debt (but excluding any payments excluded from Debt Service under paragraphs (a) and (b) of that definition to the extent funded by Permitted Financial Indebtedness) and (without double counting) all termination payments due to a Hedge Counterparty under any Hedging Agreements in respect of all such payments and prepayments;

(d) minus any costs paid by the Senior Financing Group (including any costs paid to or on behalf of the Issuer and/or FinCo by a Senior Financing Group Company) (where payment of such costs was permitted or, in the case of the Issuer or FinCo, contemplated under the Obligor Transaction Documents);

(e) minus any amount required to be retained by the Senior Financing Group to meet reasonably anticipated net operating expenses for the next Test Period plus any amount retained by the Senior Financing Group at the end of the last Test Period to meet reasonably anticipated net operating expenses for the Test Period;

(f) plus or minus the amount of any decrease or increase respectively in working capital;

(g) (i) unless (a) a Trigger Event has occurred and is continuing or (b) any Issuer/Borrower Loan and/or FinCo/Borrower Loan remains outstanding after its Expected Maturity Date, minus the amount of any Permitted Acquisitions (including any Growth Capex in accordance

with Paragraph 2 (Growth Capex) of Part 7 (Capex Expenditure) of Schedule 2 (Covenants) to the CTA, but excluding any Growth Capex or Permitted Acquisitions to the extent funded by Permitted Financial Indebtedness and any Maintenance Capex that has already been deducted in the calculation of Net Cash Flow) and (ii) if (a) a Trigger Event has occurred and is continuing or (b) any Issuer/Borrower Loan and/or FinCo/Borrower Loan remains outstanding after its Expected Maturity Date, minus the amount of any Permitted Acquisitions (including any Growth Capex in accordance with Paragraph 2 (Growth Capex) of Part 7 (Capex Expenditure) of Schedule 2 (Covenants) to the CTA, but excluding any Growth Capex or Permitted Acquisitions solely to the extent funded by Permitted Financial Indebtedness and any Maintenance Capex that has already been deducted in the calculation of Net Cash Flow) to the extent that such acquisitions are already contractually obliged to be made by reference to contractual commitments entered into prior to an Obligor becoming aware of the occurrence of the Trigger Event;

(h) minus the amount of any payment to and/or plus any payment received from a pension benefit scheme (without double counting any amounts included in Cashflow);

(i) minus Smart Metering bid costs incurred up to the licence award;

(j) minus payments that are made within paragraphs (a) to (d) of the definition of Restricted Payments;

(k) unless (i) an Obligor has become aware of a Trigger Event having occurred which is continuing or (ii) any Issuer/Borrower Loan and/or FinCo/Borrower Loan remains outstanding after its Expected Maturity Date, minus interest payable in respect of the Subordinated Debt which shall be in an amount permitted to be paid by way of Restricted Payment under the Modified Net Debt to EBITDA Ratio and the Rating Downgrade Event covenants (as applicable).

Exchange Agent means Deutsche Bank AG, London Branch, or any successor thereto, appointed to act as the exchange agent to the Issuer appointed pursuant to the Agency Agreement.

Exchange Rate means the strike rate specified in a confirmation evidencing the terms of a Currency Hedge or, failing that, the spot rate at which the relevant currency is converted to pounds sterling as quoted by the Agent Bank:

(a) for the purposes of Clause 12.7 (STID Voting Request) of the STID or Paragraph 2.3 (STID Notices) of Schedule 5 (Provisions for voting in respect of STID Notices) to the Note Trust Deed, on the date that the STID Voting Request is dated; and

(b) in any other case:

(i) on the date specified in the Issuer Transaction Document; or

(ii) on the date as of which the calculation of the Equivalent Amount of the Outstanding Principal Amount is required.

Excluded Hedge Counterparty Amounts means (i) any termination amount payable to a Hedge Counterparty under a Hedging Agreement following the occurrence of an “Event of Default” under and (as defined in the relevant Hedging Agreement) where that Hedge Counterparty is the “Defaulting Party” (as defined in the relevant Hedging Agreement), (ii) any termination amount payable to FinCo under the FinCo/Borrower Hedging Agreement following the occurrence of a FinCo Hedge ETD ATE (as defined in the FinCo/Borrower Hedging Agreement) where FinCo is the sole “Affected Party” (as defined in the FinCo/Borrower Hedging Agreement) for the purposes of such FinCo Hedge ETD ATE by virtue of the relevant FinCo Hedge Counterparty being the Defaulting Party (as defined in such FinCo Hedging Agreement) under the corresponding FinCo Hedging Agreement and (iii) any amount

payable to a Borrower Hedge Counterparty under Part 1(g), Part 1(h), Part 1(i) or Part 1(j) of the Schedule to the relevant Borrower Hedging Agreement if at such time that Borrower Hedge Counterparty is a Defaulting Party (as defined in the relevant Borrower Hedging Agreement).

Excluded Report Recovery Proceeds means any proceeds of a Recovery Claim which are, or are to be, applied within 12 months of receipt:

(a) to satisfy (or reimburse a Senior Financing Group Company which has discharged) any liability, charge or claim upon a person which is not a member of the Senior Financing Group as a result of the events or circumstances giving rise to that Recovery Claim; and

(b) in the replacement, reinstatement and/or repair of assets of a Senior Financing Group Company which have been lost, destroyed or damaged as a result of the events or circumstances giving rise to that Recovery Claim.

Existing Bank Facilities means (a) £2,925,000,000 senior facilities agreement dated 3 April 2007 (as amended and restated on 31 July 2007) between, among others, Macquarie UK Broadcast Ventures Limited, Barclays Capital and others as mandated lead arrangers and Dresdner Bank AG, Niederlassung Luxembourg as facility agent and security agent, and (b) the £475,000,000 junior facility agreement dated 3 April 2007 (as amended and restated on 31 July 2007) between, among others, Macquarie UK Broadcast Enterprises Limited, Barclays Capital and others as mandated lead arrangers and Dresdner Bank AG, Niederlassung Luxembourg as facility agent and security agent.

Existing Hedging Agreements means each of the ISDA Master Agreements governing the Existing Hedges existing on the day immediately prior to the Signing Date including all Treasury Transactions forming part thereof and subject thereto.

Existing Hedges means the Existing Interest Rate Hedges and the Existing Inflation Linked Hedges.

Existing Inflation Linked Hedges means the Treasury Transactions hedging risks arising in connection with the utilisation of the Existing Bank Facilities, pursuant to which amounts payable by the Borrower are determined by reference to a rate of inflation and the amounts payable by the Existing Hedge Counterparty are determined by reference to a rate of interest.

Existing Interest Rate Hedges means the Treasury Transactions, hedging risks arising in connection with the utilisation of the Existing Bank Facilities, pursuant to which amounts payable by the Borrower are determined by reference to a fixed rate of interest and the amounts payable by the Existing Hedge Counterparty are determined by reference to a floating benchmark rate of interest.

Expected Maturity Date means the expected maturities as may be agreed between

(i) in respect of each Issuer/Borrower Loan, the Issuer and the Borrower (and reflected in the relevant Issuer/Borrower Loan Tranche Supplement);

(ii) in respect of the Notes, the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Currency, as specified in the applicable Final Terms; or

(iii) in respect of the FinCo/Borrower Loans, between FinCo and the Borrower (and reflected in the relevant FinCo/Borrower Facilities Agreement),

and each subject to the Maturity Concentration Limit.

Extraordinary Voting Matter means a matter which:

(a) would change (i) any provision (including any definition) which would materially affect the voting mechanics in relation to the Extraordinary Voting Matters or (ii) any of the matters constituting Extraordinary Voting Matters;

- (b) would materially change any Obligor Events of Default or any Trigger Events each in relation to non-payment, the making of Restricted Payments, financial ratios or credit rating downgrade;
- (c) would relate to the waiver of an Obligor Event of Default in respect of any Obligor or a waiver of any Trigger Events in relation to non-payment, credit rating downgrade or financial ratios or the making of Restricted Payments;
- (d) would materially change or have the effect of materially changing the definition of Permitted Business;
- (e) would change or have the effect of changing the provisions or would relate to a waiver of the test for Permitted Financial Indebtedness set out in Paragraph 8.2 (Financial Indebtedness and Maturity Concentration Limits) of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the Common Terms Agreement;
- (f) would change in any adverse respect any mandatory prepayment provisions set out in any Common Document (including, without limitation, the amount to be prepaid or the time by which such amount is to be applied in prepayment); or
- (g) would materially change any Material Borrower Covenant.

Facility A means the term loan facility of initially up to £1,050,000,000 made available pursuant to the Term Facilities Agreement.

Facility B means the term loan facility of up to £786,000,000 made pursuant to the Term Facilities Agreement.

Final Maturity Date means in relation to:

- (a) the Notes, the legal maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Currency, as specified in the applicable Final Terms and subject to the Maturity Concentration Limit covenant set out in the CTA;
- (b) the Liquidity Facility, the first anniversary of the Closing Date (but on a renewable basis);
- (c) the Issuer/Borrower Facilities, that date set out in the applicable Issuer/Borrower Loan Tranche Supplement;
- (d) the FinCo/Borrower Facilities, the twenty fifth anniversary of the Closing Date;
- (e) the Capex Facility and the Working Capital Facility, 5 years after the Closing Date;
- (f) Facility A, the third anniversary of the Closing Date; and
- (g) Facility B, the fifth anniversary of the Closing Date.

Final Terms means the final terms issued in relation to each Tranche of Notes as a supplement to the Conditions and giving details of the Tranche.

Finance Lease means any finance or capital lease (as determined by the Accounting Principles as at the Closing Date) entered into by a Senior Financing Group Company in respect of which a Senior Financing Group Company is the lessee.

Finance Lessor means a lessor of a Finance Lease.

Financial Covenant Ratios means the Historic Net Debt to EBITDA Ratio; the Historic Cashflow DSCR and the Historic Cashflow ICR as set out in Part 3 (Financial Covenants) of Schedule 2 (Covenants) to the CTA.

Financial Indebtedness means (without double counting) any indebtedness of any Senior Financing Group Company for or in respect of:

- (a) moneys borrowed or raised (whether or not for cash) (calculated net of applicable credit balances where such monies are borrowed by a Senior Financing Group Company as part of netting arrangements with a financial institution);
- (b) any amounts drawn under acceptance credit or bill discounting facility;
- (c) any bond, note, debenture, loan stock or other similar instrument;
- (d) any finance or capital lease which would, in accordance with the Accounting Principles as at the Closing Date, be treated as such;
- (e) any share in a Senior Financing Group Company which is not held by another Senior Financing Group Company and which is capable of redemption prior to the final maturity date;
- (f) the acquisition cost of any asset or service to the extent payable after its acquisition or possession by the party liable where one of the primary reasons for the deferred payment is arranged is as a method of raising finance or financing the acquisition or construction of that asset or the supply of that service (but excluding trade credit on customary commercial terms) or if such amount is due more than six months after the date of acquisition or supply;
- (g) receivables sold or discounted (other than on a non-recourse basis);
- (h) any amount due, but unpaid, in respect of any Treasury Transaction, any Offsetting Hedge Annuity and any amount in respect of amounts that have accreted but not yet become due and payable (but excluding for the avoidance of doubt any mark-to-market value that has not yet become payable);
- (i) any other transaction which has the commercial effect of a borrowing or otherwise is treated as such under the Accounting Principles;
- (j) (without double counting) any counter indemnity obligation in respect of any guarantee, indemnity, bond, letter of credit or any other instrument issued by a bank or financial institution in respect of an underlying liability of any person which is of the nature referred to above; and
- (k) any guarantee in respect of an underlying liability of any person which is of the nature referred to in the above paragraphs (but excluding any Permitted Guarantee),

provided that:

- (i) any amount owed by one Senior Financing Group Company to another Senior Financing Group Company shall not be taken into account;
- (ii) any amounts outstanding under any Subordinated Debt shall not be taken into account; and
- (iii) any pension deficit shall not be taken into account.

FinCo means Arqiva Senior Finance Limited, (registered number 08127157) a private limited liability company incorporated under the laws of England and Wales.

FinCo Account means the debt service payment account which FinCo is required to open and maintain.

FinCo Corporate Officer Agreement means the corporate officer agreement dated on or about the Signing Date between the FinCo Corporate Officer Provider, FinCo and the FinCo Security Trustee pursuant to which the FinCo Corporate Officer Provider will be appointed.

FinCo Corporate Officer Provider means Structured Finance Management Limited (registered number 03853947), appointed to act as corporate officer provider to FinCo.

FinCo Deed of Charge means the deed dated on or about the Closing Date in favour of the FinCo Security Trustee as trustee for the FinCo Secured Creditors in respect of the FinCo Secured Liabilities and pursuant to which FinCo creates the FinCo Security.

FinCo Event of Default means an event of default (howsoever described) under the TFA.

FinCo Hedge Counterparties means the financial institutions listed in Schedule 9 (Initial FinCo Hedge Counterparties) of the STID as Hedge Counterparties and each other FinCo Secured Creditor that has entered into an Agreed Form FinCo ISDA Master Agreement with FinCo (but excluding, for the avoidance of doubt, the Borrower)).

FinCo Hedge ETD ATE shall have the meaning given to such term in the FinCo/Borrower Hedging Agreement.

FinCo Hedging Agreements means each ISDA Master Agreement, including each Treasury Transaction forming part thereof and subject thereto, between FinCo and a FinCo Hedge Counterparty.

FinCo Hedging Policy means the provisions set out in Schedule 3 to the FinCo Intercreditor Agreement.

FinCo Hedges means any Existing Interest Rate Hedges which will be novated by the Borrower to FinCo and amended on the Closing Date and any New Hedges that will be entered into by FinCo after the Closing Date (but excluding, for the avoidance of doubt, any FinCo/Borrower Hedges).

FinCo Intercreditor Agreement means the FinCo intercreditor agreement dated on or about the Signing Date between, among others, FinCo, the FinCo Security Trustee and the FinCo Secured Creditors.

FinCo Payment Priorities means the FinCo Pre-Enforcement Payment Priorities and the FinCo Post-Enforcement Post-Acceleration Payment Priorities.

FinCo Post-Enforcement Post-Acceleration Payment Priorities means the provisions relating to the order of priority of payments set out in the FinCo Intercreditor Agreement.

FinCo Pre-Enforcement Payment Priorities means the provisions relating to the order of priority of payments from the FinCo Account set out in the FinCo Intercreditor Agreement.

FinCo Secured Creditor Entrenched Right means, in respect of a FinCo Secured Creditor, any modification, consent, direction or waiver in respect of a FinCo Transaction Document that would:

- (a) result in an increase in or would adversely modify such FinCo Secured Creditor's obligations or liabilities under such FinCo Transaction Document;
- (b) have the effect of adversely changing the FinCo Payment Priorities or application thereof in respect of such FinCo Secured Creditor where **adversely** means, in respect of any change to the FinCo Payment Priorities, a change which has the effect of changing the priority of the FinCo Secured Creditors relative to each other provided that the creation of payments which rank subordinate to a FinCo Secured Creditor shall not be an adverse change in respect of such FinCo Secured Creditor;
- (c) release any FinCo Security (except where such release is expressly permitted by the FinCo Deed of Charge or the FinCo Intercreditor Agreement);
- (d) alter adversely the voting entitlement of such FinCo Secured Creditor under the STID, the Term Facilities Agreement or the FinCo Intercreditor Agreement;
- (e) in respect of a FinCo Hedge Counterparty, constitute an Entrenched Right pursuant to paragraph (q) of the definition of Entrenched Right;

- (f) amend Clause 11 (Enforcement of FinCo Security) of the FinCo Intercreditor Agreement; or
- (g) amend this definition.

FinCo Secured Creditors means the FinCo Security Trustee, the Term Facility Providers, the TF Agent, the FinCo Corporate Officer Provider and the FinCo Hedge Counterparties and any other Additional FinCo Secured Creditor.

FinCo Secured Liabilities means all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of FinCo to any FinCo Secured Creditor under each FinCo Transaction Document.

FinCo Security means the Security Interest which FinCo creates over all of its assets and undertakings pursuant to the FinCo Deed of Charge (including its rights under the FinCo/Borrower Facilities Agreement, the FinCo Hedges, the FinCo/Borrower Hedges, the Obligor Security Documents, the CTA and the STID) in favour of the FinCo Security Trustee.

FinCo Security Trustee means Deutsche Trustee Company Limited, or any successor thereto, or any other or additional trustee and all other persons for the time being appointed to act as security trustee for the FinCo Secured Creditors pursuant to the FinCo Intercreditor Agreement.

FinCo Transaction Documents means the transaction documents to which FinCo is a party as follows:

- (a) the Term Facilities Agreement;
- (b) the FinCo Hedging Agreements;
- (c) the FinCo Deed of Charge;
- (d) the FinCo Intercreditor Agreement;
- (e) the FinCo Corporate Officer Agreement;
- (f) the Master Definitions Agreement;
- (g) the Common Terms Agreement;
- (h) the Security Trust and Intercreditor Deed;
- (i) the Intermediate HoldCo Intercreditor Agreement;
- (j) the Intermediate HoldCo Senior Guarantee;
- (k) the Intermediate HoldCo Security Agreement; and
- (l) any other agreement, instrument or deed designated by the FinCo Security Trustee and FinCo as a FinCo Transaction Document.

FinCo/Borrower Capitalisation Loan means the intra-group loan from FinCo to the Borrower constituting the equity capitalisation of FinCo following the issuance of shares in FinCo to the Intermediate Parent in exchange for cash.

FinCo/Borrower Capitalisation Loan Agreement means the agreement dated on or about the Closing Date between the FinCo/Borrower Capitalisation Loan Provider and the Borrower under which the FinCo/Borrower Capitalisation Loan is provided.

FinCo/Borrower Capitalisation Loan Provider means FinCo in its capacity as provider of the FinCo/Borrower Capitalisation Loan.

FinCo/Borrower Facilities means the Initial FinCo/Borrower Facilities and any other facility into which FinCo will enter and then on-lend the proceeds to the Borrower after the Signing Date.

FinCo/Borrower Facilities Agreement means the Initial FinCo/Borrower Facilities Agreement and any other facility agreement under which a facility is made available to the Borrower after the Signing Date.

FinCo/Borrower Facilities Fee means the ongoing fee, paid periodically by the Borrower pursuant to Clause 14.5(b) (Fees Generally) of the FinCo/Borrower Facilities Agreement on each Interest Payment Date after the Closing Date, which meets various costs and expenses of FinCo (without double counting), including but not limited to (i) amounts required to be paid in respect of indemnities, gross-up obligations and increased costs under the Term Facilities Agreement (but excluding amounts constituting principal repayment due and payable by FinCo following a Termination Date (under and as defined in the Term Facilities Agreement) or any default interest in respect of such principal repayments); (ii) any enforcement and/or administration costs of FinCo in connection with a FinCo Event of Default where an Obligor Event of Default has not occurred; (iii) amounts owed to, inter alios, the FinCo Security Trustee (and any receiver appointed by the FinCo Security Trustee), the TF Agent and FinCo's legal advisers, accountants and auditors (in each case to the extent not covered by the Initial FinCo/Borrower Facilities Fee) (including the Duration Fee payable under the Term Facilities Agreement) and (iv) any administration costs of FinCo; and (v) an amount equal to the shortfall (if any) in the funds available to FinCo to pay the amount due and payable by FinCo in respect of the Term Loans and the FinCo Hedges as a result, and only to the extent, of FinCo receiving or paying differing amounts between (a) the payments from or to the Borrower under the FinCo/Borrower Hedging Agreement and (b) payments from or to the FinCo Hedge Counterparties under the FinCo Hedges, whether by virtue of Part 5(d) (Netting with FinCo/Borrower Facilities Agreement) of the schedule to the FinCo/Borrower Hedging Agreement or otherwise.

FinCo/Borrower Facility A means a term facility of up to £1,050,000,000 as at the Closing Date provided under the FinCo/Borrower Facilities Agreement.

FinCo/Borrower Facility B means a term facility of up to £786,000,000 as at the Closing Date provided under the FinCo/Borrower Facilities Agreement.

FinCo/Borrower Hedges means each Treasury Transaction forming part of and subject to a FinCo/Borrower Hedging Agreement.

FinCo/Borrower Hedging Agreement means the ISDA Master Agreement, including each Treasury Transaction forming part thereof and subject thereto, between FinCo and the Borrower.

FinCo/Borrower Loan means the Initial FinCo/Borrower Loan and any other loan made in accordance with the terms of the relevant FinCo/Borrower Facilities Agreement after the Closing Date.

FinCo/Borrower Loan A means the loan made on the Closing Date under FinCo/Borrower Facility A.

FinCo/Borrower Loan B means the loan made on the Closing Date under FinCo/Borrower Facility B.

Fitch means Fitch Ratings Ltd and any successor to its rating business.

Fitch Required Rating means a long-term unsecured and unsubordinated debt obligations rating of at least A- by Fitch, provided that if the relevant entity has a long-term unsecured and unsubordinated debt obligations rating of A- by Fitch such entity must not be on credit watch negative (or equivalent).

Further Authorised Facility Provider means any Authorised Facility Provider which accedes to the Common Terms Agreement and the STID following the Closing Date.

Further Enforcement Instruction Notice has the meaning given to it in Subclause 18.2(b) (Enforcement Instruction Notices) of the STID.

Group EBITDA means EBITDA before the subtraction of the consolidated earnings (before the deductions and the adjustments referred to in the definition of EBITDA) of the Senior Financing Group Companies that are incorporated outside of the United Kingdom.

Growth Capex means Capex incurred to deliver financial benefits through future revenues and which is supported by a business case, including (for the avoidance of doubt) the acquisition of spectrum.

Hedge Counterparties means (a) the Issuer Hedge Counterparties, (b) the Borrower Hedge Counterparties, (c) the FinCo Hedge Counterparties and **Hedge Counterparty** means any of such parties.

Hedged Debt Covenant means the covenant set out in Paragraph 4 of Schedule 5 (Hedging Policy and Overriding Provisions Relating to Hedging Agreements) to the CTA.

Hedges means the Existing Hedges together with the New Hedges.

Hedge with Break Clause has the meaning given to it in Paragraph 6 of Schedule 5 (Hedging Policy and Overriding Provisions relating to Hedging Agreements) to the CTA.

Hedging means all of the Hedges.

Hedging Agreements means the Borrower Hedging Agreements, Issuer Hedging Agreements and FinCo Hedging Agreements.

Hedging Policy means either the Issuer/Borrower Hedging Policy or the FinCo Hedging Policy, as applicable.

Hedging Test Date means:

- (a) 31 March, 30 June, 30 September and 31 December in each year; and
- (b) the date of any significant event that may impact on the Hedged Debt Covenant, such as the issuance, prepayment or repayment of Senior Debt (excluding any Working Capital Facilities or Ancillary Facilities) or any Term Facilities and the entry into or termination of Hedges which shall, for the avoidance of doubt, include, a disposal being applied towards repayment of Senior Debt in accordance with Paragraph 5 (Mandatory Prepayment of FinCo/Borrower Loans and Issuer/Borrower Loans using Unused Proceeds) of Part 5 (Mandatory Prepayment and Voluntary Prepayment) of Schedule 2 (Covenants) to the CTA,

commencing with the earlier to occur of the Hedging Test Date occurring on 31 March 2013 and the first date of any significant event referred to in sub-paragraph (b) and continuing until the date that the aggregate outstanding principal amount of the Notes and the Borrower Loans (including the FinCo/Borrower Loans but excluding the Issuer/Borrower Loans) has been repaid, provided that if such date is not a Business Day, the next following day that is a Business Day.

Hedging Transaction means each transaction under a Hedging Agreement.

Hedging (with Breaks) Condition means the conditions under which the Borrower and the Issuer may enter into Hedges with Break Clauses as set out in Paragraph 6 (Hedging (with Breaks) Condition) of Schedule 5 (Hedging Policy and Overriding Provisions relating to Hedging Agreements) to the CTA.

Historic Cashflow DSCR means the ratio of Cashflow to Debt Service as calculated in accordance with Paragraph 2 of Part 3 (Financial Covenants) of Schedule 2 (Covenants) to the CTA.

Historic Cashflow ICR means the ratio of Cashflow to Net Interest Payable as calculated in accordance with Paragraph 2 of Part 3 (Financial Covenants) of Schedule 2 (Covenants) to the CTA.

Historic Net Debt to EBITDA Ratio means the ratio of Net Debt to EBITDA (as calculated on a pro-forma basis to take into account the earnings from any acquired asset from the start of the Test Period and to exclude the earnings from any asset disposed of for the entire Test Period) as calculated in accordance with Paragraph 2 of Part 3 (Financial Covenants) of Schedule 2 (Covenants) to the CTA.

Historic Trigger Event Financial Covenant Ratios has the meaning given to it in Paragraph 1.1 of Part 1 (Trigger Events) of Schedule 3 (Trigger Events) to the CTA.

Holding Company of any person, means a person in respect of which that other person is a Subsidiary.

IFRS means international accounting standards within the meaning of IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements.

Index Linked Notes means the Notes in respect of which payments (whether in respect of principal or interest and whether at maturity or otherwise) may be calculated by reference to one of the indices and/or formulae described in the Conditions and as specified in the applicable Final Terms.

Inflation Linked Hedges means any Treasury Transaction forming part of and subject to a Hedging Agreement pursuant to which amounts payable by one party are determined by reference to a rate of inflation and amounts payable by the other party are determined by reference to a fixed or floating rate of interest.

Inflation Linked Hedging means all of the Inflation Linked Hedges.

Inflation Linked Hedging Agreement means any Hedging Agreement of the Borrower, FinCo or the Issuer (as applicable) under which an Existing Hedge or a New Hedge which is an Inflation Linked Hedge is entered into.

Initial Borrower Cash Manager means Arqiva Limited appointed to act as the cash manager of the Borrower pursuant to the CTA.

Initial Capex and Working Capital Facilities Agreement means the facility agreement dated on or about the Signing Date between, *inter alias*, the Borrower, the Initial CF&WCF Arrangers and the Obligor Security Trustee under which the Initial Capex Facility is made available to the Borrower.

Initial Capex Facility means the facility for the making of Initial Capex Loans in an aggregate amount of £400,000,000 made available to the Borrower by the Initial Capex Facility Providers under the Initial Capex and Working Capital Facilities Agreement.

Initial Capex Facility Providers means those financial institutions listed in Part 3 (Capex Facility Providers) of Schedule 13 (Financial Institutions) to the CTA.

Initial Capex Loans means the term loans to be made on the Closing Date in accordance with the terms of the Capex and Working Capital Facilities Agreement.

Initial CF&WCF Agent means Commerzbank AG, Luxembourg Branch, appointed to act as facility agent for the Initial Capex Facility Providers and the Initial Working Capital Facility Providers in accordance with the Initial Capex and Working Capital Facilities Agreement.

Initial CF&WCF Arrangers means those financial institutions listed in Part 5 (CF&WCF Arrangers) of Schedule 13 (Financial Institutions) to the CTA.

Initial FinCo/Borrower Facilities means both FinCo/Borrower Facility A and FinCo/Borrower Facility B into which FinCo will enter and then on-lend the proceeds to the Borrower.

Initial FinCo/Borrower Facilities Agreement means the agreement entered into on or about the Signing Date between FinCo, the Borrower, the Obligor Security Trustee and the FinCo Security Trustee.

Initial FinCo/Borrower Loan means each of the FinCo/Borrower Loan A and the FinCo/Borrower Loan B.

Initial Issuer/Borrower Facilities Fee means the amount paid on or about the Closing Date by the Borrower on the Issuer's behalf by way of an initial fee to meet the costs and expenses of the Issuer in

connection with the establishment of the Programme and the issue of the first Series of Notes (including, *inter alia*, the fees and expenses of the Note Trustee, the Issuer Security Trustee and the Issuer's legal advisers, accountants and auditors).

Initial LF Agent means Commerzbank AG, Luxembourg Branch, acting as facility agent for any Initial Liquidity Facility Providers.

Initial Liquidity Facility means a debt service reserve liquidity facility provided to the Borrower and the Issuer for the purpose of making Drawings and having the characteristics contemplated in Schedule 10 (Borrower Liquidity) to the CTA.

Initial Liquidity Facility Agreement means the liquidity facility agreement dated on or about the Signing Date between AF No 1, the Issuer, the Initial Liquidity Facility Providers, the Obligor Security Trustee, the Issuer Security Trustee, the Borrower Cash Manager and the Issuer Cash Manager under which the Initial Liquidity Facility is entered into.

Initial Liquidity Facility Providers means those financial institutions listed in Part 1 (Liquidity Facility Providers) of Schedule 13 (Financial Institutions) to the CTA.

Initial Term Facilities means term facilities, initially comprising Facility A and Facility B, provided by an Initial Term Facility Provider.

Initial Term Facilities Agreement means the agreement dated on or about the Signing Date between, *inter alios*, the Initial TF Arrangers and FinCo under which the Initial Term Facilities are provided.

Initial Term Facility Providers means the financial institutions listed in Part 1 and Part 2 of Schedule 1 (The Original Parties) to the Initial Term Facilities Agreement, being a syndicate of banks which will agree to provide the Initial Term Facilities in accordance with the Initial Term Facilities Agreement.

Initial Term Loans means each loan made in accordance with the Initial Term Facilities Agreement.

Initial TF Agent means Commerzbank AG, Luxembourg Branch, appointed to act as facility agent for the Initial Term Facility Providers.

Initial TF Arrangers means Abbey National Treasury Services Plc (trading as Santander Global Banking and Markets), Banc of America Securities Limited, N.A.; Barclays Bank plc; Commerzbank Aktiengesellschaft; Deutsche Bank AG, London Branch; HSBC Bank plc; ING Bank N.V., London Branch; J.P.Morgan Limited, Lloyds TSB Bank plc; National Australia Bank Limited; Scotiabank Europe plc; Société Générale, London Branch; The Bank of Tokyo-Mitsubishi UFJ, Ltd; The Royal Bank of Scotland plc; Banca IMI S.p.A, London Branch; Canadian Imperial Bank of Commerce, London Branch; Export Development Canada and UBS Limited, appointed to act as arrangers for the Initial Term Facilities.

Initial Working Capital Facility means a facility under which Initial Working Capital Loans in an aggregate amount of £100,000,000 are made available to the Borrower under the Initial Capex and Working Capital Facilities Agreement.

Initial Working Capital Facility Providers means those financial institutions listed in Part 4 (Working Capital Facility Providers) of Schedule 13 (Financial Institutions) to the CTA.

Initial Working Capital Loans means each revolving loan provided to the Borrower pursuant to the Initial Working Capital Facility.

Interest Commencement Date means, in the case of interest-bearing Notes, the date specified in the applicable Final Terms from (and including) which such Notes bear interest, which may or may not be the Issue Date.

Interest Payment Dates means in respect of: (i) any Series of Notes, the Specified Interest Payment Date or the meaning given to it in the applicable Final Terms, as the case may be; (ii) the Issuer/Borrower Facilities Agreement, each Loan Interest Payment Date as defined therein; (iii) any other Issuer Transaction Document, the Interest Payment Dates for each Series of Notes; (iv) each Borrower Bank Facility, the interest payment dates set out in the applicable Borrower Bank Facility Agreement; (v) the FinCo/Borrower Facilities, each FinCo/Borrower Loan Interest Payment Date as defined therein and (vi) any other Authorised Facility Agreement, the interest payment dates specified therein.

Interest Rate Hedges means any Treasury Transaction, forming part of and subject to a Hedging Agreement, pursuant to which amounts payable by one party are determined by reference to a fixed rate of interest and amounts payable by the other party are determined by reference to a floating benchmark rate of interest (and which is not an Inflation Linked Hedge).

Interest Rate Hedging means all of the Interest Rate Hedges.

Intermediate HoldCo means Arqiva Broadcast Intermediate Limited (registered number 08085710), a newly incorporated subsidiary of AF No 2 incorporated under the laws of England and Wales.

Intermediate HoldCo Intercreditor Agreement means the intercreditor agreement dated on or about the Signing Date between, *inter alia*, Intermediate HoldCo and the Intermediate HoldCo Security Trustee.

Intermediate HoldCo Secured Creditors means the Intermediate HoldCo Security Trustee, any Receiver or Delegate (in each case, under and as defined in the Intermediate HoldCo Intercreditor Agreement), each Senior Creditor and each Junior Creditor.

Intermediate HoldCo Security means the first ranking fixed security over the share capital of the Parent and any subordinated loans owing from the Parent to Intermediate HoldCo in support of its financial obligations under the Intermediate HoldCo Senior Guarantee granted by the Intermediate HoldCo in favour of the Intermediate HoldCo Security Trustee in support of Intermediate HoldCo's obligations under the Intermediate HoldCo Senior Guarantee and the Intermediate HoldCo Subordinated Guarantee.

Intermediate HoldCo Security Agreement means the security agreement dated on or about the Closing Date between, *inter alia*, Intermediate HoldCo and the Intermediate HoldCo Security Trustee.

Intermediate HoldCo Security Trustee means Deutsche Trustee Company Limited, or any successor thereto, or any other or additional trustee and all other persons for the time being appointed to act as security trustee for the Intermediate HoldCo Secured Creditors pursuant to the Intermediate HoldCo Intercreditor Agreement.

Intermediate HoldCo Senior Guarantee means the guarantee given on or about the Closing Date by the Intermediate HoldCo of FinCo's liabilities under the Term Facilities and the FinCo Hedging Agreements.

Intermediate HoldCo Subordinated Guarantee means the guarantee given on or about the Closing Date by Intermediate HoldCo of all liabilities of Junior FinCo under any relevant facility granted to Junior FinCo and under the Junior Notes (as applicable), but on the basis that no payments will be made by Intermediate HoldCo thereunder whilst any amounts remain outstanding under the Term Facilities and the FinCo Hedges.

Intermediate Parent means Arqiva Group Intermediate Limited (registered number 08126989), a company with limited liability incorporated under the laws of England and Wales.

ISDA Master Agreement means an ISDA 2002 Master Agreement as published by the International Swaps and Derivatives Association Inc. and including the Schedule thereto.

Issue Date means the date of issue of each Tranche of Notes under the Programme as specified in the relevant Final Terms applicable to such Tranche of Notes.

Issue Price means the price at which the Notes will be issued, which may be on a fully-paid or a partly-paid basis and at par or at a discount to par or at a premium over par, as specified in the applicable Final Terms.

Issuer means Arqiva Financing Plc (registered number 08336354), a public limited company incorporated under the laws of England and Wales.

Issuer Account Bank means National Westminster Bank plc, in its capacity as such under the Issuer Account Bank Agreement together with, any successor or replacement account bank appointed from time to time.

Issuer Account Bank Agreement means the agreement dated on or about the Signing Date between the Issuer, the Issuer Cash Manager, the Issuer Security Trustee and the Issuer Account Bank pursuant to which the Issuer Accounts are provided.

Issuer Accounts means:

- (a) the Issuer Transaction Account; and
- (b) any other bank account opened or maintained by the Issuer on or after the Signing Date including the Issuer Liquidity DSR Account (but excluding any Liquidity Standby Account opened in respect of a Downgraded Liquidity Facility Provider).

Issuer Cash Management Agreement means the cash management agreement dated on or about the Signing Date between, among others, the Issuer, the Issuer Cash Manager and the Issuer Security Trustee pursuant to which the Issuer Cash Manager will be appointed.

Issuer Cash Manager means Arqiva Limited appointed to act as the cash manager of the Issuer pursuant to the Issuer Cash Management Agreement or any successor or replacement cash manager appointed from time to time.

Issuer Charged Documents means the Issuer Transaction Documents and all other contracts, documents, agreements and deeds to which the Issuer is, or may become, a party (other than the Issuer Deed of Charge, the Note Trust Deed, the Programme Agreement, each Subscription Agreement and the Issuer Corporate Officer Agreement).

Issuer Corporate Officer Agreement means the corporate officer agreement dated on or about the Signing Date between the Issuer Corporate Officer Provider, the Issuer and the Issuer Security Trustee pursuant to which the Issuer Corporate Officer Provider will be appointed.

Issuer Corporate Officer Provider means Structured Finance Management Limited (registered number 03853947), appointed to act as corporate officer provider to the Issuer.

Issuer Deed of Charge means the deed of charge dated on or about the Signing Date between, *inter alios*, the Issuer, the Issuer Security Trustee and the Note Trustee pursuant to which the Issuer will grant the Issuer Security in favour of the Issuer Security Trustee.

Issuer Enforcement Notice means a notice given by the Issuer Security Trustee (as directed by the Note Trustee) to the Issuer in accordance with Condition 11 (Enforcement against Issuer).

Issuer Hedge Counterparties means each Issuer Secured Creditor that accedes to the CTA, the STID the Issuer Deed of Charge and the MDA in such capacity.

Issuer Hedges means those New Hedges which the Issuer enters into after the Closing Date (but excluding, for the avoidance of doubt, any Issuer/Borrower Hedges).

Issuer Hedging means all of the Issuer Hedges.

Issuer Hedging Agreements means each Pari Passu Issuer Hedging Agreement and each Super Senior Issuer Hedging Agreement.

Issuer Liquidity DSR Account means an account opened in the name of the Issuer and maintained by the Issuer Account Bank pursuant to the terms of the Issuer Account Bank Agreement and credited with a cash reserve for the purpose of satisfying the Debt Service Shortfall Test or such other account as may be opened, with the consent of the Issuer Security Trustee, at any branch of the Issuer Account Bank in replacement of such account.

Issuer Payment Priorities means the Issuer Pre-Enforcement Payment Priorities, the Issuer Post-Enforcement Pre-Acceleration Payment Priorities and the Issuer Post-Acceleration Payment Priorities.

Issuer Post-Acceleration Payment Priorities means the provisions relating to the order of priority of payments of funds standing to the credit of the relevant Issuer Accounts set out in Clause 9.2 of the Issuer Deed of Charge.

Issuer Post-Enforcement Pre-Acceleration Payment Priorities means the provisions relating to the order of priority of payments of all monies received or recovered by the Issuer Security Trustee (or any receiver appointed by it) in respect of the Issuer Security and (to the extent that they are available) all funds standing to the credit of the relevant Issuer Accounts as set out in Clause 8.2 of the Issuer Deed of Charge.

Issuer Pre-Enforcement Payment Priorities means the provisions relating to the order of priority of payments of monies credited to the Issuer Transaction Account (together with amounts available to the Issuer under the Liquidity Facility and the Issuer Hedges) as set out in Schedule 1 (Issuer Pre-Enforcement Payment Priorities) to the Issuer Cash Management Agreement.

Issuer Profit Amount means £5,000 per annum in equal instalments on each Interest Payment Date, to be retained by the Issuer as profit.

Issuer Qualifying Debt means for so long as any Notes remain outstanding, the sum of (i) the Principal Amount Outstanding of the Notes and (ii) the mark-to-market value of all transactions arising under Issuer Hedging Agreements in respect of the Notes to the extent that such value represents an amount which is or would be payable to the relevant Issuer Hedge Counterparties if an early termination date has been or was designated at such time in respect of such transactions in accordance with the relevant Issuer Hedging Agreement.

Issuer Qualifying Secured Creditors means, for so long as any Notes remain outstanding, the holders of each Tranche of Notes and each Issuer Hedge Counterparty.

Issuer Secured Creditor Entrenched Right means, in respect of an Issuer Secured Creditor, any modification, consent, direction or waiver in respect of an Issuer Transaction Document that would:

- (a) result in an increase in or would adversely modify such Issuer Secured Creditor's obligations or liabilities under such Issuer Transaction Document;
- (b) have the effect of adversely changing the Issuer Payment Priorities or application thereof in respect of such Issuer Secured Creditor where adversely means, in respect of any change to the Issuer Payment Priorities, a change which has the effect of changing the priority of the Issuer Secured Creditors relative to each other provided that the creation of payments which rank subordinate to an Issuer Secured Creditor shall not be an adverse change in respect of such Issuer Secured Creditor;
- (c) release any Issuer Security (except where such release is expressly permitted by the Issuer Deed of Charge);
- (d) alter adversely the voting entitlement of such Issuer Secured Creditor under the STID, the Note Trust Deed or the Conditions;

(e) in respect of an Issuer Hedge Counterparty, constitute an Entrenched Right pursuant to paragraph (p) of the definition of Entrenched Right;

(f) amend Clause 14.4 (Issuer Secured Creditor Entrenched Rights) of the Issuer Deed of Charge; or

(g) amend this definition.

Issuer Secured Creditors means the Noteholders, the Note Trustee, the Issuer Security Trustee, the Issuer Hedge Counterparties, the Liquidity Facility Providers (in their capacity as lenders to the Issuer), each LF Agent, the Principal Paying Agent, each Paying Agent, the Agent Bank, each Calculation Agent, the Registrar, the Transfer Agent, the Exchange Agent, the Issuer Cash Manager, the Borrower, the Issuer Corporate Officer Provider and the Issuer Account Bank and any other Additional Issuer Secured Creditor.

Issuer Secured Liabilities means all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of the Issuer to any Issuer Secured Creditor under each Issuer Transaction Document.

Issuer Security means the fixed and floating security over all of the Issuer's assets and undertakings (including over its rights under the Issuer Charged Documents) granted by the Issuer in favour of the Issuer Security Trustee pursuant to the Issuer Deed of Charge.

Issuer Security Trustee means Deutsche Trustee Company Limited, or any successor thereto, or any other or additional trustee and all other persons for the time being acting as security trustee for the Issuer Secured Creditors pursuant to the Issuer Deed of Charge.

Issuer Transaction Account means the transaction account which the Issuer is required to have open and to maintain with the Issuer Account Bank.

Issuer Transaction Documents means as follows:

- (a) each Global Note and each Definitive Note;
- (b) the Note Trust Deed;
- (c) the Issuer Deed of Charge;
- (d) the Issuer Cash Management Agreement;
- (e) the Agency Agreement;
- (f) each Calculation Agency Agreement;
- (g) the Issuer Account Bank Agreement;
- (h) the Liquidity Facility Agreement;
- (i) the Issuer/Borrower Facilities Agreement;
- (j) the Issuer Hedging Agreements;
- (k) the Issuer/Borrower Hedging Agreements;
- (l) the Issuer Corporate Officer Agreement;
- (m) the Master Definitions Agreement;
- (n) the Common Terms Agreement;
- (o) the Security Trust and Intercreditor Deed;
- (p) the Borrower Account Bank Agreement;

(q) each Final Terms; and

(r) any other agreement, instrument or deed designated by the Issuer and the Issuer Security Trustee as an Issuer Transaction Document.

Issuer/Borrower Facilities means the facilities pursuant to which the proceeds of Notes are on-lent by the Issuer to the Borrower.

Issuer/Borrower Facilities Agreement means the agreement, under which the Issuer/Borrower Facilities are provided, entered into on or about the Signing Date between, *inter alia*, the Borrower, the Issuer and the Issuer Security Trustee.

Issuer/Borrower Facilities Fee means the ongoing fee paid by the Borrower periodically in respect of each Interest Payment Date, each Issue Date (following the Closing Date), any date of repayment or prepayment of all or part of any Issuer/Borrower Loan or any other date notified by the Issuer to meet the costs and expenses of the Issuer in connection with the issue of Notes on such Issue Date (if applicable) and in respect of amounts owed to, *inter alios*, the Note Trustee, the Issuer Security Trustee (and any receiver appointed by the Issuer Security Trustee), the Principal Paying Agent, the Agent Bank, the Calculation Agent, the Registrar, the Exchange Agent, the Transfer Agent, the Issuer Cash Manager, the Issuer Account Bank, the Liquidity Facility Providers (in their capacity as lenders to the Issuer) and the Issuer's legal advisers, accountants and auditors (in each case to the extent not covered by the Initial Issuer/Borrower Facilities Fee) and to cover the Issuer Profit Amount (out of which the Issuer will pay its tax).

Issuer/Borrower Hedges means each Pari Passu Issuer/Borrower Hedge and each Super Senior Issuer/Borrower Hedge.

Issuer/Borrower Hedging Agreements means each Pari Passu Issuer/Borrower Hedging Agreement and each Super Senior Issuer/Borrower Hedging Agreement.

Issuer/Borrower Hedging Policy means the provisions set out in Schedule 5 to the CTA.

Issuer/Borrower Loans means the loans made under the Issuer/Borrower Facilities.

Issuer/Borrower Loan Tranche Supplement means a loan tranche supplement substantially in the form set out in Schedule 2 (Form of Issuer/Borrower Loan Tranche Supplement) to the Issuer/Borrower Facilities Agreement.

Issuer/Borrower Rate Hedge shall have the meaning given to such term in the Issuer/Borrower Hedging Policy.

Jersey Security means an acknowledgement between the Obligor Security Trustee (as Plaintiff) and Arqiva Limited (as Defendant) to be registered in the Public Registry of Jersey thereby creating a judicial hypothec to be secured over the property known as Fremont Point Transmitter Station.

Joint Venture means any arrangement or agreement for any joint venture, co-operation or partnership pursuant to, required for or conducive to the operation of the Permitted Business of the Senior Financing Group.

Junior FinCo means Arqiva Broadcast Finance plc (registered number 08336342), a newly formed sister company of AF No 2 incorporated in England and Wales with limited liability.

Junior FinCo Senior Amounts means an amount equal to the amount required by the Junior FinCo to pay amounts due and payable to any agents, trustees or other professional service providers that rank senior to payments of interest on the Junior Notes and any applicable facilities provided to the Junior Issuer (as applicable).

Junior Intercompany Borrower means AF No 2 as borrower under the Junior Intercompany Loan Agreement.

Junior Intercompany Lender means Junior FinCo as lender under the Junior Intercompany Loan Agreement.

Junior Intercompany Loan Agreement means the agreement between, among others, the Junior Intercompany Borrower and the Junior Intercompany Lender pursuant to which the Junior Intercompany Loans are provided.

Junior Intercompany Loans means the loans made by the Junior Intercompany Lender to the Junior Intercompany Borrower pursuant to the Junior Intercompany Loan Agreement.

Junior Intercreditor Agreement means the intercreditor agreement dated on or about the Closing Date and made between, amongst others, Junior FinCo and the Junior Security Trustee.

Junior Noteholders means the holders of the Junior Notes and their replacements or successors.

Junior Notes means the secured notes issued by Junior FinCo.

Junior Parent means Arqiva Broadcast Parent Limited (registered number 08085823), a newly formed holding company of AF No 2 incorporated in England and Wales with limited liability.

Junior Security Agreement means the security agreement dated on or about the Closing Date and made between, amongst others, Junior FinCo and the Junior Security Trustee.

Junior Security Trustee means Deutsche Trustee Company Limited, or any successor thereto, or any other or additional trustee and all other persons for the time being acting as security trustee for the secured creditors pursuant to the Junior Intercreditor Agreement.

Lead Manager means, in relation to any Tranche of Notes, the person named as such in the applicable Subscription Agreement or, when only one Dealer signs such Subscription Agreement, such Dealer.

LF Agent means the Initial LF Agent and any other agent appointed after the Signing Date under the relevant Liquidity Facility Agreement.

LF Unpaid Sum means any amount due and payable by a Borrower and which it fails to pay under the Liquidity Facility Agreement on its due date.

Liquidity DSR Accounts means the Borrower Liquidity DSR Account and the Issuer Liquidity DSR Account.

Liquidity Facility means the Initial Liquidity Facility and any other liquidity facility made available to the Borrower and the Issuer after the Closing Date for the purpose of making Drawings.

Liquidity Facility Agreement means the Initial Liquidity Facility Agreement and any other facility agreement under which a liquidity facility is made available to the Borrower and the Issuer after the Signing Date.

Liquidity Facility Drawdown Date means the date of an advance of a Drawing.

Liquidity Facility Provider Requisite Rating means, in respect of a Liquidity Facility Provider, such Liquidity Facility Provider's long term unsecured debt obligations being rated by at least two of the following Rating Agencies (which while S&P is appointed by the Issuer, shall include the relevant S&P rating) at least at the following levels, in the case of S&P "BBB", in the case of Moody's "Baa2" and in the case of Fitch "BBB" or such lower rating as may be agreed between the Borrowers, the Obligor Security Trustee and the Rating Agencies provided that any such lower rating would not lead to any downgrade or the placing on "credit watch negative" (or equivalent) of the then current ratings of the Notes.

Liquidity Facility Providers means the Initial Liquidity Facility Providers and any other bank or financial institution which provides the Borrower and the Issuer with a liquidity facility and which accedes to the CTA and the STID and the Issuer Deed of Charge after the Closing Date.

Liquidity Loan Drawing means the principal amount of each drawing made under Clause 3.1(b)(i) (Grant of the Liquidity Facility) of the Liquidity Facility Agreement or the principal amount outstanding of that drawing (and for the avoidance of doubt, includes any Liquidity Standby Account Drawing made in accordance with Clause 5.3(c) but shall not include a Standby Drawing).

Liquidity Standby Accounts means the accounts to be opened, if required, in the joint names of the Borrower and the Issuer and held at the applicable Liquidity Facility Provider in respect of whom the Standby Drawing has been made or, if such Liquidity Facility Provider does not have the Liquidity Facility Provider Requisite Rating, at the Borrower Account Bank.

Liquidity Standby Account Drawing means, in relation to the participation in a Liquidity Loan Drawing by an Affected Liquidity Facility Provider, a withdrawal of sums standing to the credit of the Liquidity Standby Account which have been funded by way of Standby Drawing from that Affected Liquidity Facility Provider.

Local Business Days has the meaning given to it for the purposes of the relevant Hedging Agreement.

Lock-up Account means an account in the name of the Borrower (and any related custody account of such account opened to hold Authorised Investments) which shall be opened at the Borrower Account Bank as and when required and which shall be designated as the lock-up account by the Borrower and the Obligor Security Trustee.

Maintenance Capex means Capex that is incurred for cost-savings purposes or to deliver productivity enhancements or that is required to maintain or repair existing infrastructure by either extending the useful life of existing fixed assets or replacing worn out and obsolete fixed assets with new ones in order to support existing contracts, including (but not limited to) expenditure for mast-painting, replacing obsolete transmission equipment or upgrading IT hardware and software to the current standards supported by manufacturers and providers.

Mark Statement means, in respect of any day, a written statement from a Super Senior Hedge Counterparty setting out the mark-to-market in respect of each Super Senior Hedge in place between such Super Senior Hedge Counterparty and the Borrower and/or Issuer (as applicable) (provided that such statement (i) may be subject to the Hedge Counterparty's standard terms of business and certain disclaimers, and (ii) will be determined on a mid-market basis).

Master Definitions Agreement or **MDA** means the master definitions agreement entered into on the Signing Date between, *inter alios*, the Issuer and the Note Trustee.

Material Borrower Covenant means, among others, each of the following covenants:

- (a) the Restricted Payments covenant (to the extent that a Restricted Payment is made in breach thereof or there is a breach of a Trigger Event Consequence, but not the occurrence of a Trigger Event) (pursuant to Paragraph 31 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA);
- (b) (for so long as Facility A and/or Facility B are outstanding) the Modified Net Debt to EBITDA Ratio covenant (to the extent that a Restricted Payment is made in breach thereof, but not a breach of such ratio) (pursuant to Paragraph 31 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA);
- (c) the mergers covenant (pursuant to Paragraph 9 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA);
- (d) the Rating Downgrade Event covenant (to the extent that a Restricted Payment is made in breach thereof, but not the occurrence of the Rating Downgrade Event) (pursuant to Paragraph 31 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA);

- (e) the Permitted Business covenant (pursuant to Paragraph 1 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA);
- (f) the Permitted Acquisitions covenant (pursuant to Paragraph 10 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA);
- (g) the Permitted Disposals covenant (pursuant to Paragraph 7 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA);
- (h) the additional Financial Indebtedness covenant (pursuant to Paragraph 8 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA);
- (i) the New Term Financial Indebtedness Ratings Requirement covenant (pursuant to Paragraph 8 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA);
- (j) the Maturity Concentration Limit covenant (pursuant to Paragraph 8 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA);
- (k) the Negative Pledge covenant (pursuant to Paragraph 5 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA);
- (l) the Hedging Policy covenant (pursuant to Paragraph 15.1 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA);
- (m) the mandatory prepayment and voluntary prepayment covenants (pursuant to Part 5 (Mandatory Prepayment and Voluntary Prepayment) of Schedule 2 (Covenants) to the CTA); and
- (n) the Principal Subsidiaries Test (pursuant to Paragraph 18 (Principal Subsidiaries Test) of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA).

Material Contracts means the contracts to be designated as such in a schedule to the CTA.

Maturity Concentration Limit has the meaning given to it in Paragraph 8.2 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA.

Minimum Maintenance Capex Reserve Account means the minimum capex reserve account which the Borrower is obliged to open and maintain with the Borrower Account Bank.

Minimum Maintenance Capex Spend Amount means £15 million (RPI indexed) per financial year.

Minimum Rating Agency Requirements means the S&P Required Rating and the Fitch Required Rating or the required rating of such other Rating Agency then appointed by the Issuer.

Modified Net Debt to EBITDA Ratio Breach means so long as Facility A and/or Facility B remains outstanding, if either:

- (a) the Historic Net Debt to EBITDA Ratio for the Test Period ending on (and including) the immediately preceding Test Date; or
- (b) the Projected Net Debt to EBITDA Ratio for the Projected Test Period commencing on (but excluding) such Test Date,

(each as calculated for the purposes of the Financial Covenant Ratios and the Trigger Event Financial Covenant Ratios (as applicable)) is higher than 6.0 (the **Modified Net Debt to EBITDA Ratio**).

Moody's means Moody's Investors Service Limited and any successor to its rating business.

Negative Pledge means the negative pledge covenant set out in Paragraph 5 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA.

Net Cash Flow means, for any Test Date, EBITDA for such Test Date (and without double counting):

- (a) less the greater of Maintenance Capex during the Test Period ending on (and including) such Test Date and the Minimum Maintenance Capex Spend Amount for the Test Period ending on (and including) such Test Date (which shall be the same as the Minimum Maintenance Capex Spend Amount for each financial year);
- (b) less all amounts of corporation tax paid net of any tax rebate or refund for corporation tax during the Test Period ending on (and including) such Test Date; and
- (c) less all amounts of Issuer Profit Amount payable during the Test Period ending on (and including) such Test Date.

Net Debt means, for any Test Date, the aggregate Outstanding Principal Amount of Senior Debt (excluding amounts under any Hedging Agreements except to the extent as provided in paragraphs (a) to (c) below) as at the Test Date (and without double counting):

- (a) plus (for the avoidance of doubt) any accretion by indexation to the notional amount under any Hedging Agreements and the accretion portion of any other Senior Debt;
- (b) plus in respect of any Hedging Agreement, the amount (if any) that is payable to the relevant Hedge Counterparty if an Early Termination Date (as defined in the Hedging Agreement) has been designated on or prior to such Test Date in respect of the transaction or transactions arising under the Hedging Agreement and is outstanding on such Test Date;
- (c) in respect of two Hedging Transactions, that are subject to and part of the same Hedging Agreement, one of which is an Offsetting Hedge in respect of the other or a portion thereof, the net amount which would be payable (if any) by the Borrower to the Hedge Counterparty if an “Early Termination Date” (as defined in the Hedging Agreement) were to occur on such date with respect to both such Hedging Transactions and with the Borrower as sole “Affected party”;
- (d) less the aggregate amount of any Senior Debt purchased and held by any Senior Financing Group Company;
- (e) less Cash and Cash Equivalents held by any Senior Financing Group Company.

Net Interest Payable means, for any Test Date, the interest, fees (including commitment fees (but excluding, for the avoidance of doubt, any Issuer/Borrower Facilities Fees and FinCo/Borrower Facilities Fees (other than and therefore to be included in Net Interest Payable, any amounts of the FinCo/Borrower Facilities Fees under part (v) of the definition of FinCo/Borrower Facilities Fees to compensate FinCo for any shortfall in (i) interest payments due and payable by FinCo in respect of the Term Loans and (ii) amounts due and payable by FinCo in respect of the FinCo Hedges))), charges, commissions or equivalent finance charges that are paid or payable (excluding, for the avoidance of doubt, non-cash charges and imputed interest) or accrued as an obligation of any Senior Financing Group Company in respect of the Senior Debt during the Test Period ending on (and including) such Test Date and all Finance Lease payments in respect of interest payable and equivalent financial charges during the Test Period ending on (and including) such Test Date, but (without double counting):

- (a) excluding any upfront or amortised fees or costs;
- (b) excluding the fees and expenses of the Administrative Parties;
- (c) excluding any break costs;
- (d) excluding the mark-to-market under any Treasury Transactions;
- (e) excluding any interest or equivalent finance charge accrued in respect of Financial Indebtedness between Senior Financing Group Companies;

(f) excluding any interest or equivalent finance charge on deferred income or on unwinding a discounted liability;

(g) deducting any interest or equivalent finance charge receivable by any Senior Financing Group Company (after deducting applicable withholding tax) in respect of Cash or Cash Equivalents held by such Senior Financing Group Company;

(h) before taking into account fair value gains or losses on any financial instrument other than any derivative instrument which is accounted for on a hedge accounting basis and only to the extent gains and losses in the hedged item are also included in EBITDA;

(i) excluding any interest or equivalent finance charge which is capitalised, rolled up or deferred during such Test Period; and

(j) excluding any fees, costs and expenses incurred in respect of the implementation of the refinancing of the Existing Bank Facilities and the Existing Hedges,

and taking into account any net payment or net receipt which is payable or receivable under any Hedging Agreements (including, for the avoidance of doubt, any net payment and net receipt under any Inflation Linked Hedging Agreements (but excluding, for the avoidance of doubt, any accretions paid, payable or accruing under any Inflation Linked Hedging Agreements and any mark-to-market termination payments under any Hedging Agreements).

New Hedges means both the New Pari Passu Hedges and the New Super Senior Hedges.

New Pari Passu Hedges means:

(a) all Restructured Interest Rate Hedges that are novated from the Borrower to FinCo and amended on the Closing Date in accordance with the Hedging Policy; and

(b) any Treasury Transaction that forms part of and is subject to a Pari Passu Hedging Agreement and that is entered into on or after the Closing Date,

each ranking *pari passu* with the Notes, Term Facilities and Borrower Facilities (other than the Liquidity Facility, which will rank senior thereto).

New Super Senior Hedges means:

(a) all Restructured Inflation Linked Hedges that are retained by the Borrower and amended on the Closing Date in accordance with the Hedging Policy; and

(b) any Treasury Transaction that forms part of and is subject to a Super Senior Hedging Agreement and that is entered into on or after the Closing Date,

each ranking super senior to the Notes, Term Facilities and Borrower Facilities (other than the Liquidity Facility, which will rank senior thereto).

New Term Financial Indebtedness has the meaning given to such term in Paragraph 8.3 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA.

New Term Financial Indebtedness Ratings Requirement has the meaning given to such term in Paragraph 8.3 of Part 2 (Operating Covenants of the Obligors) of Schedule 2 (Covenants) to the CTA.

Non-Defaulting Party shall have the meaning given to such term in the ISDA Master Agreement.

Non-Senior Financing Group Companies means the Senior Group Holding Companies and any other subsidiaries of ABHL (excluding any Senior Financing Group Companies, FinCo and the Issuer).

Northern Irish Security Agreement means the Northern Irish security agreement executed in favour of the Obligor Security Trustee on or about the Closing Date by Arqiva Services Limited.

Note Trust Deed means the note trust deed constituting the Notes dated on or about the Signing Date between, the Issuer and the Note Trustee in connection with the Programme and any deed supplemental thereto.

Note Trustee means Deutsche Trustee Company Limited, or any other or additional trustee and all other persons for the time being appointed pursuant to the Note Trust Deed to act for and on behalf of the Noteholders.

Noteholders means the holders from time to time of the Notes and the expressions Noteholder and holder of Notes and related expressions shall be construed accordingly.

Note means each note which is or is to be constituted under the Note Trust Deed.

Obligor Acceleration Notice means a notice given by the Obligor Security Trustee pursuant to the STID by which the Obligor Security Trustee declares that all Obligor Secured Liabilities shall be accelerated.

Obligor Enforcement Notice means a notice delivered to the Borrower in accordance with Clause 18.5 to the STID.

Obligor Event of Default means each of the events set out in Schedule 4 (Obligor Events of Default) to the CTA.

Obligors means the Parent, the Intermediate Parent, the Borrower, Operating HoldCo and each Principal Subsidiary.

Obligor Secured Creditors means the Obligor Security Trustee, the Issuer, FinCo, the Capex Facility Providers, the Working Capital Facility Providers, the Liquidity Facility Providers (in their capacity as lenders to the Borrower), the BBF Agents, the Borrower Hedge Counterparties, the Borrower Account Bank and any Further Authorised Facility Provider which accedes to the STID as an Obligor Secured Creditor.

Obligor Secured Liabilities means all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of each Obligor to any Obligor Secured Creditor under each Obligor Transaction Document to which such Obligor is a party.

Obligor Security means, pursuant to the Security Documents, (a) the guarantee given by each Obligor of the obligations of each other Obligor under the Obligor Transaction Documents; and (b) the first ranking fixed and floating security over all (or substantially all) of the assets and undertakings of each Obligor (including, in the case of the Intermediate Parent, over its shares in the Borrower, FinCo and the Issuer and, in the case of the Parent, over its shares in the Intermediate Parent) granted in favour of the Obligor Security Trustee in support of each Obligor's financial obligations under the Obligor Transaction Documents.

Obligor Security Trustee means Deutsche Trustee Company Limited, or any successor thereto, or any other or additional trustee and all other persons for the time being appointed to act as security trustee for the Obligor Secured Creditors pursuant to the STID.

Obligor Transaction Documents means the Transaction Documents to which an Obligor is a party, as follows:

- (a) the Common Terms Agreement;
- (b) the Security Documents;
- (c) the Master Definitions Agreement;
- (d) the Capex and Working Capital Facilities Agreement;
- (e) the Liquidity Facility Agreement;

- (f) the Borrower Account Bank Agreement;
- (g) the Issuer/Borrower Facilities Agreement;
- (h) the FinCo/Borrower Facilities Agreement;
- (i) each Borrower Hedging Agreement;
- (j) each Issuer/Borrower Hedging Agreement;
- (k) each FinCo/Borrower Hedging Agreement;
- (l) any fee letter, commitment letter or utilisation request entered into in connection with the facilities referred to in paragraphs (d) and (e) above or (m) below or the transactions contemplated in such facilities and any other document that has been entered into in connection with such facilities or the transactions contemplated thereby that has been designated as an Obligor Transaction Document by the parties thereto (including at least one Obligor);
- (m) any other agreements documenting Ancillary Facilities, Permitted Facilities or Authorised Facilities and any transfer certificates or other documents entered into in connection with such facilities or the transactions contemplated thereby that has been designated as an Obligor Transaction Document by the parties thereto (including at least one Obligor);
- (n) the CP Agreement;
- (o) the Tax Deed of Covenant; and
- (p) any other agreement, instrument or deed designated by the Obligor Security Trustee and at least one Obligor as an Obligor Transaction Document.

Offsetting Hedge Annuity means in respect of two Hedges, one of which is a Primary Hedge and the other an Offsetting Hedge in respect of such Primary Hedge, the greater of (i) the net amount that would be payable to the Hedge Counterparty (if any) if an “Early Termination Date” (as defined in the ISDA Master Agreement) were to occur on such date with respect to both such Hedges as “Affected Transactions” and the Hedge Counterparty as the “Non-Defaulting Party” or sole “Non-Affected Party”; and (ii) zero.

Offsetting Hedge means, with respect to one Hedge (the **Primary Hedge**), another Hedge which forms part of and is subject to the same Hedging Agreement as the Primary Hedge, and:

- (a) the amounts due by one party (for the purposes of this definition only, “X”) under the Offsetting Hedge are determined by reference to the same rate, measure or price as, and are offset in whole or in part by, the amounts payable by the other party (for the purposes of this definition only, “Y”) under the Primary Hedge; and
- (b) the amounts due by Y under the Offsetting Hedge are determined by reference to the same rate, measure or price as, and are offset in whole or in part by, the amounts payable by X under the Primary Hedge,

(where, for the avoidance of doubt, any partial offset results solely from a difference between the Primary Hedge and the Offsetting Hedge in terms of quantum of the notional amount/currency amount (as applicable) and/or quantum of the rate, measure or price specified).

Operating HoldCo means, a company with limited liability incorporated under the laws of England and Wales which will be established as a wholly owned subsidiary of AF No 1 on or about the Closing Date and whose name is expected to be “Arqiva Group Holdings Limited”.

Ordinary Voting Matters are matters which are not Discretion Matters or Extraordinary Voting Matters.

Outstanding Principal Amount means:

- (a) in respect of any Authorised Facilities that are loans (other than Issuer/Borrower Loans or FinCo/Borrower Loans), the principal amount (or the Equivalent Amount) of any commitment under such Authorised Facility if not fully drawn and otherwise, or following an Obligor Event of Default, the drawn amounts outstanding;
- (b) in respect of the Issuer/Borrower Loans, the principal amount (or the Equivalent Amount) outstanding thereunder (plus any accretion by indexation to such principal amount outstanding in respect of any Issuer/Borrower Loan which corresponds to a Series of Inflation Linked Notes);
- (c) in respect of the FinCo/Borrower Loans, the principal amount (or the Equivalent Amount) outstanding thereunder;
- (d) in respect of a Pari Passu Borrower Hedging Agreement, the aggregate of:
 - (i) in relation to each Hedge (forming part thereof and subject thereto) in respect of which an Early Termination Date has been designated (and such designation was a Permitted Hedge Termination), the sum of the Close-Out Amount arising as a consequence from such designation and any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed to the applicable Pari Passu Borrower Hedge Counterparty minus any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed by such Pari Passu Borrower Hedge Counterparty in respect of such Hedge, as calculated and determined in accordance with the terms of such Hedging Agreement; and
 - (ii) in relation to each Hedge (forming part thereof and subject thereto) in respect of which no Early Termination Date has been designated, the sum of the Close-Out Amount that would arise if an Early Termination Date had been designated in respect of such Hedge (and on which the relevant Hedge Counterparty were the Non-Defaulting Party) and any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed to the applicable Pari Passu Borrower Hedge Counterparty minus any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed by such Pari Passu Borrower Hedge Counterparty in respect of such Hedge (the **Pari Passu Borrower MTM Amount**),

provided that if the aggregate of (i) and (ii) were an amount payable by the Hedge Counterparty, the Outstanding Principal Amount of the Hedging Agreement shall be equal to zero;
- (e) in respect of a Pari Passu Issuer Hedging Agreement, the aggregate of:
 - (i) in relation to each Hedge (forming part thereof and subject thereto) in respect of which an Early Termination Date has been designated (and such designation was a Permitted Hedge Termination), the sum of the Close-Out Amount arising as a consequence from such designation and any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed to the applicable Pari Passu Issuer Hedge Counterparty minus any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed by such Pari Passu Issuer Hedge Counterparty in respect of such Hedge, as calculated and determined in accordance with the terms of such Hedging Agreement; and
 - (ii) in relation to each Hedge (forming part thereof and subject thereto) in respect of which no Early Termination Date has been designated, the sum of the Close-Out Amount that would arise if an Early Termination Date had been designated in respect of such Hedge (and on which the relevant Hedge Counterparty were the Non-Defaulting Party) and any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed to the applicable Pari Passu Issuer Hedge Counterparty minus any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed by such Pari Passu Issuer Hedge Counterparty in respect of such Hedge (the **Pari Passu Issuer MTM Amount**),

provided that, if the aggregate of (i) and (ii) were an amount payable by the Hedge Counterparty, the Outstanding Principal Amount of the Hedging Agreement shall be equal to zero;

(f) in respect of a Pari Passu Issuer/Borrower Hedging Agreement, the aggregate of:

(i) in relation to each Hedge (forming part thereof and subject thereto) in respect of which an Early Termination Date has been designated, the sum of the Close-Out Amount arising as a consequence from such designation and any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed to the Issuer minus any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed by the Issuer in respect of such Hedge, as calculated and determined in accordance with the terms of such Hedging Agreement; and

(ii) in relation to each Hedge (forming part thereof and subject thereto) in respect of which no Early Termination Date has been designated, the sum of the Close-Out Amount that would arise if an Early Termination Date had been designated in respect of such Hedge (and on which the Issuer were the Non-Defaulting Party) and any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed to the Issuer minus any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed by the Issuer in respect of such Hedge,

provided that:

(iii) if the aggregate of (i) and (ii) were an amount payable by the Issuer, the Outstanding Principal Amount of the Pari Passu Issuer/Borrower Hedging Agreement shall be equal to zero;

(iv) for the purposes of clause 11.1 (*Tranching of Issuer's Vote*) of the STID, the Outstanding Principal Amount of the Pari Passu Issuer/Borrower Hedging Agreement shall, at any time, be deemed to be at least equal to the sum of the Outstanding Principal Amounts of all Pari Passu Issuer Hedging Agreements at such time.

(g) in respect of a Pari Passu FinCo Hedging Agreement, the aggregate of:

(i) in relation to each Hedge (forming part thereof and subject thereto) in respect of which an Early Termination Date has been designated (and such designation was a Permitted Hedge Termination), the sum of the Close-Out Amount arising as a consequence from such designation and any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed to the applicable Pari Passu FinCo Hedge Counterparty minus any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed by such Pari Passu FinCo Hedge Counterparty in respect of such Hedge, as calculated and determined in accordance with the terms of such Hedging Agreement; and

(ii) in relation to each Hedge (forming part thereof and subject thereto) in respect of which no Early Termination Date has been designated, the sum of the Close-Out Amount that would arise if an Early Termination Date had been designated in respect of such Hedge (and on which the relevant Hedge Counterparty were the Non-Defaulting Party) and any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed to the applicable Pari Passu FinCo Hedge Counterparty minus any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed by such Pari Passu FinCo Hedge Counterparty in respect of such Hedge,

provided that if the aggregate of (i) and (ii) were an amount payable by the Hedge Counterparty, the Outstanding Principal Amount of the Hedging Agreement shall be equal to zero;

(h) in respect of a Pari Passu FinCo/Borrower Hedging Agreement, the aggregate of:

(i) in relation to each Hedge (forming part thereof and subject thereto) in respect of which an Early Termination Date has been designated, the sum of the Close-Out Amount arising as a consequence from such designation and any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed to FinCo minus any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed by FinCo in respect of such Hedge, as calculated and determined in accordance with the terms of such Hedging Agreement; and

(ii) in relation to each Hedge (forming part thereof and subject thereto) in respect of which no Early Termination Date has been designated, the sum of the Close-Out Amount that would arise if an Early Termination Date had been designated in respect of such Hedge (and on which FinCo were the Non-Defaulting Party) and any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed to FinCo minus any Unpaid Amounts (as defined in the relevant Hedging Agreement) owed by FinCo in respect of such Hedge,

provided that:

(iii) if the aggregate of (i) and (ii) were an amount payable by FinCo, the Outstanding Principal Amount of the Pari Passu FinCo/Borrower Hedging Agreement shall be equal to zero; and

(iv) for the purposes of clause 11.2 (*Tranching of FinCo's Vote*) of the STID, the Outstanding Principal Amount of the Pari Passu FinCo/Borrower Hedging Agreement shall, at any time, be deemed to be at least equal to the sum of the Outstanding Principal Amounts of all Pari Passu FinCo Hedging Agreements at such time.

(i) in respect of any other Obligor Secured Liabilities, the outstanding principal amount (or the Equivalent Amount) of such debt on such date in accordance with the relevant Obligor Transaction Document,

on the date on which the Qualifying Secured Creditors have been notified of a STID Voting Request, an Enforcement Instruction Notice or Further Enforcement Instruction Notice or on such other date that the same falls to be determined, as the case may be, all as most recently certified or notified to the Obligor Security Trustee, where applicable, pursuant to the STID.

Overlaid Hedge shall have the meaning given to such term in the definition "Overlay Hedge".

Overlay Hedge means, with respect to one Hedge (the **Overlaid Hedge**), another Hedge which forms part of and is subject to the same Hedging Agreement as the Overlaid Hedge, and:

(a) the amounts due by one party (for the purposes of this definition only, "X") under the Overlay Hedge are determined by reference to the same rate, measure or price as, and are offset in whole or in part by, the amounts payable by the other party (for the purposes of this definition only, "Y") under the Overlaid Hedge; and

(b) the amounts due by Y under the Overlay Hedge are determined by reference to an entirely different rate, measure or price as, and are offset in whole or in part by, the amounts payable by X under the Overlaid Hedge,

(where, for the avoidance of doubt, any partial offset results solely from a difference between the Primary Hedge and the Offsetting Hedge in terms of quantum of the notional amount/currency amount (as applicable) and/or quantum of the rate, measure or price specified).

Parent means Arqiva Group Parent Limited (registered number 08085794), a company with limited liability incorporated under the laws of England and Wales and a newly incorporated holding company of the Intermediate Parent.

Pari Passu Borrower Hedge Counterparty means a Borrower Hedge Counterparty that is party to a Pari Passu Borrower Hedging Agreement.

Pari Passu Borrower Hedges means each Borrower Hedge that forms part of and is subject to a Pari Passu Borrower Hedging Agreement as further described in Paragraph 5 of Schedule 5 (Hedging Policy and Overriding Provisions relating to Hedging Agreements) to the CTA.

Pari Passu Borrower Hedging Agreement means each Agreed Form Borrower Master Agreement, including all Treasury Transactions forming part thereof and subject thereto, between the Borrower and a Borrower Hedge Counterparty, that is designated as a “Pari Passu Borrower Hedging Agreement” in the schedule to that Agreed Form Borrower Master Agreement as further described in Paragraph 5 of Schedule 5 (Hedging Policy and Overriding Provisions relating to Hedging Agreements) to the CTA.

Pari Passu FinCo Hedge Counterparty means a FinCo Hedge Counterparty that is party to a Pari Passu FinCo Hedging Agreement.

Pari Passu FinCo Hedges means each FinCo Hedge that forms part of and is subject to a Pari Passu FinCo Hedging Agreement as further described in Paragraph 5 of Schedule 5 (Hedging Policy and Overriding Provisions relating to Hedging Agreements) to the CTA.

Pari Passu FinCo Hedging Agreement means each Agreed Form FinCo ISDA Master Agreement, including all Treasury Transactions forming part thereof and subject thereto, between FinCo and a FinCo Hedge Counterparty, that is designated a “Pari Passu FinCo Hedging Agreement” in the schedule to that Agreed Form FinCo ISDA Master Agreement as further described in Paragraph 5 of Schedule 5 (Hedging Policy and Overriding Provisions relating to Hedging Agreements) to the CTA.

Pari Passu FinCo/Borrower Hedges means each Treasury Transaction forming part of and subject to a Pari Passu FinCo/Borrower Hedging Agreement.

Pari Passu FinCo/Borrower Hedging Agreement means each ISDA Master Agreement, including all Treasury Transactions forming part thereof and subject thereto, between FinCo and the Borrower.

Pari Passu Hedge Counterparty means a Hedge Counterparty that is party to a Pari Passu Borrower Hedging Agreement, a Pari Passu Issuer Hedging Agreement or a Pari Passu FinCo Hedging Agreement.

Pari Passu Hedges means the Pari Passu Borrower Hedges, Pari Passu FinCo Hedges, the Pari Passu FinCo/Borrower Hedges, the Pari Passu Issuer Hedges and the Pari Passu Issuer/Borrower Hedges.

Pari Passu Hedging Agreement means each Pari Passu Borrower Hedging Agreement, Pari Passu FinCo Hedging Agreement, Pari Passu FinCo/Borrower Hedging Agreement, Pari Passu Issuer Hedging Agreement and Pari Passu Issuer/Borrower Hedging Agreement (as applicable).

Pari Passu Hedging Transaction means a transaction pursuant to which the Issuer, FinCo and/or the Borrower enter into Pari Passu Hedges pursuant to a Pari Passu Hedging Agreement.

Pari Passu Issuer Hedge Counterparty means an Issuer Hedge Counterparty that is party to a Pari Passu Issuer Hedging Agreement.

Pari Passu Issuer Hedges means each Issuer Hedge that forms part of and is subject to a Pari Passu Issuer Hedging Agreement, as further described in Paragraph 5 of Schedule 5 (Hedging Policy and Overriding Provisions relating to Hedging Agreements) to the CTA.

Pari Passu Issuer Hedging Agreement means each ISDA Master Agreement, including all Treasury Transactions forming part thereof and subject thereto, between the Issuer and an Issuer Hedge Counterparty, that is designated a “Pari Passu Issuer Hedging Agreement” in the schedule to such ISDA Master Agreement as further described in Paragraph 5 of Schedule 5 (Hedging Policy and Overriding Provisions relating to Hedging Agreements) to the CTA.

Pari Passu Issuer/Borrower Hedges means each Treasury Transaction forming part of and subject to a Pari Passu Issuer/Borrower Hedging Agreement.

Pari Passu Issuer/Borrower Hedging Agreement means each ISDA Master Agreement, including all Treasury Transactions forming part thereof and subject thereto, between the Issuer and the Borrower designated a “Pari Passu Issuer/Borrower Hedging Agreement” in the schedule to such ISDA Master Agreement.

Participating Junior Creditor means the applicable providers of facilities to the Junior Issuer and the Junior Noteholders (or any one of them).

Participating Secured Creditors means the Qualifying Secured Creditors which actually participate in a vote on any STID Proposal or other matter pursuant to the STID.

Paying Agents means the Principal Paying Agent, Deutsche Bank Trust Company Americas as a paying agent to the Issuer and any further paying agents appointed to the Issuer pursuant to the Agency Agreement.

Payment Amount means such amount as results from multiplying the amount of tax losses surrendered by the full percentage rate of UK corporation tax in force for the accounting period in respect of which the surrender is made, **PROVIDED THAT** where there is more than one rate of corporation tax in force for an accounting period, the Payment Amount shall be calculated by reference to a weighted average of the corporation tax rates in force in such period calculated on a time basis.

Payment Date means each date on which a payment is made or is scheduled to be made by an Obligor in respect of any obligations or liability under any Authorised Facility except that Payment Date, wherever used in relation to (i) the Liquidity Facility Agreement, means each date on which a payment is made or scheduled to be made solely by AF No 1 under any Authorised Facility and (ii) the Common Terms Agreement, means 30 June and 31 December in each year, or in each case, if such date is not a Business Day, the preceding Business Day.

Permitted Acquisitions are the following acquisitions:

- (a) an acquisition of property or assets or a contract to supply goods and/or services by or the grant of a lease or licence to the relevant Obligor for use in or to form part of or for the purposes of a Permitted Business, but excluding any interest in any partnership or joint venture other than a Permitted Joint Venture and any shares in any company other than pursuant to paragraph (e) below, in each case made in the ordinary course of business and on arm's length terms and for bona fide commercial purposes of the Permitted Business;
- (b) an acquisition or holding of Authorised Investments made on arm's length terms;
- (c) an acquisition on arm's length terms of assets required to replace surplus, obsolete, redundant, worn-out, damaged or destroyed assets which, in the reasonable opinion of the relevant Obligor, are required for the operation of its Permitted Business;
- (d) the establishment or acquisition of or subscription for shares or ownership interests in or securities of any company or other person, including any interest in any partnership or joint venture, made on arm's length terms in furtherance of the relevant Obligor's statutory and regulatory obligations;
- (e) an acquisition on arm's length terms of all of the issued shares in any company, provided that such company carries on a Permitted Business and (if required) accedes to the Common Documents as an Obligor;
- (f) an acquisition on arm's length terms of a Permitted Joint Venture;
- (g) any acquisition pursuant to a Permitted Tax Transaction;

(h) any acquisition of assets as part of Capex, including Maintenance Capex and, in the case of Growth Capex, provided in accordance with the Growth Capex covenant set out in Paragraph 2 of Part 7 (Capex Expenditure) of Schedule 2 (Covenants) to the CTA);

(i) any acquisition of assets that is an operating expense of the relevant Obligor;

(j) any licence renewal or purchase on arm's length terms as part of a Permitted Business;

(k) for so long as a Trigger Event is not continuing (unless the relevant acquisition has been contractually committed to prior to the occurrence of the Trigger Event), any acquisition on arm's length terms in the ordinary course of trading where the consideration payable (when taken together with the consideration paid for any other acquisitions pursuant to this paragraph (k)) does not exceed £20 million (RPI indexed) in any financial year;

(l) the establishment or acquisition of or subscription for shares or ownership interests in any company as part of a corporate reorganisation of the Senior Financing Group (including the insertion of any new holding companies or any tax restructurings), provided that the Principal Subsidiaries Test will be met on the next Test Date and equivalent security is provided over such companies after such reorganisation as is provided by the Obligors before such reorganisation;

(m) any acquisition of property or assets or a contract to supply goods and/or services from or grant of a lease or licence by another Senior Financing Group Company (including as part of a corporate reorganisation of the Senior Financing Group pursuant to paragraph (l) above) provided that equivalent security is provided over such property, assets, contracts, leases or licences as is provided before such acquisition of property or assets or contract or grant of such lease or licence (if any);

(n) any capitalisation by way of the issue of shares of any Permitted Senior Financing Group Loans;

(o) the exercise by Now Digital Limited of its option to acquire additional shares in Now Digital (East Midlands) Limited;

(p) any acquisition made in accordance with a Remedial Plan; or

(q) any acquisition made with the consent of the Obligor Security Trustee,

provided that in respect of Paragraphs (a) and (e) above only,

(i) other than in respect of any such acquisition funded from Additional Equity or Subordinated Debt, the Historic Trigger Event Financial Covenant Ratios were not breached for the Test Period ending on (and including) the immediately preceding Test Date;

(ii) other than in respect of any such acquisition funded from Additional Equity or Subordinated Debt, no other Trigger Event has occurred and is continuing unless such acquisition has been contractually committed to prior to the occurrence of the Trigger Event;

(iii) the relevant Obligor or the Borrower on its behalf has certified to the Obligor Security Trustee that such acquisition will not cause any of the Projected Trigger Event Financial Covenant Ratios to be breached for a period of 36 months commencing on (but excluding) such Test Date (calculated on a *pro forma* basis to take into account (without double counting) (A) the earnings from (i) the asset which is the subject of the Permitted Acquisition (ii) any asset acquired on or following such Test Date to the date of the *pro forma* calculation and (iii) any asset for which as at the date of the *pro forma* calculation a member of the Senior Financing Group is subject to a binding obligation to acquire on or following the *pro forma* calculation date to the end of such period, in each case from the start of the Test Period or (without double counting) to exclude the earnings from (i) any asset disposed of since such

Test Date to the date of the *pro forma* calculation and (ii) any asset for which as the date of the *pro forma* calculation a member of the Senior Financing Group is subject to a binding obligation to dispose of on or following the *pro forma* calculation date to the end of such period of, in each case for the entire Test Period and (B) for the avoidance of doubt, Senior Debt incurred or projected to be incurred in connection with any acquisition referred to in (A) above; and

(iv) the sum of the last reported annual EBITDA for all acquisitions (other than pursuant to a Permitted Joint Venture) made in the most recent 3 financial years does not exceed 5% of the aggregate EBITDA for the most recent 3 financial years.

Permitted Business means owning and/or developing and/or operating broadcasting, media distribution and communications infrastructure, networks and spectrum and any business complimentary thereto in each case.

Permitted Disposals means any sale, lease, licence, transfer or other disposal which:

- (a) is made in connection with an arm's length transaction entered into for bona fide commercial purposes of the Permitted Business;
- (b) is a lease or licence in the ordinary course of business;
- (c) is of assets in exchange for other assets comparable or superior as to type, value and quality;
- (d) is of equipment pursuant to or to be leased under a Finance Lease permitted by the Obligor Transaction Documents;
- (e) arises as a result of any Permitted Security Interest;
- (f) is a disposal of any surplus, obsolete, redundant, worn out, damaged or destroyed assets;
- (g) is a disposal which is a Permitted Tax Transaction;
- (h) is of Authorised Investments:
 - (i) for cash in the ordinary course of trading; or
 - (ii) in exchange for other Authorised Investments;
- (i) is of trading stock or Cash in the ordinary course of trading;
- (j) is a Restricted Payment permitted by the Obligor Transaction Documents;
- (k) is a disposal of assets to a partnership or joint venture made on arm's lengths terms in furtherance of the relevant Obligor's statutory and regulatory obligations or any other disposal, divestment step or course of conduct or obligation required by any regulatory, merger control or competition authority;
- (l) is a disposal of equipment upon the termination of any contract entered into by the relevant Obligor in the ordinary course of business and, in each case, in connection with an arm's length transaction entered into for bona fide commercial purposes of the Permitted Business;
- (m) is in the ordinary course of trading where the consideration received (when taken together with the consideration received for any other disposals pursuant to this Paragraph (m)) does not exceed £20 million (RPI indexed) in any financial year;
- (n) constitutes the winding-up or transfer of or reduction in the capital of any company as part of a solvent liquidation or corporate reorganisation of the Senior Financing Group (including the removal of any holding companies or any tax restructurings), provided that payments or assets

distributed as a result thereof are distributed to another Senior Financing Group Company and following such winding-up, transfer or reduction in capital equivalent security is provided as is provided by the Obligors before such winding-up, transfer or reduction in capital (if any);

(o) constitutes any sale, lease, licence, transfer or other disposal to another Senior Financing Group Company (including as part of a corporate reorganisation of the Senior Financing Group pursuant to paragraph (n) above), provided that equivalent security is provided over such property, assets, contracts, leases or licences as is provided by the Obligors before such disposal (if any); or

(p) is a disposal made with the prior written consent of the Obligor Security Trustee,

provided that in the case of paragraph (a) above only (but subject to the ability to make a Disposal Cure pursuant to paragraph 6 (Permitted Disposal) of Part 2 (Trigger Event Consequences) of Schedule 3 (Trigger Events) of the CTA), except to the extent such sale, lease, licence, transfer or other disposal is made in accordance with the Disposal Cure covenant:

(i) the Historic Trigger Event Financial Covenant Ratios were not breached as at the immediately preceding Test Date for the Test Period ending on (and including) such Test Date and the relevant Obligor or the Borrower on its behalf has certified to the Obligor Security Trustee that such disposal will not cause any of the Projected Trigger Event Financial Covenant Ratios to be breached for a period of 36 months commencing on (but excluding) such Test Date (calculated on a *pro forma* basis to take into account (without double counting) (A) the earnings from (i) any asset acquired on or following such Test Date to the date of the *pro forma* calculation and (ii) any asset for which at the date of the *pro forma* calculation a member of the Senior Financing Group is subject to a binding obligation to acquire on or following the *pro forma* calculation date to the end of such period, in each case from the start of the Test Period or (without double counting) to exclude the earnings from (i) the asset which is the subject of the Permitted Disposal, (ii) any asset disposed of since such Test Date to the date of the *pro forma* calculation and (iii) any asset for which as the date of the pro-forma calculation a member of the Senior Financing Group is subject to a binding obligation to dispose of on or following the pro-forma calculation date to the end of such period, in each case for the entire Test Period and (B) for the avoidance of doubt, Senior Debt incurred or projected to be incurred in connection with any acquisition referred to in (A) above);

(ii) no other Trigger Event has occurred and is continuing unless such disposal has been contractually committed to prior to the occurrence of the Trigger Event; and

(iii) the sum of the last reported EBITDA for all disposals made in the most recent 3 financial years does not exceed 5% of the aggregate EBITDA for the most recent 3 financial years.

Permitted Facility means a facility made available to the Borrower by a Permitted Facility Provider on a bilateral basis and on normal commercial terms in addition to a Borrower Bank Facility Provider's participation in the Borrower Bank Facilities and which, when aggregated with all other facilities made available by a Permitted Facility Provider, do not exceed in aggregate £50,000,000.

Permitted Facility Agreement means the agreement under which the Permitted Facility is provided.

Permitted Facility Provider means a consenting Borrower Bank Facility Provider or affiliate of a Borrower Bank Facility Provider or another provider thereof that has acceded to the STID and the Common Documents and which provides the Permitted Facility to the Borrower pursuant to the Permitted Facility Agreement.

Permitted Finance Lease means:

(a) Finance Leases existing prior to the Closing Date; and

(b) Finance Leases entered into by a Senior Financing Group Company on or following the Closing Date, if such Finance Lease:

(i) does not result in the total capitalised amount of all Finance Leases entered into by the Senior Financing Group Companies exceeding £50 million (RPI indexed) when entered into; and

(ii) does not on its own have a capitalised amount in excess of 12.5% of EBITDA of the Senior Financing Group or when added to the capitalised amount of the then existing Finance Leases would not exceed an aggregate capitalised amount of 12.5% of EBITDA.

Permitted Financial Indebtedness means:

(a) Senior Debt incurred under the Borrower Facilities entered into on the Closing Date (including any drawings on or following the Closing Date under the Capex Facility, the Working Capital Facility and/or the Liquidity Facility) and the Finance Leases existing prior to the Closing Date;

(b) Senior Debt incurred to refinance the Senior Debt referred to in Paragraph (a) above (or any Senior Debt which previously refinanced the Senior Debt referred to in Paragraph (a) above), including the extension of the Final Maturity Date of the Borrower Facilities entered into on the Closing Date or the entry into of new Borrower Facilities following the Closing Date, provided that:

(i) if any such Senior Debt includes any corresponding New Term Financial Indebtedness the New Term Financial Indebtedness Ratings Requirements covenant is met;

(ii) such Senior Debt satisfies the Maturity Concentration Limit covenant; and

(iii) the Final Maturity Date of such Senior Debt does not fall before the Final Maturity Date of Facility A or Facility B;

(c) any Financial Indebtedness incurred under a Permitted Facility;

(d) any Financial Indebtedness incurred under a Permitted Treasury Transaction;

(e) any Financial Indebtedness incurred to fund mark-to-market termination payments in respect of any Hedge terminated in accordance with the Hedging Policy;

(f) any unsecured Financial Indebtedness provided that the aggregate of such Financial Indebtedness does not exceed £10 million (RPI indexed);

(g) Permitted Guarantees;

(h) Permitted Senior Financing Group Loans;

(i) any Financial Indebtedness under Permitted Finance Leases;

(j) Subordinated Debt;

(k) any Financial Indebtedness incurred in respect of trade credit in the ordinary course of trading;

(l) any Financial Indebtedness where BACs or similar daylight-banking facility is provided;

(m) any Financial Indebtedness incurred pursuant to the operation of cash-pooling, net balance or balance transfer arrangements made available to Senior Financing Group Companies or their bankers;

(n) any Financial Indebtedness incurred with the prior written consent of the Obligor Security Trustee;

(o) any Financial Indebtedness under any Authorised Facility; and

(p) any Financial Indebtedness incurred under the FinCo/Borrower Capitalisation Loan,

provided that in regards to paragraph (b) (except to the extent already addressed by the proviso to paragraph (b) and (other than in respect of paragraphs (ii), (iv) and (ix) below), paragraph (e) (other than in respect of paragraph (iv) below) and paragraph (o) above:

- (i) in respect of the incurrence of New Term Financial Indebtedness following the initial Closing Date, the New Term Financial Indebtedness Ratings Requirement covenant is met;
- (ii) in respect of the Issuer/Borrower Loan corresponding to any Notes, such Notes are rated at least BBB- (or equivalent) by the Rating Agencies;
- (iii) such Financial Indebtedness satisfies the Maturity Concentration Limit covenant;
- (iv) a Trigger Event is not occurring and the Projected Trigger Event Financial Covenant Ratios would not be breached for a period of 36 months commencing on (but excluding) the immediately preceding Test Date as a result of such Financial Indebtedness;
- (v) while the Modified Net Debt to EBITDA Ratio is breached, such Financial Indebtedness is incurred only to (i) repay FinCo/Borrower Loan A, FinCo/Borrower Loan B and/or any Issuer/Borrower Loans outstanding at the time of such breach and/or (ii) make Restricted Payments (to the extent that no Trigger Event has occurred and is continuing) to the extent that such Restricted Payments are used exclusively to pay interest or repay principal on the Subordinated Debt for the purpose of the Subordinated Lender paying interest or repaying principal to AF No 2 and AF No 2 paying interest and an amount equal to the Junior FinCo Senior Amounts to Junior FinCo and Junior FinCo paying interest on the Junior Facilities and the Junior Notes and the Junior FinCo Senior Amounts (as applicable);
- (vi) the provider of such Financial Indebtedness if not already party thereto has acceded to the Common Documents;
- (vii) the Hedging Policy continues to be complied with;
- (viii) (except in the case of any increase in the commitment under the Liquidity Facility or for Super Senior Borrower Hedges) such Financial Indebtedness ranks *pari passu* or subordinated to existing Senior Debt; and
- (ix) no Obligor Event of Default has occurred and is continuing or would result from such Financial Indebtedness.

Permitted Guarantees means:

- (a) guarantees in favour of contractual parties for performance or financial obligations (including, for the avoidance of doubt, under the Material Contracts), in each case given in the ordinary course of business and in connection with an arm's length transaction for bona-fide commercial purposes of the Permitted Business and not in respect of Financial Indebtedness;
- (b) guarantees in favour of regulatory authorities, local authorities or customs authorities;
- (c) any guarantee given in respect of any deficit in any pension scheme to the extent that the pension scheme is for the benefit of any directors, officers or employees of any Senior Financing Group Company;
- (d) any guarantee given in respect of any netting or set-off arrangement permitted pursuant to the definition of Permitted Security Interest;
- (e) any guarantee of any Financial Indebtedness permitted by the definition of Permitted Financial Indebtedness;
- (f) guarantees given in respect of the liabilities of a Permitted Joint Venture;
- (g) any endorsement of negotiable instruments in the ordinary course of trade;

(h) guarantees, performance or other similar bonds given or issued by a Senior Financing Group Company in respect of any obligation or liability of any other Senior Financing Group Company which is not incurred in breach of the Obligor Transaction Documents;

(i) any guarantee arising under the Obligor Security Documents or the Obligor Transaction Documents; and

(j) any guarantee not permitted by the preceding paragraphs provided that the aggregate liability (actual or contingent) of the Senior Financing Group under such guarantees does not exceed £10 million (RPI indexed) (or its equivalent) in aggregate at any time,

and not (in the case of (a) and (b) above) in respect of Financial Indebtedness.

Permitted Hedge Termination means the termination of a Hedging Agreement or Hedge in accordance with the applicable Hedging Policy.

Permitted Joint Venture means the entry into, investment in or acquisition of any Joint Venture where:

(a) the Joint Venture is (i) incorporated or established as at the Closing Date, (ii) a new Joint Venture where the amounts subscribed for in, lent to or invested in such new Joint Venture by the relevant Obligor is from Cash that would otherwise be available to the relevant Obligor to be distributed by way of a Restricted Payment, or (iii) a new Joint Venture where the amounts subscribed for in, lent to or invested in such new Joint Venture by the relevant Obligor is from Cash that is not available to be distributed by the relevant Obligor by way of a Restricted Payment, which when aggregated with the amounts subscribed for in, lent to or invested in all new Joint Ventures by all of the Obligors from Cash that is not available to be distributed in that financial year by any of the Obligors by way of a Restricted Payment, does not exceed £30 million (RPI indexed) (or its equivalent) in any rolling 5 year period prior to the latest occurring Final Maturity Date of the Senior Debt;

(b) the Joint Venture carries on its principal business in the United Kingdom;

(c) the Joint Venture is engaged in a Permitted Business; and

(d) in any financial year, the aggregate of:

(i) all amounts subscribed for shares in, lent to or invested in any such Joint Ventures by any Obligor;

(ii) the incurrence of or any increase in the contingent liabilities of any Obligor under any guarantee given in respect of liabilities of any such Joint Venture; and

(iii) the book value of assets transferred by any Obligor to any such Joint Venture,

does not exceed £20 million.

Permitted Security Interest means:

(a) any Security Interest created under the Obligor Security Documents or expressly contemplated by the Obligor Transaction Documents;

(b) any lien arising by operation of law or pursuant to a contractual arrangement and in the ordinary course of trading and not as a result of any default or omission by any Senior Financing Group Company;

(c) any netting or set-off arrangement or banker's lien on standard terms entered into by any Senior Financing Group Company in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances of members of the Senior Financing Group, but only so long as:

(i) such arrangement does not permit credit balances of any Senior Financing Group Company to be netted or set off against debit balances of any person which is not a Senior Financing Group Company; and

(ii) such arrangement does not give rise to other Security Interests over the assets of a Senior Financing Group Company in support of liabilities of any person which is not a Senior Financing Group Company;

(d) any netting or set-off arrangements under Permitted Treasury Transactions and across

(i) FinCo/Borrower Loans and FinCo/Borrower Hedges and (ii) Issuer/Borrower Loans and Issuer/Borrower Hedges respectively;

(e) any Security Interest or Quasi-Security over any rental deposits in respect of leasehold premises incurred in the ordinary course of trading;

(f) any Security Interest or Quasi-Security over goods and documents of title to such goods in the ordinary course of trading;

(g) a Security Interest arising under or contemplated by (i) any Finance Lease where the counterparty becomes party to the STID as a Finance Lessor or (ii) any Security Interest or Quasi-Security provided to a Finance Lessor to the extent such Finance Lessor does not accede to the Common Documents, provided that the aggregate amount secured by all such Security Interest or Quasi-Security shall not exceed £50 million (RPI indexed) (or its Equivalent Amount);

(h) any Security Interest or Quasi-Security over or affecting any asset of any company which becomes a member of the Senior Financing Group after the Closing Date, where the Security Interest or Quasi-Security is created prior to the date on which that company becomes a member of the Senior Financing Group, if:

(i) the Security Interest or Quasi-Security was not created in contemplation of the acquisition of that company;

(ii) the principal amount secured has not been increased in contemplation of or since the acquisition of that company; and

(iii) the Security Interest or Quasi-Security is removed or discharged within six months of that company becoming a member of the Senior Financing Group;

(i) any Security Interest or Quasi-Security over or affecting any asset acquired on arm's length terms by a member of the Senior Financing Group after the Closing Date, if:

(i) the Security Interest or Quasi-Security was not created in contemplation of the acquisition of that asset by a member of the Senior Financing Group;

(ii) the principal amount secured has not been increased in contemplation of or since the acquisition of that asset by a member of the Senior Financing Group; and

(iii) the Security Interest or Quasi-Security is removed or discharged within six months of the date of acquisition of such asset;

(j) any Security Interest arising under any retention of title, hire purchase or conditional sale arrangement or arrangement having similar effect in respect of assets acquired by a member of

the Senior Financing Group in the ordinary course of trading and on the supplier's standard and usual terms and not arising as a result of any default or omission by any member of the Senior Financing Group;

(k) any Quasi-Security arising as a result of a disposal which is a Permitted Disposal;

(l) any netting or set-off arrangements under supply contracts to any Senior Financing Group Company;

(m) any Security Interest permitted by the Obligor Security Trustee (acting in accordance with instructions received from the Qualifying Secured Creditors under the STID or (without obligation) in its absolute discretion);

(n) any Security Interest or Quasi-Security (existing as at the date of the CTA) over assets of any Senior Financing Group Company so long as the Security Interest or Quasi-Security is irrevocably released or discharged by no later than the Closing Date unless such Security Interest or Quasi-Security is permitted under any other paragraph of this definition;

(o) any Security Interest or Quasi-Security arising under statute or by operation of law in favour of any government, state or local authority in respect of taxes, assessments or government charges which are being contested by an Obligor in good faith and with a reasonable prospect of success;

(p) any Security Interest arising as a result of a lessee lien permitted pursuant to a lease by an Obligor; and

(q) any Security Interest created with the prior written consent of the Obligor Security Trustee.

Permitted Senior Financing Group Loans means Financial Indebtedness provided to and by members of the Senior Financing Group.

Permitted Tax Transaction means any surrender of tax losses or agreement relating to any tax benefit or relief (including, but not limited to, an election under section 171A of the Taxation of Chargeable Gains Act 1992) or any other agreement in relation to tax (including, but not limited to, the payment of any balancing payment pursuant to and in accordance with the provisions of section 195 to 198 inclusive of the Taxation (International and Other Provisions) Act 2010 and the allocation of disallowances pursuant to Part 7 of that Act) between:

(a) a Senior Financing Group Company and any other Senior Financing Group Company; or

(b) a Senior Financing Group Company and any Non-Senior Financing Group Company or FinCo, provided in the case of this sub-paragraph (b) that:

(i) where the relevant transaction is a surrender of Tax losses (other than in the circumstances described at (ii) and (iii) below), this is for a sum at least equal to, in the case of a surrender by a Senior Financing Group Company to a Non-Senior Financing Group Company, or no more than, in the case of a surrender by a Non-Senior Financing Group Company to a Senior Financing Group Company, or equal to, in the case of a surrender between FinCo and a Senior Financing Group Company, the Payment Amount;

(ii) where the relevant transaction is a surrender of Tax losses to AF No 3 or FinCo, the surrender may be made for no consideration if the surrender to AF No 3 or FinCo of the relevant losses will not result in the Senior Financing Group Companies having an anticipated aggregate tax liability which is a cash tax liability within 7 years following the date of the surrender, and will not reduce the quantum of tax losses specifically taken into account in the relevant cash flow model as necessary to ensure the adequacy of funds for servicing the Borrower Loans, the Term Loans or the Notes and, in case of a surrender to FinCo, provided that the surrender relates to taxable credits on accrued but unpaid interest under the FinCo/ Borrower Capitalisation Loan;

(iii) where the relevant transaction is a surrender of Tax losses to a Senior Financing Group Company, the Senior Financing Group Company does not pay any consideration for the Tax losses if and to the extent that it can utilise the losses only by disclaiming capital allowances or would otherwise have been able to utilise its own Tax losses or Tax losses which are available to be surrendered to it by another Senior Financing Group Company in that accounting period; and

(iv) where the transaction is any transaction other than a surrender of Tax losses, it leaves the Senior Financing Group Companies, taken together, and FinCo in no worse net economic position (taking into account, without limitation, the overall net Tax position of the Senior Financing Group Companies and the net Tax position of FinCo) than they would have been in had the transaction not taken place,

and that no surrender of Tax losses from any Senior Financing Group Company to any person which is not a Senior Financing Group Company for a consideration lower than the Payment Amount (or for no consideration) shall be permitted unless it has been approved by a resolution of the board of directors of Intermediate HoldCo in which an IH Independent Director (as defined for the purposes of the Intermediate HoldCo Senior Guarantee) forms part of the quorum for the meeting and has the power to vote on any board resolution of the Intermediate HoldCo in respect of such surrender; or

(c) FinCo and any Non-Senior Financing Group Company, provided in the case of this subparagraph (c) that:

(i) where the relevant transaction is a surrender of Tax losses, this is for a sum at least equal to, in the case of a surrender by FinCo to a Non-Senior Financing Group Company, or no more than, in the case of a surrender by a Non-Senior Financing Group Company to FinCo, the Payment Amount; and

(ii) where the transaction is any transaction other than a surrender of Tax losses, it leaves FinCo in no worse net economic position (taking into account, without limitation, the net Tax position of FinCo) than it would have been in had the transaction not taken place;

in each case subject to and in accordance with the Tax Deed of Covenant.

Permitted Treasury Transaction means any Hedge and any Treasury Transaction that is not a Hedge, entered into by the Borrower, FinCo or the Issuer (as applicable) for the purpose of hedging exposures to interest rates and foreign currency exchange rates arising in the ordinary course of the Arqiva Group's business (as applicable) and not for speculative purposes.

Primary Hedge shall have the meaning given to such term in the definition "Offsetting Hedge".

Principal Amount Outstanding means, in respect of a Note, on any day, the principal amount of that Note on the relevant Issue Date thereof less principal amounts received by the relevant Noteholder in respect thereof on or prior to that day.

Principal Paying Agent means Deutsche Bank AG, London Branch, or any successor thereto, appointed to act as the principal paying agent to the Issuer pursuant to the Agency Agreement.

Principal Subsidiaries means each of AUKBL, MUKBL Digital Limited, ATIL, Arqiva Holdings Limited, Arqiva Limited, Arqiva Services Limited, Arqiva No 2 Limited, Arqiva No 3 Limited and Arqiva Aerial Sites Limited and from time to time any other direct or indirect subsidiary of Operating HoldCo that has acceded to the CTA and the STID as an Obligor.

Principal Subsidiaries Test means for two consecutive Test Dates:

(a) the aggregate contribution to Group EBITDA (as calculated including inter-company trading profits and management recharges) of the Obligors shall not represent less than 98% of Group EBITDA; and

(b) the aggregate assets (as defined below) of the Obligors shall not represent less than 98% of the assets of the Senior Financing Group,

tested on the Compliance Certificate Date following the relevant Test Date by reference to the previous Test Period ending on such Test Date.

For the purposes of the Principal Subsidiaries Test, **assets** means total gross assets excluding:

- (i) goodwill;
- (ii) inter-company balances between members of the Arqiva Group;
- (iii) investments in subsidiaries, associates and joint ventures; and
- (iv) deferred tax assets,

but, for the avoidance of doubt, including the revaluation of fixed assets held within the Obligors with the revaluation policy only being adopted in the consolidated financial accounts of the Parent.

Projected Cashflow DSCR means the projected ratio of Cashflow to Debt Service which, for the purposes of the Trigger Event Financial Covenant Ratios, is calculated at each Test Date for each Projected Test Period.

Projected Cashflow ICR means the projected ratio of Cashflow to Net Interest Payable which, for the purposes of the Trigger Event Financial Covenant Ratios, is calculated at each Test Date for each Projected Test Period.

Projected Net Debt to EBITDA Ratio means the projected ratio of Net Debt to EBITDA which, for the purposes of the Trigger Event Financial Covenant Ratios, is calculated at each Test Date for each Projected Test Period.

Projected Test Period means the 12 months commencing on (but excluding the relevant Test Date).

Projected Trigger Event Financial Covenant Ratios means the Projected Cashflow DSCR, the Projected Cashflow ICR and the Projected Net Debt to EBITDA Ratio.

Programme means the note programme established by, or otherwise contemplated in, the Programme Agreement and the Note Trust Deed.

Programme Agreement means the agreement dated on or about the Signing Date between the Issuer, the Obligors and the Dealers named therein (or deemed named therein) concerning the purchase of Notes to be sold pursuant to the Programme together with any agreement for the time being in force amending, replacing, novating or modifying such agreement and any accession letters and/or agreements supplemental thereto.

Proposed Super Senior Trade Date means, in respect of a Super Senior Test Date, a date that is no less than two Local Business Days and no more than seven Local Business Days following such Super Senior Test Date, on which the Borrower and/or Issuer (as applicable) proposes to enter into a Super Senior Hedge with a Super Senior Hedge Counterparty.

Purchase Cure means the purchase of the whole (but not part only) of the Term Facilities and the FinCo Hedges by a Participating Junior Creditor by way of transfer in accordance with the assignment and transfer provisions under the Term Facilities Agreement, the FinCo Hedging Agreements and/or the relevant FinCo Transaction Documents in the Purchase Cure Amount.

Purchase Cure Amount means an amount equal to all amounts outstanding under the Term Facilities Agreement, the FinCo Hedging Agreements and/or the relevant FinCo Transaction Documents including principal and accrued interest (in the case of the Term Facilities) and the mark-to-market value payable on termination (in the case of the FinCo Hedges).

Qualifying Debt means:

- (a) each Issuer/Borrower Loan;
- (b) each FinCo/Borrower Loan;
- (c) each other Borrower Loan;
- (d) each Pari Passu Borrower Hedging Agreement;
- (e) each Issuer/Borrower Hedging Agreement;
- (f) each FinCo/Borrower Hedging Agreement;
- (g) each Pari Passu FinCo Hedging Agreement to the extent there is no corresponding FinCo/Borrower Hedge; and
- (h) each Pari Passu Issuer Hedging Agreement to the extent there is no corresponding Issuer/Borrower Hedge,

excluding for the purposes of paragraph (c) above, each Drawing and, other than in respect of Extraordinary Voting Matters, each Permitted Facility.

Qualifying Secured Creditors means one or more Obligor Secured Creditors (excluding Permitted Facility Providers, other than in respect of Extraordinary Voting Matters or matters that give rise to an Entrenched Right of the relevant Permitted Facility Provider) to whom Qualifying Debt is owed in each case to the extent entitled to vote on an Ordinary Voting Matter, Extraordinary Voting Matter, Entrenched Rights, Enforcement Instruction Notice or Further Enforcement Instruction Notice, as the case may be, in accordance with the STID.

Quasi-Security means any arrangement which effectuates:

- (a) a sale, transfer or other disposal of any assets of any Obligor on terms whereby they are or may be leased to or re-acquired by any member of the Senior Financing Group;
- (b) a sale, transfer or other disposal of any receivables of any Obligor on recourse terms;
- (c) an entry into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or
- (d) an entry into any other preferential arrangement having a similar effect, in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset or service.

Quorum Requirement means the required quorum in respect of voting matters, being one or more Participating Secured Creditors representing, in aggregate, at least the specified percentage (where applicable) of the Outstanding Principal Amount of all Qualifying Debt, where the specified percentages are set out in Clause 14.2 (Quorum Requirement for an Ordinary Voting Matter), 15.2 (Quorum Requirement for an Extraordinary Voting Matter), 18.3 (Quorum and voting requirements in respect of an Enforcement Instruction Notice and a Further Enforcement Instruction Notice) and 22(b) (Request for Directions), as relevant, of the STID.

Rate Hedges has the meaning given to it in Schedule 5 (Hedging Policy and Overriding Provisions relating to Hedging Agreements) to the CTA.

Rate Hedge Type has the meaning given to it in Schedule 5 (Hedging Policy and Overriding Provisions relating to Hedging Agreements) to the CTA.

Rating Agencies means the relevant rating agencies that are appointed by the Issuer from time to time, being at the Closing Date, Fitch and S&P.

Rating Downgrade Event means the rating downgrade event detailed in Paragraph 1 of Part 4 (Rating Downgrade Event) of Schedule 2 (Covenants) to the CTA.

Recovery Claim means a claim against the provider of any Report (in its capacity as a provider of that Report) received by a member of the Arqiva Group except for Excluded Report Recovery Proceeds, and after deducting:

- (a) any reasonable expenses which are incurred by such member of the Arqiva Group with respect to that Report; and
- (b) any Tax incurred and required to be paid or payable by such member of the Arqiva Group in connection with that recovery (as reasonably determined by the relevant member of the Arqiva Group on the basis of existing rates and taking into account any available credit, deduction or allowance),

in each case in relation to that claim.

Registrar means Deutsche Bank Trust Company Americas, or any successor or replacement thereto, appointed to act as the registrar to the Issuer.

Remedial Plan means, in respect of a Trigger Event continuing for 6 months or more, any plan for remedial action acceptable to the Obligor Security Trustee (acting on the instructions of the Qualifying Secured Creditors which are owed Qualifying Debt having an aggregate Outstanding Principal Amount of at least 20% of the aggregate Outstanding Principal Amount of all Qualifying Debt).

Report means each of:

- (a) the auditors' reports in respect of the Obligors for the financial years ended 30 June 2011 and 30 June 2012;
- (b) the model audit report by Ernst & Young LLP dated on or before the Closing Date in relation to the Base Case Model;
- (c) due diligence report dated 15 March 2012 and addendum report dated 10 May 2012 prepared by Deloitte LLP in relation to, amongst other matters, the Arqiva Group; and
- (d) the security review, memorandum and accompanying schedules by Allen & Overy LLP dated on or about the Signing Date,

in each case as dated and delivered pursuant to the CP Agreement.

Report Recovery Proceeds means the proceeds of a Recovery Claim.

Reserved Matters means those matters which, in accordance with Schedule 3 (Reserved Matters) of the STID, an Obligor Secured Creditor is free to exercise in accordance with its own debt instrument.

Restricted Payments means any payments (including distributions, dividends, bonus issues, return of capital, fees, interest, principal or other amounts whatsoever) by way of loan or repayment of any loan or otherwise (in cash or in kind) by any Senior Financing Group Company to any Senior Group Holding Company, any other Non-Senior Financing Group Company (other than the Issuer or FinCo (but including any payments made by the Borrower to FinCo under the FinCo/Borrower Capitalisation Loan)) or any Shareholder (in each case other than pursuant to or in accordance with the Obligor Transaction Documents) other than:

- (a) payments made pursuant to any contract for the provision to any Senior Financing Group Company of any lease, licence, goods or services (other than management services pursuant to paragraph (b) below) provided on arm's length terms or better than arm's length terms from the perspective of such Senior Financing Group Company;

(b) payments made for the provision of management services and which are entered into on bona fide arm's length terms and in the ordinary course of trading to the extent that the aggregate of all such payments together with all payments made pursuant to paragraph (d) below does not exceed £1 million (RPI indexed) in any consecutive twelve month period, provided that no such payment may be made to meet general corporate purposes of any Senior Group Holding Company or any other Non-Senior Financing Group Company;

(c) payments made pursuant to a Permitted Tax Transaction;

(d) any payments of insurance premiums to a captive insurer that are on arm's length terms;

(e) any payment made by a Senior Financing Group Company not otherwise permitted above if the amount of that payment when aggregated with the amount of all other payments made under this paragraph (e) together with all payments made pursuant to paragraph (b) above does not exceed £1 million (RPI indexed) (or its equivalent) in any consecutive twelve month period; and

(f) any payments made on the Closing Date pursuant to the Structure Paper.

Restructured Hedges means the Restructured Inflation Linked Hedges and/or the Restructured Interest Rate Hedges (as applicable).

Restructured Inflation Linked Hedge means each Inflation Linked Hedge which prior to the Closing Date was (but, for the avoidance of doubt, as at the date of this Agreement, no longer is) an Existing Inflation Linked Hedge and whose commercial terms have been amended on or about the Closing Date.

Restructured Interest Rate Hedge means each Interest Rate Hedge which prior to the Closing Date was (but, for the avoidance of doubt, as at the date of this Agreement, no longer is) an Existing Interest Rate Hedge and which, amongst other things, has been novated by the Borrower to FinCo and whose commercial terms have been amended on or about the Closing Date.

Retail Price Index or **RPI** means the UK Retail Price Index as published by the UK Office for National Statistics (or if the UK Office for National Statistics ceases to exist, its successor).

Risk Weighted Notional Amount means, in respect of any Super Senior Test Date or Proposed Super Senior Trade Date in respect of such Super Senior Test Date, the sum of the following amounts determined in each case in respect of the relevant Super Senior Test Date (such that, for the avoidance of doubt, the Risk Weighted Notional Amount in respect of a Proposed Super Senior Trade Date will be the same as the Risk Weighted Notional Amount in respect of the relevant Super Senior Test Date):

(a) an amount (that shall be subject to a minimum of zero) equal to:

(i) the aggregate sum of the amounts that would be payable to each Super Senior Borrower Hedge Counterparty and each Super Senior Issuer Hedge Counterparty (as applicable) by the Borrower and/or the Issuer (as applicable); less

(ii) the aggregate sum of the amounts that would be payable by each Super Senior Borrower Hedge Counterparty and each Super Senior Issuer Hedge Counterparty (as applicable) to the Borrower and/or the Issuer (as applicable),

in each case pursuant to Section 6(e) of the relevant Hedging Agreement (assuming an Early Termination Date had been designated in respect of all transactions under such Hedging Agreement then outstanding) (which, for the avoidance of doubt, shall be the amount notified in a Mark Statement pursuant to subparagraph 13.3 or calculated pursuant to subparagraphs 13.4 or 13.5 (as applicable) of this Issuer/Borrower Hedging Policy; and

(b) the sum of:

(i) an amount equal to the product of (i) 35% and (ii) the aggregate of the notional amount of each proposed Super Senior Hedge that is an Interest Rate Hedge;

(ii) an amount equal to the product of (i) 140% and (ii) the aggregate notional amount of each proposed Super Senior Hedge that is an Inflation Linked Hedge; and

(iii) an amount equal to the product of (i) 65% and (ii) the aggregate notional amount of each proposed Super Senior Hedge that is a Currency Hedge,

provided that for the purposes of determining the Super Senior Hedge outstanding on such Super Senior Test Date, the following will not be included (A) in respect of the amount calculated pursuant to subparagraph (b) of the definition of Risk Weighted Notional Amount above, any Offsetting Hedges and any Hedges which have been offset by such Offsetting Hedges, and (B) any Overlay Hedges.

S&P means Standard & Poor's Ratings Services, a division at Standard & Poor's Credit Market Services Europe Limited and any successor to its rating business.

S&P Required Rating means a long-term unsecured and unsubordinated debt obligations rating of at least A- by S&P, provided that if the relevant entity has a long-term unsecured and unsubordinated debt obligations rating of A- by S&P such entity must not be on credit watch negative (or equivalent).

Scottish Security Deeds means the individual Standard Securities granted in favour of the Obligor Security Trustee executed on or about the Closing Date.

Secured Creditor Representative means, in respect of a Secured Creditor, its representative for the purposes of the STID and the CTA which, in respect of the Hedge Counterparties, will be each individual Hedge Counterparty who will vote (if applicable) individually representing themselves.

Secured Creditors means the Obligor Secured Creditors, the FinCo Secured Creditors and the Issuer Secured Creditors.

Security Deed means the deed of charge and guarantee executed in favour of the Obligor Security Trustee by each of the Obligors on or about the Closing Date.

Security Documents means:

- (a) the Security Deed;
- (b) the STID and each deed of accession thereto, together with any Supplemental Deed;
- (c) the Scottish Security Deeds;
- (d) the Jersey Security;
- (e) the Northern Irish Security Agreement; and
- (f) any other document evidencing or creating security over any asset of an Obligor to secure any obligation of any Obligor to an Obligor Secured Creditor in respect of the Obligor Secured Liabilities.

Security Interest means any mortgage, standard security, pledge, lien, charge (fixed or floating), assignment, assignation, hypothecation, set-off or trust arrangement for the purpose of creating security, reservation of title or security interest or any other agreement or arrangement having a substantially similar effect.

Senior Debt means any Financial Indebtedness of the Senior Financing Group that is not Subordinated Debt, including:

- (a) under the Issuer/Borrower Facilities;
- (b) under the FinCo/Borrower Facilities;
- (c) under the Borrower Bank Facilities;

- (d) under any Ancillary Facilities;
- (e) under any Permitted Facilities;
- (f) under any other Authorised Facilities;
- (g) the capitalised values of any Finance Leases; and
- (h) under any Treasury Transactions (including any Offsetting Hedge Annuity).

Senior Financing Group means the Parent, the Intermediate Parent, the Borrower and all of the Borrower's direct and indirect subsidiaries (but excluding, for the avoidance of doubt, the Issuer and FinCo).

Senior Financing Group Company means each member of the Senior Financing Group.

Senior Group Holding Company means the Holding Companies of the Parent, which as at the Closing Date are Intermediate HoldCo, AF No 2, the Junior Parent, AF No 3 and ABHL.

Series means a Tranche of Notes together with any further Tranche or Tranches of Notes which are:

- (a) expressed to be consolidated and form a single series; and
- (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices and the expressions **Notes of the relevant Series, holders of Notes of the relevant Series** and related expressions shall be construed accordingly.

Shareholder means, as at the Closing Date, the Current Shareholders and from time to time, the shareholders in ABHL.

Signing Date means 22 February 2013, the date upon which the FinCo Transaction Documents, the Issuer Transaction Documents, the Common Documents and other relevant Obligor Transaction Documents have been entered into by all the parties thereto.

Smart Metering means the national programme to establish a communications system (a) to connect a new generation of electricity and gas meters in domestic and some non-domestic premises with energy utility companies so as to monitor the consumption of utilities and (b) to communicate such consumption to the relevant utility company for monitoring and billing purposes.

Specified Interest Payment Date means, if applicable, as specified in the applicable Final Terms.

standard security means a standard security as defined in Part II of the Conveyancing and Feudal Reform (Scotland) Act 1970.

Standby Drawing means the principal amount of each drawing made from an Affected Liquidity Facility Provider under Clause 3 of the Liquidity Facility Agreement or the principal amount outstanding of that drawing.

STID or Security Trust and Intercreditor Deed means the security trust and intercreditor deed setting out the voting and intercreditor arrangements amongst the Secured Creditors entered into on or about the Signing Date between, among others, the Obligor Security Trustee, the Obligors, the Issuer Security Trustee, the FinCo Security Trustee, the TF Agent and the Note Trustee, together with any deed supplemental to the STID and referred to in the STID as a **Supplemental Deed**.

STID Proposal means a proposal or request made by the Obligor in accordance with the STID proposing or requesting the Obligor Security Trustee to concur in making any modification, giving any consent or granting any waiver under or in respect of any Common Document.

STID Voting Request has the meaning given to it in Clause 12.7 (STID Voting Request) of the STID.

Subordinated Debt means initially any Financial Indebtedness outstanding under the Subordinated Loan Agreements and from time to time any further Financial Indebtedness incurred by the Parent to Intermediate HoldCo that ranks subordinate to the Senior Debt pursuant to the Common Documents.

Structure Paper means the steps paper in the agreed form, setting out certain transactions to be entered into in connection with the refinancing.

Subordinated Lender means either Intermediate HoldCo in its capacity of providing the Subordinated Loans to the Parent to be on-lent by the Parent to the Intermediate Parent and by the Intermediate Parent to the Borrower or FinCo as lender under the FinCo/Borrower Capitalisation Loan.

Subordinated Loan Agreements means the agreements dated on or about the Signing Date under which the Subordinated Loans are provided.

Subordinated Loans means:

- (a) the loans made by the Subordinated Lender to the Borrower via the Parent and the Intermediate Parent; and
- (b) the FinCo/Borrower Capitalisation Loan.

Subscription Agreement means an agreement supplemental to the Programme Agreement (by whatever name called) in or substantially in the form set out in Schedule 5 (Pro Forma Subscription Agreement) to the Programme Agreement or in such other form as may be agreed between the Issuer and the Lead Manager or one or more Dealers (as the case may be).

Subsidiary means a subsidiary within the meaning of section 1159 of the Companies Act and, unless the context otherwise requires, a subsidiary undertaking within the meaning of section 1162 of the Companies Act, in each case which, for this purpose, shall be treated as including any person the shares or ownership interests in which are subject to any Security Interest and where the legal title to the shares or ownership interests so secured are registered in the name of the secured party or its nominee pursuant to such Security Interest.

Super Senior Borrower Hedge Counterparty means a Hedge Counterparty that is party to a Super Senior Borrower Hedging Agreement.

Super Senior Borrower Hedges means each Borrower Hedge forming part of and subject to a Super Senior Borrower Hedging Agreement, as further described in Paragraph 5 of Schedule 5 (Hedging Policy and Overriding Provisions relating to Hedging Agreements) to the CTA.

Super Senior Borrower Hedging Agreement means each Agreed Form Borrower Master Agreement, including all Treasury Transactions forming part thereof and subject thereto, between the Borrower and a Borrower Hedge Counterparty, that is designated a "Super Senior Borrower Hedging Agreement" in the schedule to that Agreed Form Borrower Master Agreement, as further described in Paragraph 5 of Schedule 5 (Hedging Policy and Overriding Provisions relating to Hedging Agreements) to the CTA.

Super Senior Hedge Counterparty means a Hedge Counterparty that is party to a Super Senior Borrower Hedging Agreement, a Super Senior Issuer Hedging Agreement or a Super Senior Issuer/Borrower Hedging Agreement.

Super Senior Hedges means the Super Senior Borrower Hedges, the Super Senior Issuer Hedges and the Super Senior Issuer/Borrower Hedges.

Super Senior Hedging Agreement means each Super Senior Borrower Hedging Agreement, each Super Senior Issuer Hedging Agreement and each Super Senior Issuer/Borrower Hedging Agreement.

Super Senior Issuer Hedge Counterparty means a Hedge Counterparty that is party to a Super Senior Issuer Hedging Agreement.

Super Senior Issuer Hedges means each Issuer Hedge forming part of and subject to a Super Senior Issuer Hedging Agreement, as further described in Paragraph 5 of Schedule 5 (Hedging Policy and Overriding Provisions relating to Hedging Agreements) to the CTA.

Super Senior Issuer Hedging Agreement means each ISDA Master Agreement, including all Treasury Transactions forming part thereof and subject thereto, between the Issuer and an Issuer Hedge Counterparty, that is designated a “Super Senior Issuer Hedging Agreement” in the schedule to that ISDA Master Agreement, as further described in Paragraph 5 of Schedule 5 (Hedging Policy and Overriding Provisions relating to Hedging Agreements) to the CTA.

Super Senior Issuer/Borrower Hedge means each Treasury Transaction forming part of and subject to a Super Senior Issuer/Borrower Hedging Agreement.

Super Senior Issuer/Borrower Hedging Agreement means each ISDA Master Agreement, including all Treasury Transactions forming part thereof and subject thereto, between the Issuer and the Borrower, that is designated a “Super Senior Issuer/Borrower Hedging Agreement” in the schedule to such ISDA Master Agreement.

Super Senior Ceiling means an amount equal to the product of (a) 50% and (b) the aggregate outstanding principal amount of the Notes and the Borrower Loans (including any FinCo/Borrower Loans but excluding any Issuer/Borrower Loans).

Super Senior Test Date means, a date notified by the Borrower and/or Issuer (as applicable) to each Super Senior Hedge Counterparty in accordance with subparagraph 13.2 of the Issuer/Borrower Hedging Policy.

Tax means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any related penalty or interest) and **taxes, taxation, taxable** and comparable expressions will be construed accordingly.

Tax Deed of Covenant means a tax deed of covenant to be entered into on or about the Closing Date by the Tax Obligors, the Obligor Security Trustee, the FinCo Security Trustee, the Issuer Security Trustee and the Note Trustee, covering, in particular, the past, present and future grouping and other tax-related arrangements of the Borrower, the Issuer and FinCo.

Tax Obligors means the Issuer, FinCo, the Borrower, the Parent, the Intermediate Parent and the Intermediate HoldCo.

Term Facilities means the Initial Term Facilities and any other facility provided by a Term Facility Provider to FinCo after the Signing Date.

Term Facilities Agreement or **TFA** means the Initial Term Facilities Agreement and any other facility agreement under which a term facility is made available to FinCo after the Signing Date including, but not limited to, any term facility provided to refinance the Initial Term Facility or any other Term Facility.

Term Facility Providers means the Initial Term Facilities Providers and any other bank or financial institution which provides FinCo with credit under a term facility and which accedes to the CTA and the STID after the Signing Date.

Term Loans means the Initial Term Loans and any other term loans made in accordance with the terms of the relevant Term Facilities Agreement after the Signing Date.

Test Date means 30 June and 31 December in each year commencing with the Test Date occurring on 30 June 2013.

Test Period means the 12 month period ending on (and including) the relevant Test Date.

TF Agent means the Initial TF Agent and any other agent appointed after the Signing Date under the relevant Term Facilities Agreement.

Tranche means a tranche in which a Series is issued where the specific terms of such a tranche are identical in all respects (save for the Issue Dates, Interest Commencement Dates and/or Issue Prices) to the terms of the other tranches of the same Series.

Transaction Documents means:

- (a) each Obligor Transaction Document;
- (b) each FinCo Transaction Document; and
- (c) each Issuer Transaction Document.

Transfer Agent means Deutsche Bank Trust Company Americas, or any successor thereto, appointed to act as the transfer agent to the Issuer.

Treasury Transaction means any currency or interest rate purchase, cap or collar agreement, forward rate agreement, interest rate agreement, index linked agreement, interest rate or currency or future or option contract, foreign exchange or currency purchase or sale agreement, interest rate swap, currency swap, basis rate swap or combined similar agreement, any energy, oil or other commodity derivative transaction or any derivative transaction protecting against or benefiting from fluctuations in any rate, index or price.

Treaty means the Treaty establishing the European Community, as amended from time to time.

Trigger Event Consequences means the consequences which will apply if a Trigger Event occurs and is continuing, identified as such in Part 2 (Trigger Event Consequences) of Schedule 3 (Trigger Events) of the CTA.

Trigger Event Financial Covenant Ratios has the meaning given to it in Paragraph 1.1 of Part 1 (Trigger Events) of Schedule 3 (Trigger Events) to the CTA.

Trigger Events means any of the events or circumstances identified as such in Part 1 (Trigger Events) of Schedule 3 (Trigger Events) to the CTA.

UK GAAP means generally accepted accounting principles in the United Kingdom.

Unused Disposal Proceeds has the meaning given to it in Paragraph 5 of Part 5 (Mandatory Prepayment and Voluntary Prepayment) of Schedule 2 (Covenants) to the CTA.

Unused Insurance Proceeds has the meaning given to it in Paragraph 5 of Part 5 (Mandatory Prepayment and Voluntary Prepayment) of Schedule 2 (Covenants) to the CTA.

Unused Proceeds means the Unused Disposal Proceeds, the Report Recovery Proceeds and the Unused Insurance Proceeds.

Voted Qualifying Debt means the Outstanding Principal Amount of the Qualifying Debt of the Participating Secured Creditors voting in accordance with the STID.

Working Capital Facility means the Initial Working Capital Facility and any future facility made available to the Borrower to fund its working capital needs.

Working Capital Facility Providers means the Initial Working Capital Facility Providers and any other bank or financial institution which provide the Borrower with revolving facilities and which accede to the CTA and the STID after the Signing Date.

FORMS OF THE NOTES

Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the **Regulation S Global Note**). Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A will initially be represented by a global note in registered form without interest coupons attached (the **Rule 144A Global Note** and, together with the Regulation S Global Note, the **Global Notes**). The Global Notes will be deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for Euroclear and Clearstream, Luxembourg.

Persons holding beneficial interests in Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Notes in fully registered form.

The Rule 144A Global Note will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Global Notes will, in the absence of provision to the contrary, be made to the person shown on the register as the registered holder of the Global Notes. None of the Issuer, any Paying Agent, the Note Trustee or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the register on the relevant Record Date immediately preceding the due date for payment in the manner provided in Condition 7 (*Payments*).

Interests in a Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Notes only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor Clearing System satisfactory to the Note Trustee is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Global Note) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the notice by the Registrar.

Transfer of Interests

Interests in a Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Global Note. No beneficial owner of an interest in a Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. **The Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions (see “*Plan of Distribution*”).**

General

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative Clearing System may otherwise be approved by the Issuer, the Principal Paying Agent and the Note Trustee.

No Noteholder shall be entitled to proceed directly against the Issuer unless the Note Trustee or the Security Trustee, as the case may be, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

The Issuer may agree with any Joint Global Coordinator and Joint Bookrunner that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a new offering memorandum or a supplement to this Offering Memorandum, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Provisions Relating to the Notes while in Global Form

Global Notes will contain provisions that apply to the Notes which they represent, some of which modify the effect of the Conditions of the Notes as set out in this Offering Memorandum. The following is a summary of certain of those provisions:

- *Meetings*: The holder of a Global Note shall be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Global Note shall be treated as having one vote in respect of each minimum denomination of Notes for which such Global Note may be exchanged.
- *Cancellation*: Cancellation of any Note represented by a Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant Global Note.
- *Notices*: So long as any Notes are represented by a Global Note and such Global Note is held on behalf of Euroclear, Clearstream, Luxembourg or any other relevant Clearing System, notices to the Noteholders may be given, subject always to listing requirements, by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or any other relevant Clearing System for communication by it to entitled Accountholders in substitution for publication as provided in the Conditions. Such notices shall be deemed to have been received by the Noteholders on the date of delivery to such Clearing Systems.

BOOK-ENTRY CLEARANCE PROCEDURE

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg (together, the **Clearing Systems**) currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Note Trustee nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Custodial and depositary links have been established between Euroclear and Clearstream, Luxembourg to facilitate the issue of the Notes and cross-market transfers of the Notes associated with secondary market trading. Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Investors may hold their interests in Global Notes directly through Euroclear or Clearstream, Luxembourg as direct participants or indirectly as indirect participants.

Book-entry ownership

Each Global Note will have an ISIN and a common code and will be deposited with, or on behalf of, a common depositary and registered in the name of the nominee of the common depositary for Euroclear and Clearstream.

Payments and relationship of participants with Clearing Systems

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note represented by a Global Note must look solely to Euroclear or Clearstream, Luxembourg (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg. The Issuer expects that, upon receipt of any payment in respect of Notes represented by a Global Note, the common depositary, by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant Clearing System with payments in amounts proportionate to their respective beneficial interests in the principal amount of the

relevant Global Note as shown on the records of the relevant Clearing System or its nominee. The Issuer also expects that payments by direct participants in any Clearing System to owners of beneficial interests in any Global Note held through such direct participants in any Clearing System will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note in respect of each amount so paid.

Settlement and transfer of Notes

Transfers of any interests in Notes represented by a Global Note within Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant Clearing System. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form.

Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Global Notes among participants and accountholders of Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Note Trustee, the agents or any Joint Global Coordinator and Joint Bookrunner will be responsible for any performance by Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

DESCRIPTION OF THE ISSUER

The Issuer, Arqiva Broadcast Finance plc, was incorporated in England and Wales on 19 December 2012. The Issuer was incorporated under the Companies Act 2006, as amended, as a public company of unlimited duration and with limited liability. Its registered number is 08336342. The Issuer is and always intends to be resident in the United Kingdom for tax purposes.

The Issuer's registered office is at Crawley Court, Winchester, Hampshire SO21 2QA, where the Issuer's register of members is kept (telephone number + 44 (0) 1962 822852). The memorandum and articles of association of the Issuer may be inspected at the registered office of the Issuer. The Issuer has unlimited corporate capacity under English law.

The Issuer is wholly owned by the Parent Guarantor. The Issuer has no subsidiaries.

Directors and Secretary of the Issuer

The Directors of the Issuer and their respective addresses and other principal activities are:

Name	Nationality	Business Address	Other Principal Activities
Edward Thomas Beckley	British	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Alain Carrier	Canadian/British	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Peter Gray Douglas	British	Crawley Court, Winchester, Hampshire SO21 2QA	Director
Daniel Karl Fetter	Canadian	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Marc Michel Perusat	French	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Christian Seymour	Australian	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Leonard Peter Shore	Australian	Crawley Court, Winchester, Hampshire SO21 2QA	Director
Damian John Walsh	Australian	Crawley Court, Winchester, Hampshire SO21 2QA	Business Consultant
Andreas Hermann Kottering (alternate for Alain Carrier and Daniel Karl Fetter)	German	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Robert Wall (alternate for Alain Carrier and Daniel Karl Fetter)	British	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Adrianus Cornelia Wamsteker (alternate for Christian Seymour)	British	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Nathan Luckey (alternate for Edward Thomas Beckley and Marc Michel Peusat)	Australian	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager

The secretary of the Issuer is William Michael Giles whose business address is at Crawley Court, Crawley, Winchester, Hampshire SO21 2QA.

The directors of the Issuer may engage in other activities and have other directorships. As a matter of English law, each director is under a duty to act honestly and in good faith with a view to the best interest of the Issuer, regardless of any other directorship he or she may hold.

Principal Activities

The Issuer was established as a special purpose vehicle and its principal activities will be the acquiring, holding and managing its rights and assets under the Notes, with the execution and performance of the Note Trust Deed and the other Transaction Documents, the execution and performance of all other documents to which it is expressed to be a party and the exercise of related rights and powers and other activities reasonably incidental thereto.

Management and Control

The Issuer is managed and controlled in England.

Opening Balance Sheet

Assets	GBP	Liabilities	GBP
Credit on bank account	£50,000	Share Capital	£50,000
Total Assets	£50,000	Total Liabilities	£50,000

Share Capital

The issued and fully paid share capital of the Issuer is £50,000 comprising 50,000 shares of £1 each as at the date of this Offering Memorandum.

Auditors

It is the intention of the Issuer to appoint, as auditors, PricewaterhouseCoopers LLP with a registered office at 1 Embankment Place, London WC2N 6RH.

PricewaterhouseCoopers LLP is a registered auditor and is authorised by and is a member of the Institute of Chartered Accountants in England and Wales to practise in England and Wales.

DESCRIPTION OF THE INTERMEDIATE GUARANTOR

The Intermediate Guarantor, Arqiva Financing No 2 Limited (**AF No 2**), was incorporated in England and Wales on 5 March 2007, under the Companies Act 1985, as amended, as a private limited company. The Intermediate Guarantor operates under the Companies Act 2006. Its registered number is 06137899. On 23 March 2007, it changed its name from Primrosehurst Limited to Macquarie UK Broadcast Enterprises Limited and, on 12 August 2011, it changed its name again to its current name, Arqiva Financing No 2 Limited.

AF No 2's registered office is at Crawley Court, Winchester, Hampshire, England SO21 2QA, where its register of members is kept (telephone number + 44 (0) 1962 822852). The memorandum and articles of association of AF No 2 may be inspected at its registered office.

AF No 2 will, from the Issue Date, be wholly owned by the Parent Guarantor. See "*Description of the Parent Guarantor*" for more information about the Parent Guarantor.

Directors and Secretary

The directors and company secretary of AF No 2 and their respective addresses and other principal activities are:

Name	Nationality	Business Address	Other Principal Activities
Edward Thomas Beckley	British	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Alain Carrier	Canadian/British	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Peter Gray Douglas	British	Crawley Court, Winchester, Hampshire SO21 2QA	Director
Daniel Karl Fetter	Canadian	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Marc Michel Perusat	French	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Christian Seymour	Australian	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Leonard Peter Shore	Australian	Crawley Court, Winchester, Hampshire SO21 2QA	Director
Damian John Walsh	Australian	Crawley Court, Winchester, Hampshire SO21 2QA	Business Consultant
Andreas Hermann Kottering (alternate for Alain Carrier and Daniel Karl Fetter)	German	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Robert Wall (alternate for Alain Carrier and Daniel Karl Fetter)	British	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Adrianus Cornelia Wamsteker (alternate for Christian Seymour)	British	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Nathan Luckey (alternate for Edward Thomas Beckley and Marc Michel Peusat)	Australian	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager

The secretary of AF No 2 is William Michael Giles whose business address is at Crawley Court, Winchester, Hampshire SO21 2QA.

The directors of AF No 2 may engage in other activities and have other directorships. As a matter of English law, each director is under a duty to act honestly and in good faith with a view to the best interest of AF No 2, regardless of any other directorship he or she may hold.

Principal Activities

AF No 2 was established as a private limited company and its principal activities are as the Intercompany Borrower under the Intercompany Loan Agreement, as the holding company of Intermediate HoldCo, a company incorporated under the Companies Act 1985, as amended, as a private limited company and having its registered office at Crawley Court, Winchester, Hampshire SO21 2QA (registered number is 06137899) and as a Guarantor.

As a Guarantor, AF No 2 unconditionally and irrevocably guarantees that if the Issuer does not pay any sum payable by it under the Notes or the Note Trust Deed at the time and on the date specified for such payment (whether on the normal due date, on acceleration or otherwise) to pay or procure the payment of that sum to or to the order of the Note Trustee according to the terms of the Notes and the Note Trust Deed (as applicable).

Management and Control

AF No 2 is managed and controlled in England.

Share Capital

The issued and fully paid share capital of AF No 2 is £1 comprising 1 share of £1 as at the date of this Offering Memorandum.

Auditors

The auditors of AF No 2 are PricewaterhouseCoopers LLP with a registered office at 1 Embankment Place, London WC2N 6RH.

PricewaterhouseCoopers LLP is a registered auditor and is authorised by and is a member of the Institute of Chartered Accountants in England and Wales to practise in England and Wales.

DESCRIPTION OF THE PARENT GUARANTOR

The Parent Guarantor, Arqiva Broadcast Parent Limited, was incorporated in England and Wales on 28 May 2012 under the Companies Act 2006, as a private limited company. Its registered number is 08085823.

The Parent Guarantor's registered office is at Crawley Court, Winchester, Hampshire SO21 2QA, where the Parent Guarantor's register of members is kept (telephone number + 44 (0) 1962 822852). The memorandum and articles of association of the Parent Guarantor may be inspected at the registered office of the Parent Guarantor.

The Parent Guarantor will, from the Issue Date, be wholly owned by Arqiva Financing No 3 plc, a public limited company incorporated in England and Wales and having its registered office at Crawley Court, Winchester, Hampshire, England SO21 2QA. Its registered number is 05253998.

Directors and Secretary

The directors and company secretary of the Parent Guarantor and their respective addresses and other principal activities are:

Name	Nationality	Business Address	Other Principal Activities
Edward Thomas Beckley	British	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Alain Carrier	Canadian/British	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Peter Gray Douglas	British	Crawley Court, Winchester, Hampshire SO21 2QA	Director
Daniel Karl Fetter	Canadian	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Marc Michel Perusat	French	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Christian Seymour	Australian	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Leonard Peter Shore	Australian	Crawley Court, Winchester, Hampshire SO21 2QA	Director
Damian John Walsh	Australian	Crawley Court, Winchester, Hampshire SO21 2QA	Business Consultant
Andreas Hermann Kottering (alternate for Alain Carrier and Daniel Karl Fetter)	German	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Robert Wall (alternate for Alain Carrier and Daniel Karl Fetter)	British	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Adrianus Cornelia Wamsteker (alternate for Christian Seymour)	British	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Director
Nathan Luckey (alternate for Edward Thomas Beckley and Marc Michel Peusat)	Australian	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager

The secretary of the Parent Guarantor is William Michael Giles whose registered office is at Crawley Court, Winchester, Hampshire SO21 2QA.

The directors of the Parent Guarantor may engage in other activities and have other directorships. As a matter of English law, each director is under a duty to act honestly and in good faith with a view to the best interest of the Parent Guarantor, regardless of any other directorship he or she may hold.

Principal Activities

The Parent Guarantor was established as a private limited company and its principal activities are acting as, and in connection with being, a holding company and as a Guarantor to unconditionally and irrevocably guarantee that if the Issuer does not pay any sum payable by it under the Notes or the Note Trust Deed at the time and on the date specified for such payment (whether on the normal due date, on acceleration or otherwise) to pay or procure the payment of that sum to or to the order of the Note Trustee according to the terms of the Notes and the Note Trust Deed (as applicable).

Management and Control

The Parent Guarantor is managed and controlled in England.

Opening Balance Sheet

Assets	GBP	Liabilities	GBP
Credit on bank account	£100,001	Share Capital	£100,001
Total Assets	£100,001	Total Liabilities	£100,001

Share Capital

The issued and fully paid share capital of the Parent Guarantor is £100,001, comprising 100,001 shares of £1 each as at the date of this Offering Memorandum.

Auditors

It is the intention of the Parent Guarantor to appoint, as the auditors, PricewaterhouseCoopers LLP with a registered office at Embankment Place, London WC2N 6RH.

PricewaterhouseCoopers LLP is a registered auditor and is authorised by, and is a member of, the Institute of Chartered Accountants in England and Wales to practise in England and Wales.

DESCRIPTION OF INTERMEDIATE HOLDCO

Intermediate HoldCo, Arqiva Broadcast Intermediate Limited, was incorporated in England and Wales on 28 May 2012 under the Companies Act 2006, as a private limited company. Its registered number is 08085710.

Intermediate HoldCo's registered office is at Crawley Court, Winchester, Hampshire SO21 2QA, where the Intermediate HoldCo's register of members is kept (telephone number + 44 (0) 1962 822818). The memorandum and articles of association of Intermediate HoldCo may be inspected at the registered office of Intermediate HoldCo.

Intermediate HoldCo will, from the Issue Date, be wholly owned by AF No 2.

Directors and Secretary

The directors and company secretary of Intermediate HoldCo and their respective addresses and other principal activities are:

Name	Nationality	Business Address	Other Principal Activities
Edward Thomas Beckley	British	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Alain Carrier	Canadian/British	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Peter Gray Douglas	British	Crawley Court, Winchester, Hampshire SO21 2QA	Director
Daniel Karl Fetter	Canadian	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Marc Michel Perusat	French	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Christian Seymour	Australian	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Leonard Peter Shore	Australian	Crawley Court, Winchester, Hampshire SO21 2QA	Director
Damian John Walsh	Australian	Crawley Court, Winchester, Hampshire SO21 2QA	Business Consultant
Andreas Hermann Kottering (alternate for Alain Carrier and Daniel Karl Fetter)	German	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Robert Wall (alternate for Alain Carrier and Daniel Karl Fetter)	British	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager
Adrianus Cornelia Wamsteker (alternate for Christian Seymour)	British	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Director
Nathan Luckey (alternate for Edward Thomas Beckley and Marc Michel Peusat)	Australian	Crawley Court, Winchester, Hampshire SO21 2QA	Investment Manager

The secretary of Intermediate HoldCo is William Michael Giles whose business address is at Crawley Court, Winchester, Hampshire SO21 2QA.

The directors of Intermediate HoldCo may engage in other activities and have other directorships. As a matter of English law, each director is under a duty to act honestly and in good faith with a view to the best interest of Intermediate HoldCo, regardless of any other directorship he or she may hold.

Principal Activities

Intermediate HoldCo was established as a private limited company and its principal activities are acting as, and in connection with being, a holding company and as a guarantor to guarantee the Notes pursuant to and in accordance with the Intermediate HoldCo Subordinated Guarantee.

Management and Control

Intermediate HoldCo is managed and controlled in England.

Opening Balance Sheet

Assets	GBP	Liabilities	GBP
Credit on bank account	£50,001	Share Capital	£50,001
Total Assets	£50,001	Total Liabilities	£50,001

Share Capital

The issued and fully paid share capital of Intermediate HoldCo is £50,001, comprising 50,001 shares of £1 each as at the date of this Offering Memorandum.

Auditors

It is the intention of Intermediate HoldCo to appoint, as its auditors, PricewaterhouseCoopers LLP with a registered office at Embankment Place, London WC2N 6RH.

PricewaterhouseCoopers LLP is a registered auditor and is authorised by, and is a member of, the Institute of Chartered Accountants in England and Wales to practise in England and Wales.

CERTAIN TAX CONSIDERATIONS

UNITED KINGDOM TAXATION

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current United Kingdom law and published practice of HM Revenue and Customs (HMRC) relating only to United Kingdom withholding tax treatment of payments of interest on the Notes. The following is not exhaustive and does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Payment of Interest on the Notes

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The Luxembourg Stock Exchange is a recognised stock exchange. The Notes will satisfy this requirement if they are officially listed in Luxembourg in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Luxembourg Stock Exchange. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20%). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Noteholders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Noteholder. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Any information obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

EU SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC (the **Directive**) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required, subject to certain exceptions

(unless during that period they elect to provide information in accordance with the Directive) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements above.

If you are in any doubt as to your tax position you should consult your professional tax advisor.

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The following is a summary of certain U.S. federal income tax considerations relevant to U.S. Holders (as defined below) acquiring, holding and disposing of Notes. This summary addresses only the U.S. federal income tax considerations for initial purchasers of Notes at their issue price (generally the first price at which a substantial amount of such Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers) that will hold the Notes as capital assets (generally, property held for investment). This summary is based on the Code, final, temporary and proposed U.S. Treasury regulations, administrative and judicial interpretations, all of which are subject to change, possibly with retroactive effect.

This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to investors in light of their particular circumstances, such as investors subject to special tax rules (including, without limitation: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in stocks, securities, or currencies or notional principal contracts; (iv) regulated investment companies; (v) real estate investment trusts; (vi) tax-exempt organisations; (vii) partnerships, pass-through entities, or persons that hold Notes through pass-through entities; (viii) holders that are not U.S. Holders; (ix) investors that hold Notes as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes; (x) investors that have a functional currency other than the U.S. dollar and (xi) U.S. expatriates and former long-term residents of the United States), all of whom may be subject to tax rules that differ significantly from those summarised below. This summary does not address U.S. federal estate, gift or alternative minimum tax considerations, or non-U.S., state or local tax considerations.

For the purposes of this summary, a **U.S. Holder** is a beneficial owner of Notes that is for U.S. federal income tax purposes (i) an individual who is a citizen or resident of the United States, (ii) a corporation created in, or organised under the laws of, the United States or any state thereof, including the District of Columbia, (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source or (iv) a trust the administration of which is subject to the primary supervision of a U.S. court and which has one or more United States persons who have the authority to control all substantial decisions of the trust.

Characterisation of the Notes

Whether a note is treated as debt (and not equity) for U.S. federal income tax purposes is an inherently factual question and no single factor is determinative. The Issuer intends to treat the Notes as indebtedness for U.S. federal income tax purposes, although no opinions have been sought, and no assurances can be given, with respect to such treatment. The following discussion assumes that such treatment will be respected and also that the Notes are not contingent payment debt instruments.

If the treatment of the Notes as indebtedness is not upheld, they will be treated, for U.S. federal income tax purposes, as equity in a passive foreign investment company or as representing a proportionate interest in the relevant Intercompany Loan and any related assets. If the Notes are treated as equity in a passive foreign investment company, a U.S. Holder of the Notes could be subject to significant adverse tax consequences, including, among others, imputed interest charges together with tax calculated at ordinary income rates on any gain from the sale or other disposition of the Notes.

Payments of Interest

General

Interest on a Note payable in a currency other than U.S. dollars (a **foreign currency**) will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, in accordance with the holder's method of accounting for tax purposes. Interest paid by the Issuer on the Notes will generally constitute income from sources outside the United States.

If the excess of the Note's stated redemption price at maturity over its issue price is equal to or greater than a *de minimis* amount the Note will be treated as issued with original issue discount (**OID**). OID will be considered *de minimis* if it is less than 0.25% of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity. The remainder of this discussion assumes that the Notes are not issued with more than a *de minimis* amount of OID.

Foreign currency denominated interest

If a qualified stated interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, with respect to an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period or taxable year, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the U.S. Internal Revenue Service (the **Internal Revenue Service**).

Upon receipt of the interest payment (including a payment attributable to accrued but unpaid interest upon the sale or other disposition of a Note) denominated in, or determined by reference to, a foreign

currency, the U.S. Holder will recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference, if any, between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Substitution of the Issuer

The terms of the Notes provide that, in certain circumstances, the obligations of the Issuer under the Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. Holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes), and the U.S. Holder's tax basis in the Notes.

Sale or Other Disposition of Notes

A U.S. Holder's tax basis in a Note will generally be its cost. A U.S. Holder's tax basis in a Note will be determined by reference to the U.S. dollar cost of the Notes. The U.S. dollar cost of a Note purchased with a foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

A U.S. Holder will generally recognise gain or loss on the sale or other disposition of a Note equal to the difference between the amount realized on the sale or other disposition and the holder's tax basis in the Note, which will generally be its cost. The amount realized on a sale or other disposition for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or other disposition or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the Internal Revenue Service (as defined below). Except to the extent attributable to accrued but unpaid interest or changes in exchange rates, gain or loss recognised on the sale or other disposition of a Note will be capital gain or loss and will generally be treated as from U.S. sources for purposes of the U.S. foreign tax credit limitation. In the case of a U.S. Holder that is an individual, estate or trust, the maximum marginal federal income tax rate applicable to capital gains is currently lower than the maximum marginal rate applicable to ordinary income if the Notes are held for more than one year. The deductibility of capital losses is subject to significant limitations.

Gain or loss recognised by a U.S. Holder on the sale or other disposition of a Note that is attributable to changes in exchange rates will be treated as U.S. source ordinary income or loss. However, exchange gain or loss is taken into account only to the extent of total gain or loss realized on the transaction.

Disposition of Foreign currency

Foreign currency received as interest on a Note or on the sale or other disposition of a Note will have a tax basis equal to its U.S. dollar value at the time the interest is received or at the time of the sale or other disposition. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or an exchange for U.S. dollars) will be U.S. source ordinary income or loss.

Backup Withholding and Information Reporting

In general, payments of principal and interest on, and the proceeds of a sale, redemption or other disposition of, the Notes, payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary will be reported to the Internal Revenue Service and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise to comply with the applicable backup withholding requirements. Certain U.S. Holders are not subject to backup withholding.

Certain individual U.S. Holders may be required to report to the Internal Revenue Service certain information with respect to their beneficial ownership of the Notes not held through an account with a financial institution. Investors who fail to report required information could be subject to substantial penalties.

Disclosure Requirements

U.S. Treasury Regulations meant to require the reporting of certain tax shelter transactions (**Reportable Transactions**) could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the U.S. Treasury Regulations, certain transactions with respect to the Notes may be characterised as Reportable Transactions including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a Note. Persons considering the purchase of Notes should consult with their tax advisers to determine the tax return obligations, if any, with respect to an investment in Notes, including any requirement to file Internal Revenue Service Form 8886 (Reportable Transaction Disclosure Statement).

FOREIGN ACCOUNT TAX COMPLIANCE ACT

Sections 1471 through 1474 of the U.S. Internal Revenue Code (**FATCA**) impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a “foreign financial institution”, or **FFI** (as defined by FATCA)) that does not become a **Participating FFI** by entering into an agreement with the Internal Revenue Service to provide the Internal Revenue Service with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a “United States Account” of the Issuer (a **Recalcitrant Holder**). The Issuer may be classified as an FFI.

The new withholding regime will be phased in beginning 1 January 2014 for payments from sources within the United States and will apply to **foreign passthru payments** (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of the Notes if (i) the Notes are characterised as debt (or which are not otherwise characterised as equity) for U.S. federal tax purposes and are materially modified on or after the later of (a) 1 January 2014 and (b) the date that is six months after the date on which final U.S. Treasury regulations define the term foreign passthru payment are filed with the Federal Register or (ii) the Notes are characterised as equity for U.S. federal tax purposes.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the “Model 1” and “Model 2” IGAs released by the United States, an FFI in an IGA signatory country could be treated as a **Reporting FI** not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes (unless it has agreed to do so under the U.S. “qualified intermediary,” “withholding foreign partnership,” or “withholding foreign trust” regimes). Under each

Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the Internal Revenue Service. The United States and the United Kingdom have entered into an agreement (the **U.S.-UK IGA**) based largely on the Model 1 IGA.

If the Issuer is classified as an FFI, it expects to be treated as a Reporting FI pursuant to the U.S.-UK IGA and does not anticipate being obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer would be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from payments it makes. Accordingly, the Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

If an amount in respect of FATCA Withholding were to be deducted or withheld from interest, principal or other payments made in respect of the Notes, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

CERTAIN ERISA CONSIDERATIONS

The Notes should be eligible for purchase by employee benefit plans and other plans subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended (**ERISA**), and/or the provisions of Section 4975 of the Code and by governmental, church and non-U.S. plans that are subject to state, local, other federal law of the United States or non-U.S. law that is substantially similar to ERISA or the Code (**Similar Law**) subject to consideration of the issues described in this section. ERISA imposes certain requirements on “employee benefit plans” (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, **ERISA Plans**), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirements of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan’s particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed under “*Risk Factors*”.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, the **Plans**)) and certain persons (referred to as **parties in interest** or **disqualified persons**) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person, including a Plan fiduciary, who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The Issuer, the Group, the Paying Agents, the Agent Bank, the Registrar, the Transfer Agent or any other party to the transactions referred to in this Offering Memorandum may be parties in interest or disqualified persons with respect to many Plans. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any of the Notes is acquired or held by a Plan, including but not limited to where the Issuer, the Group, the Paying Agents, the Agent Bank, the Registrar, the Transfer Agent or any other party to such transactions is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire any Notes and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to transactions between a person that is a party in interest (other than a fiduciary or an affiliate that has or exercises discretionary authority or control or renders investment advice with respect to assets involved in the transaction) solely by reason of providing services to the plan, provided that there is adequate consideration for the transaction), Prohibited Transaction Class Exemption (**PTCE**) 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). Prospective investors should consult with their advisors regarding the prohibited transaction rules and these exceptions. There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving any Notes.

Governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA), while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of

Section 406 of ERISA and Section 4975 of the Code, may nevertheless be subject to Similar Law. Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for, if necessary, and the availability of, any exemptive relief under any Similar Law.

In addition, the U.S. Department of Labor has promulgated a regulation, 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (the **Plan Asset Regulation**), describing what constitutes the assets of a Plan with respect to the Plan's investment in an entity for purposes of certain provisions of ERISA, including the fiduciary responsibility provisions of Title I of ERISA, and Section 4975 of the Code. Under the Plan Asset Regulation, if a Plan invests in an equity interest of an entity that is neither a publicly-offered security nor a security issued by an investment company registered under the U.S. Investment Company Act of 1940, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless one of the exceptions to such treatment described in the Plan Asset Regulation applies. Under the Plan Asset Regulation, a security which is in the form of debt may be considered an equity interest if it has substantial equity features. If the Group was deemed under the Plan Asset Regulation to hold plan assets by reason of a Plan's investment in any of the Notes, such plan assets would include an undivided interest in the assets held by the Group and transactions by the Group would be subject to the fiduciary responsibility provisions of Title I of ERISA and the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code. The Plan Asset Regulation provides, however, that if equity participation in any entity by "Benefit Plan Investors" is not significant, then the "look-through" rule will not apply to such entity. The term **Benefit Plan Investors** is defined in the Plan Asset Regulation to include (1) any employee benefit plan (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, (2) any plan described in Section 4975(e)(1) of the Code, and (3) any entity whose underlying assets include "plan assets" by reason of any such employee benefit plan or plan's investment in the entity. Equity participation by Benefit Plan Investors in any entity is significant if, immediately after the most recent acquisition of any equity interest in the entity, 25% or more of the value of any class of equity interests in the entity (excluding the value of any interests held by certain persons, other than Benefit Plan Investors, exercising control over the assets of the entity or providing investment advice to the entity for a fee or any affiliates of such persons) is held by Benefit Plan Investors.

Accordingly, each purchaser of any Notes will represent and warrant and each subsequent transferee of any Notes will be deemed to represent and warrant, on each day from the date on which the purchaser or transferee acquires such Notes (or any interest therein) through and including the date on which the purchaser or transferee disposes of such Notes (or any interest therein), either that (a) it is not a Benefit Plan Investor or a governmental, church or non-U.S. plan which is subject to any Similar Law or (b) it is a Benefit Plan Investor and its acquisition, holding and disposition of such Notes (or any interest therein) will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan subject to Similar Law, a violation of any Similar Law) for which an exemption is not available.

Each Plan fiduciary who is responsible for making the investment decisions whether to purchase or commit to purchase and to hold any of the Notes should determine whether, under the documents and instruments governing the Plan, an investment in such Notes is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio. Any Plan proposing to invest in such Notes (including any governmental, church or non-U.S. plan) should consult with its counsel to confirm that such investment will not constitute or result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA and the Code (or, in the case of a governmental, church or non-U.S. plan, any Similar Law).

The sale of any Notes to a Plan is in no respect a representation by the Issuer, the Group, the Paying Agents, the Agent Bank, the Registrar, the Transfer Agent or any other party to the transactions that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

PLAN OF DISTRIBUTION

The Issuer has agreed to sell to the Joint Global Coordinators and Joint Bookrunners and the Joint Bookrunners (in such capacity, the **Initial Purchasers**), and the Initial Purchasers have agreed to purchase from the Issuer, the entire principal amount of the Notes. The sale will be made pursuant to a purchase agreement between the Issuer, the Guarantors and the Initial Purchasers dated 21 February 2013 (the **Subscription Agreement**).

The obligations of the Initial Purchasers under the Subscription Agreement, including their agreement to purchase Notes from the Issuer, are several and not joint. The Subscription Agreement provides that the Initial Purchasers will purchase all the Notes if any of them are purchased and the Issuer will sell the respective principal amount of Notes set forth opposite their names in the table below.

Initial Purchasers	Principal Amount of Notes⁽¹⁾
Barclays Bank PLC	£60,000,000
Deutsche Bank AG, London Branch	£100,000,000
HSBC Bank plc	£60,000,000
J.P. Morgan Securities plc	£100,000,000
Lloyds TSB Bank plc	£60,000,000
Merrill Lynch International	£60,000,000
The Royal Bank of Scotland plc.	£100,000,000
UBS Limited	£60,000,000
Total	£600,000,000

The Initial Purchasers initially propose to offer the Notes for resale at the issue price that appears on the cover of this Offering Memorandum. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms. The Initial Purchasers may offer and sell Notes through certain of their affiliates, including sales into the United States.

The Subscription Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel. The Initial Purchasers propose to offer the Notes initially at the price indicated on the cover page hereof. After the initial offering of the Notes, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice.

The Subscription Agreement provides that the Issuer and the Guarantors will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. The Issuer and the Guarantors have agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is 180 days after the date the Notes are issued, to not, and to cause the Group's subsidiaries to not, without having received the prior written consent provided for in the Subscription Agreement, offer, sell, contract to sell or otherwise dispose of any debt or convertible securities issued or guaranteed by the Issuer or any of the Guarantors.

The Notes and the Guarantees have not been and will not be registered under the Securities Act and the Notes may not be offered or sold within the United States except to qualified institutional buyers in reliance on Rule 144A and to non-U.S. persons in offshore transactions in reliance on Regulation S.

Until 40 days after the later of (i) commencement of this offering and (ii) the issue date of the Notes, an offer or sale of the Notes initially sold in reliance on Regulation S within the United States by a dealer (whether or not participating in the offering) may not violate the registration requirements of the

Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another available exemption from registration under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under “*Transfer Restrictions*”.

The Notes are a new issue of securities for which there currently is no market. The Issuer has applied, through the listing agent, for the Notes to be admitted to the Official List of the Luxembourg Stock Exchange and to be admitted for trading on the Euro MTF Market thereof, however, the Issuer and the Guarantors cannot assure you that such listing will be maintained.

Each Initial Purchaser represents, warrants and agrees that it:

(a) has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (**FSMA**)) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and

(b) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by the Issuer or the Initial Purchaser that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer, the Guarantor or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this Offering Memorandum and resale of the Notes. See “*Transfer Restrictions*”.

The Issuer and the Guarantors have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(2) of Regulation D under the Securities Act or the safe harbour of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

The Initial Purchasers have advised that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchaser without notice. In addition, any such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, the Issuer cannot give any assurance that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favourable to you. See “*Risk Factors—Issuer and Note Considerations—There may be no active trading market for the Notes, and if one develops, it may not be liquid*”.

The Issuer expects that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be five business days (as such term is used for purposes of Rule 15c6-1 of the Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as “T + 5”). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days unless the

parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the next succeeding business day will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

In connection with the offering, The Royal Bank of Scotland plc acting as stabilising manager (the **Stabilising Manager**), or persons acting on its behalf, may engage in transactions that stabilise, maintain or otherwise affect the price of the Notes. Specifically, the Stabilising Manager, or persons acting on its behalf, may bid for and purchase Notes in the open markets to stabilise the price of the Notes. The Stabilising Manager, or persons acting on its behalf, may also over allot the offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilising Manager, or persons acting on its behalf, may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilise or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilising Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurances can be given as to the liquidity of, or trading markets for, the Notes.

The Initial Purchasers may engage in over-allotment, stabilising transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

Over-allotment involves sales in excess of the offering size, which creates a short position for the relevant Initial Purchaser. Stabilising transactions permit bidders to purchase the underlying security so long as the stabilising bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchaser to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilising or covering transaction to cover short positions.

These stabilising transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

The Initial Purchasers or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, financial advisory and commercial banking services to the Group and the Group's affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions.

A portion of the proceeds of the offering of Notes will be used to repay certain existing credit facilities of the Group. Certain of the Initial Purchasers are lenders under such existing credit facilities. In addition, certain of the Initial Purchasers are Senior Term Facility Providers and certain of the Initial Purchasers are Senior Capex and Working Facilities Providers. Furthermore, certain of the Initial Purchasers are a counterparty to certain of the Group's existing interest rate and/or index linked hedging arrangements, for which they have received customary fees and commissions.

TRANSFER RESTRICTIONS

Regulation S Notes

Each purchaser of a beneficial interest in the Regulation S Notes, by accepting delivery of this Offering Memorandum and the Regulation S Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is, or at the time Regulation S Notes are purchased it will be, the beneficial owner of such Regulation S Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.
2. It understands that the Regulation S Notes have not been and will not be registered under the Securities Act and, prior to the expiration of the applicable distribution compliance period for such Notes, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or the account of a QIB or (b) in an offshore transaction to a person that is not a U.S. person in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any state of the United States.
3. It understands that the Regulation S Notes will be evidenced by the Regulation S Global Note. Before any interest in the Regulation S Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note, it will be required to provide the Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.
4. The purchaser of the Notes (or any interest therein) will be deemed to represent, warrant and agree that either (A) it is not and for so long as it holds a Note (or any interest therein) will not be (i) an “employee benefit plan” as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (ii) a “plan” as defined in and subject to the Code, (iii) an entity whose underlying assets include the assets of any such employee benefit plan subject to ERISA or other plan subject to Section 4975 the Code or (iv) a governmental or other benefit plan which is subject to any U.S. federal, state or local law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or (B) its purchase and holding of the Notes will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar U.S. federal, state or local law) for which an exemption is not available.
5. It acknowledges that the Issuer, the Registrar, the relevant Joint Global Coordinator(s) and Joint Bookrunner(s) and their respective affiliates, and others, will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Regulation S Notes is no longer accurate, it shall promptly notify the Issuer, the Registrar and the applicable Joint Global Coordinator(s) and Joint Bookrunner(s). If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the above acknowledgements, representations and agreements on behalf of each account.
6. It acknowledges that for the period until and including the 40th day after the commencement of the offering, it will not make an offer or sale of the Regulation S Notes to, or for the account or benefit of, a U.S. person within the meaning of Regulation S.

7. It understands that the Regulation S Global Note, unless otherwise agreed between the Issuer and the Note Trustee in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT) OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

EACH PURCHASER OF THIS NOTE (OR ANY INTEREST THEREIN) WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST THEREIN) WILL NOT BE (I) AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (ERISA) THAT IS SUBJECT TO TITLE I OF ERISA, (II) A “PLAN” AS DEFINED IN AND SUBJECT TO THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE CODE), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 THE CODE, OR (IV) A GOVERNMENTAL OR OTHER BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR (B) ITS PURCHASE AND HOLDING OF THIS NOTE WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN, ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE OR LOCAL LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

Rule 144A Notes

Each purchaser of a beneficial ownership interest in a Rule 144A Note, by accepting delivery of this Offering Memorandum and the Rule 144A Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a QIB, (b) acquiring such Notes for its own account, or for the account of one or more QIBs and (c) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to is being made in reliance on Rule 144A.
2. The Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of one or more QIBs or (b) in an offshore transaction to a person who is not a U.S. person within the meaning of Regulation S under the Securities Act in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any state of the United States.
3. The purchaser of the Notes will be deemed to represent, warrant and agree that either (A) it is not and for so long as it holds a Note (or any interest therein) will not be (i) an “employee benefit plan” as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (ii) a “plan” as defined in and subject to the Code, (iii) an entity whose underlying assets include the assets of any such employee benefit plan subject to ERISA or other plan subject to Section 4975 the Code or (iv) a

governmental or other benefit plan which is subject to any U.S. federal, state or local law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or (B) its purchase and holding of the Notes will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar U.S. federal, state or local law) for which an exemption is not available.

4. It understands that the Rule 144A Global Notes, unless otherwise agreed between the Issuer and the Note Trustee in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN, AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A “QIB”), THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) NON-U.S. PERSONS (AS DEFINED IN REGULATION S (“REGULATION S”) UNDER THE SECURITIES ACT) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S OR (3) PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR REALES OF THE NOTES.

EACH PURCHASER OF THIS NOTE (OR ANY INTEREST THEREIN) WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST THEREIN) WILL NOT BE (I) AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (ERISA) THAT IS SUBJECT TO TITLE I OF ERISA, (II) A “PLAN” AS DEFINED IN AND SUBJECT TO THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE CODE), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 THE CODE OR (IV) A GOVERNMENTAL OR OTHER BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR (B) ITS PURCHASE AND HOLDING OF THIS NOTE WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN, ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE OR LOCAL LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

5. It acknowledges that the Issuer, the Registrar, the relevant Joint Global Coordinator(s) and Joint Bookrunner(s) and their respective affiliates, and others, will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Rule 144A Notes is no longer accurate, it shall promptly notify the Issuer, the Registrar and the relevant Joint Global Coordinator(s) and Joint Bookrunner(s). If it is acquiring any Note as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the above acknowledgements, representations and agreements on behalf of each account.

6. It understands that Rule 144A Notes will be represented by interests in the Rule 144A Global Note. Before any interest in the Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, it will be required to provide the Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Rule 144A Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a public company of unlimited duration and limited liability incorporated under the laws of England and Wales. All of the Issuer's directors and officers reside outside the United States, and all or a significant portion of the assets of the directors and officers, and substantially all of the Issuer's assets, are located outside the United States. Similarly, the Guarantors are organised under the laws of England and Wales and substantially all of their assets are located outside the United States. As a result, it may not be possible for a Noteholder to effect service of process within the United States upon the Issuer or any of the aforesaid persons with respect to matters arising under the U.S. federal securities laws or to enforce against the Issuer or any such persons judgments obtained in U.S. courts, including judgments predicated upon civil liability under U.S. federal securities laws.

In addition, there is uncertainty as to whether the courts of the United Kingdom would enforce judgments of U.S. courts obtained (i) in actions against the Issuer or any of the aforesaid persons predicated upon the civil liability provisions of the U.S. federal securities laws or other laws of the United States or (ii) in original actions, claims against the Group or such persons predicated upon the U.S. federal securities laws.

Certain Insolvency Law Considerations

The Issuer and the Guarantors are incorporated or organised under the laws of Member States of the European Union.

Pursuant to Council Regulation (EC) No. 1346/2000 on insolvency proceedings (the **EU Insolvency Regulation**), which applies to all EU Member States other than Denmark, the court which has jurisdiction to open insolvency proceedings in relation to a company is the court of the Member State where the company concerned has its "centre of main interests".

Preamble 13 of the EU Insolvency Regulation states that the "centre of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and "is therefore ascertainable by third parties". In that respect, factors such as where board meetings are held, the location where the company conducts the majority of its business and the location where the large majority of the company's creditors are established may all be relevant in the determination of the place where the company has its "centre of main interests". There is a rebuttable presumption in Article 3(1) of the EU Insolvency Regulation that a company's "centre of main interests" will be its place of the registered office. However, the interpretation of the phrase "centre of main interests" is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

The courts in the jurisdiction where a company is found to have its "centre of main interests" will be entitled to adjudicate on the specified types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation.

Insolvency proceedings opened in one Member State under the EU Insolvency Regulation will be recognised in the other Member States to which the EU Insolvency Regulation applies. Secondary proceedings may be opened under Article 3(2) of the EU Insolvency Regulation in another Member State if the company possesses an establishment within the territory of that other Member State, although the effect of those proceedings will be restricted to the assets of the debtor situated in the territory of such other Member State. If the company does not have an establishment in any other Member State, no court of any other Member State has jurisdiction to open territorial proceedings in respect of such company under the EU Insolvency Regulation.

GENERAL INFORMATION

Authorisation

The issue by the Issuer of the Notes on the Issue Date and the granting of the Transaction Security have been duly authorised by resolutions of the Board of Directors of the Issuer passed at meetings of the Board of Directors of the Issuer held on 1 February 2013. The provision of the Guarantee by the Parent Guarantor has been duly authorised by resolutions of the Board of Directors of the Parent Guarantor at a meeting of the Board of Directors of the Parent Guarantor held on 1 February 2013. The borrowings of the Intermediate Guarantor under the Intercompany Loan Agreement on the Issue Date and the provision of the guarantee by the Intermediate Guarantor have been duly authorised by resolutions of the Board of Directors of the Intermediate Guarantor at a meeting of the Board of the Intermediate Guarantor on 1 February 2013. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Listing of Notes

Application has been made for the Notes to be admitted to trading on the Euro MTF Market operated by the Luxembourg Stock Exchange in accordance with the rules of such exchange. Notice of any optional redemption, change of control or any change in the rate of interest payable on the Notes will be published in a Luxembourg newspaper of general circulation (which is expected to be the *Luxemburger Wort*) or published on the Luxembourg Stock Exchange website (www.bourse.lu).

Documents Available

For so long as the Notes remain listed on the Luxembourg Stock Exchange, copies of the following documents may (when published) be inspected and obtained (in each case free of charge) during normal business hours at the specified office of the Registrar and the Note Trustee:

- (a) the Memorandum and Articles of Association of each of the Issuer, the Intermediate Guarantor and the Parent Guarantor;
- (b) the audited financial statements of AF No 2 for the years ended 30 June 2010, 30 June 2011 and 30 June 2012;
- (c) the unaudited condensed consolidated interim financial statements for AF No 2 as of and for the six months ended 31 December 2012 and 2011;
- (d) the reports of PricewaterhouseCoopers LLP in respect of the audited financial statements of AF No 2 for the financial years ended 30 June 2010, 30 June 2011 and 30 June 2012;
- (e) a copy of this Offering Memorandum;
- (f) the most recent audited financial statements of each of the Issuer, the Parent Guarantor and the Intermediate Guarantor and quarterly unaudited financial interim financial information (as of 30 September, 31 December and 31 March of each year) of each of the Parent Guarantor and the Intermediate Guarantor; and
- (g) the Note Trust Deed and the other Transaction Documents (other than the Subscription Agreement) (as the same may be amended, varied, supplemented or novated from time to time).

So long as the Notes are listed on the Euro MTF Market and the rules of the Luxembourg Stock Exchange shall so require, copies, current and future, of all of the Issuer's (and each Guarantor's) annual audited consolidated and unconsolidated financial statements (as applicable) and the Issuer's (and each Guarantor's) unaudited consolidated interim quarterly financial statements (as applicable) may be obtained, free of charge, during normal business hours, at the offices of the Paying Agent in Luxembourg.

Clearing Systems

The Notes sold pursuant to Regulation S and the Notes sold pursuant to Rule 144A in this offering have been accepted for clearance through the facilities of Euroclear and Clearstream, Luxembourg under common codes 089446988 and 089447011, respectively. The international securities identification number (**ISIN**) for the Notes sold pursuant to Regulation S is XS0894469880 and the ISIN for the Notes sold pursuant to Rule 144A is XS0894470110.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.

Significant or Material Change

There has been neither a material adverse change in the financial position or prospects of the Issuer nor a significant change in the financial or trading position of the Issuer, in each case since the date of its incorporation on 19 December 2012.

There has been neither a material adverse change in the financial position or prospects of the Parent Guarantor nor a significant change in the financial or trading position of the Parent Guarantor, in each case since the date of its incorporation on 28 May 2012.

There has been neither a material adverse change in the financial position or prospects of the Intermediate Guarantor nor a significant change in the financial or trading position of the Intermediate Guarantor, in each case since the date of its last audited financial statements on 30 June 2012.

Litigation

There are no and have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) since the date of its incorporation which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Issuer.

There are no and have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Parent Guarantor is aware) within a period of 12 months preceding the date of this Offering Memorandum which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Parent Guarantor.

There are no and have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Intermediate Guarantor is aware) since the date of its incorporation which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Intermediate Guarantor.

Availability of Financial Statements and Financial Information

The audited annual financial statements of the Issuer, the Intermediate Guarantor and the Parent Guarantor will be prepared as of 30 June in each year, with the first set of accounts to be prepared by the Issuer and the Parent Guarantor for the period ended 30 June 2013. The Issuer, the Parent Guarantor and the Intermediate Guarantor have not published and do not intend to publish any interim

financial information, but the Parent Guarantor will provide quarterly unaudited financial information under the terms of the Note Trust Deed and the other Transaction Documents. The unaudited interim financial information of the Parent Guarantor will be prepared as of 31 March, 30 September and 31 December in each year. As of the date of this Offering Memorandum and since the incorporation of each of the Issuer and the Parent Guarantor, neither the Issuer nor the Parent Guarantor have commenced operations. Accordingly, no financial statements have been prepared by either of the Issuer or the Parent Guarantor as of the date of this Offering Memorandum. All future audited annual financial statements (and, with respect to the Parent Guarantor only, quarterly unaudited interim financial information) of the Issuer, the Intermediate Guarantor and the Parent Guarantor will be available free of charge in accordance with “—*Documents Available*” above. As of the date of this Offering Memorandum, neither the Issuer nor the Parent Guarantor has produced any audited accounts.

The audited accounts of the Intermediate Guarantor for the years ended 30 June 2010, 30 June 2011 and 30 June 2012 are reproduced in the Financial Statements section at the back of this Offering Memorandum, together with the unaudited condensed consolidated interim accounts of the Intermediate Guarantor as at 31 December 2012 for the six months ended 31 December 2012 and 2011.

Auditors

It is the intention of the Issuer to appoint, as auditors, PricewaterhouseCoopers LLP, chartered accountants, of 1 Embankment Place, London WC2N 6RH.

It is the intention of the Parent Guarantor to appoint, as auditors, PricewaterhouseCoopers LLP, chartered accountants, of 1 Embankment Place, London WC2N 6RH.

The auditors of the Intermediate Guarantor are PricewaterhouseCoopers LLP, chartered accountants, of 1 Embankment Place, London WC2N 6RH, who have audited the Intermediate Guarantor’s accounts, without qualification, in accordance with generally accepted auditing standards in the UK for each of the financial years ended on 30 June 2010, 30 June 2011 and 30 June 2012. The audited accounts include reports prepared by the auditors.

PricewaterhouseCoopers LLP has no material interest in any of the Issuer, the Intermediate Guarantor or the Parent Guarantor.

Information in respect of the Notes

The Issuer does not intend to provide post-issuance transaction information regarding the Notes.

Material Contracts

None of the Issuer nor any Guarantor has entered into contracts not being in the ordinary course of its business.

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Arqiva Financing No 2 Limited

Registered number 06137899

Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2012

Arqiva Financing No 2 Limited

Condensed Consolidated Interim Financial Statements – Six months ended 31 December 2012

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Arqiva Financing No 2 Limited

Condensed Consolidated Interim Financial Statements – Six months ended 31 December 2012

Directors' report

The Directors of Arqiva Financing No 2 Limited, registered company number 06137899, ('the Company') and its subsidiaries ('the Group') provide the following report and condensed consolidated interim financial statements ('financial statements'), in respect of the six months ended 31 December 2012.

Business overview

The Group is the sole owner and operator of the UK's nationwide terrestrial TV infrastructure and the major owner and operator of the UK's radio infrastructure. The Group's activities are key to the technological evolution from analogue to digital based services and critical to all terrestrial TV and Radio broadcasters.

The Group was responsible for delivery of the Digital Switchover ('DSO') engineering project. The investment in this project is secured by long-term fixed or RPI linked contracts out as far as 2034 with high quality counterparties such as the BBC and ITV, securing long-term revenues. Terrestrial TV remains the platform of choice for TV viewing in the UK and at completion of the programme covers 98.5% of the population.

Arqiva's predominantly UK based satellite infrastructure provides excellent levels of connectivity, reliability and security, earning the prestigious title of the World Teleport Association's 'Teleport Operator of the Year 2011'. Arqiva owns, manages and operates teleports and media hubs at key locations, plus comprehensive satellite capacity, multiplexes and an international fibre network.

The Group is the UK's largest independent provider of wireless towers which are critical to mobile network operators' contractual obligations to provide national coverage. Revenue from the Group's tower portfolio is secured by contracts with all of the largest UK mobile operators. The mobile industry is experiencing continued network consolidation amongst the mobile network operators, whilst significant growth in demand for mobile data is expected to fuel continued investment in mobile infrastructure. Growth in smartphones and mobile enabled devices along with faster download speeds has led to a significant increase in the demand for mobile data services. The anticipated release of new spectrum for use in the mobile market is also expected to drive growth in revenue.

On 2 July 2012, Arqiva announced that it had agreed terms with the Board of Spectrum Interactive Limited ('Spectrum Interactive'), a leading UK WiFi operator, for an offer to acquire 100% of the shares. On 30 July 2012, the offer was declared unconditional in all respects. The acquisition was completed by Arqiva Broadcast Holdings Limited ('ABHL'), the Group's ultimate UK parent undertaking. On 1 October 2012 Arqiva Limited, a subsidiary within the Group, acquired 100% of the issued share capital of Spectrum Interactive from ABHL for a total cash consideration of £24,119,000. The acquisition of Spectrum Interactive will enable the Group to build a unique proposition for WiFi hotspot provision in the UK. When combined with the Group's existing WiFi and cellular assets it gives the Group a highly scalable platform for meeting the growing demand for wholesale mobile data services. Since acquisition, Spectrum Interactive has shown revenue growth and the Group is continuing to invest in opportunities within this market.

The Group holds spectrum licences for two of the three main commercial digital terrestrial TV multiplexes, selling space for channel programming on the Freeview platform. Since 2004 Arqiva has significantly increased the number of channel slots available. These have a very high level of utilisation with customers including Film4 and UKTV, which has translated into strong revenue growth.

During September 2012, the Group completed the acquisition of Connect TV Limited. The Connect TV platform enables broadcasters and content owners to use the internet to provide new channels and services to the fast growing connected TV market.

Future developments

It is the intention of the Company and the Group to continue to operate and invest in communications infrastructure.

Significant investment has been made in strengthening Arqiva's Strategy and Product teams with a particular focus on:

- Maximising the value of each of the strong core businesses through customer service,
- Investing in the future of DTT by supporting ventures such as YouView,
- Investing in the growth of mobile data with projects such as wholesale WiFi Infrastructure provision,
- Investing in other growth opportunities that leverage the Group's existing assets (such as Smart Metering); and
- Simplifying and standardising to reduce costs and drive efficiencies.

Arqiva Financing No 2 Limited

Condensed Consolidated Interim Financial Statements – Six months ended 31 December 2012

DSO engineering project

Terrestrial transmission services in the UK have transitioned from analogue and low power digital transmission service to a high power digital transmission service. The Group delivered this significant and complex digital switchover engineering project to provide Digital Terrestrial Television ("DTT") transmission services nationwide on time and on budget.

On 24 October the Group completed the switchover of the final UK region. This represents the conclusion of the technical delivery of a seven year project which has involved the removal of more than 5,000 analogue transmitters from 1,154 sites across the UK. We have replaced these with 3,700 digital terrestrial TV transmitters to bring digital TV to 98.5% of the people in the UK.

Financial results

In the six months ending 31 December 2012 the Group delivered an increased gross profit of £259,117,000 (31 December 2011: £245,885,000) which contributed to a Group operating profit pre exceptional items of £72,147,000 (31 December 2011: £71,712,000).

The key measure of the Group's financial performance used by management is EBITDA. EBITDA is defined as operating profit, before share of profit from joint ventures and associates, profit or losses on the disposal of fixed assets, depreciation, amortisation, interest and exceptional items but after non-interest finance costs including bank charges. EBITDA for the six months ended 31 December 2012 is £203,620,000, an increase of 6.1% compared to the six months to December 2011 (£191,973,000). EBITDA for the year ended 30 June 2012 was £401,305,000.

A reconciliation of the reported EBITDA to the financial statements is provided below:

	Six months ended 31 December 2012	Six months ended 31 December 2011	Year ended 30 June 2012
	£'000	£'000	£'000
Operating profit before exceptional items	72,147	71,712	147,758
Depreciation of fixed assets	51,613	42,682	94,076
Impairment of fixed assets	-	-	5,634
Amortisation	79,344	77,622	155,179
Other (including loss on disposal of fixed assets and non-interest finance costs including bank charges)	516	(43)	(1,342)
EBITDA	203,620	191,973	401,305

Other significant KPIs for the Group are the level of network availability across both TV and radio infrastructure and project milestones on significant contracts which are monitored regularly. The target combined network availability for the Group is 99.94% and the actual network availability achieved was 99.98% during the six months to 31 December 2012. The Group's own TV multiplexes have a target availability of 99.95% and the actual availability achieved was 99.99% during the six months.

Refinancing

The Group's external financing is provided by a syndicate of lenders under senior and junior loan facilities which were arranged in 2007 and are due for repayment at various dates from July 2014 to July 2015. Further details of the Group's debt facilities are given in note 16 to the financial statements.

The Group's refinancing preparations are now at an advanced stage. Arqiva, with the support of its financial and legal advisors, is in active discussions with a group of some 20 major banks and financial institutions with a view to finalising the terms of new banking facilities and accessing the capital markets in the near future. Arqiva has a strong credit profile due to the essential nature of its infrastructure and its strong track record on earnings growth and delivery of major projects, such as DSO.

The Directors are regularly monitoring the refinancing process, and actively engaging with management and the Group's advisors to ensure timely completion of the refinancing well in advance of the contractual repayment dates on the best possible terms for the Group.

Arqiva Financing No 2 Limited

Condensed Consolidated Interim Financial Statements – Six months ended 31 December 2012

Going concern

The Group adopt the going concern basis in preparing the financial statements based on the support from its parent undertakings, the future cash flow forecasts of the Group and available facilities, which lead the Directors to be confident that the Group will have adequate resources to continue in operational existence for the foreseeable future.

ABHL has confirmed its current intention that it will, to the extent it is able, provide such financial assistance to the Group to allow it to meet its liabilities as they fall due. Additionally, it is not ABHL's current intention to procure or require its subsidiaries to call for repayment of any intra-group loans and creditors between these subsidiaries and the Group at any time to the extent that such repayment would reasonably be expected to result in the Group being unable to pay its creditors when they fall due.

On behalf of the Board

Peter Shore
Director
Crawley Court
Crawley
Winchester
Hampshire
SO21 2QA

.....

Arqiva Financing No 2 Limited

Condensed Consolidated Interim Financial Statements – Six months ended 31 December 2012

Consolidated interim profit and loss account

Year ended 30 June 2012												
Six months to 31 December 2012				Six months to 31 December 2011								
	Note	Unaudited			Unaudited			Audited				
		Pre exceptional items	Exceptional items	Total	Pre exceptional items	Exceptional items	Total	Pre exceptional items	Exceptional items	Total	Pre exceptional items	Exceptional items
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Continuing operations												
Turnover (including share of joint ventures)		409,282	-	409,282	412,024	-	412,024	843,837	-	843,837		
Less: share of joint ventures' turnover		(4,965)	-	(4,965)	(6,077)	-	(6,077)	(12,158)	-	(12,158)		
Group turnover	6	404,317	-	404,317	405,947	-	405,947	831,679	-	831,679		
Cost of sales		(145,200)	-	(145,200)	(160,062)	-	(160,062)	(314,541)	-	(314,541)		
Gross profit		259,117	-	259,117	245,885	-	245,885	517,138	-	517,138		
Administrative expenses	7	(186,970)	(11,879)	(198,849)	(174,173)	(8,406)	(182,579)	(369,380)	(23,677)	(393,057)		
Group operating profit		72,147	(11,879)	60,268	71,712	(8,406)	63,306	147,758	(23,677)	124,081		
Share of operating profit in joint ventures and associates		316	-	316	2,468	-	2,468	3,947	-	3,947		
Total operating profit : Group and share of joint ventures and associates		72,463	(11,879)	60,584	74,180	(8,406)	65,774	151,705	(23,677)	128,028		
Income from investments		120	-	120	60	-	60	60	-	60		
Profit on ordinary activities before interest and taxation		72,583	(11,879)	60,704	74,240	(8,406)	65,834	151,765	(23,677)	128,088		

The profit and loss account is continued on the following page.

Arqiva Financing No 2 Limited

Condensed Consolidated Interim Financial Statements – Six months ended 31 December 2012

		Six months to 31 December 2012				Six months to 31 December 2011				Year ended 30 June 2012			
		Unaudited				Unaudited				Audited			
Note		Pre exceptional items	Exceptional items	Total		Pre exceptional items	Exceptional items	Total		Pre exceptional items	Exceptional items	Total	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Profit on ordinary activities before interest and taxation	72,583	(11,879)	60,704	65,834	74,240	(8,406)	65,834	65,834	151,765	(23,677)	128,088	128,088
8	Interest receivable and similar income	246	-	246	-	217	-	217	-	1,740	-	1,740	1,740
9	Interest payable and similar charges	(249,170)	-	(249,170)	-	(255,400)	-	(255,400)	-	(496,212)	-	(496,212)	(496,212)
	Share of joint venture interest payable	(1,152)	-	(1,152)	-	(1,416)	-	(1,416)	-	(2,264)	-	(2,264)	(2,264)
	Loss on ordinary activities before taxation	(177,493)	(11,879)	(189,372)	(190,765)	(182,359)	(8,406)	(190,765)	(190,765)	(344,971)	(23,677)	(368,648)	(368,648)
10	Tax on loss on ordinary activities			10,029	8,548							16,543	16,543
	Loss on ordinary activities after taxation			(179,343)	(182,217)			(182,217)	(182,217)			(352,105)	(352,105)
	Equity minority interests			(60)	(60)			(60)	(60)			(120)	(120)
18	Loss for the financial period			(179,403)	(182,277)			(182,277)	(182,277)			(352,225)	(352,225)

Arqiva Financing No 2 Limited

Condensed Consolidated Interim Financial Statements – Six months ended 31 December 2012

Consolidated interim balance sheet

	Note	31 December 2012 Unaudited £'000	31 December 2011 Unaudited £'000	30 June 2012 Audited £'000
Fixed assets				
Intangible assets	11	2,098,108	2,226,496	2,148,939
Tangible assets	12	1,629,086	1,602,021	1,628,704
Investments				
<i>Investments in joint venture</i>				
- <i>Share of gross assets</i>		15,943	20,793	15,626
- <i>Share of gross liabilities</i>		(16,357)	(21,001)	(15,204)
- <i>Goodwill on acquisition</i>		9,006	10,523	10,523
<i>Investment in associated undertakings</i>		110	110	110
		8,702	10,425	11,055
		3,735,896	3,838,942	3,788,698
Current assets				
Debtors	13	251,977	205,907	211,908
Cash at bank and in hand	14	28,597	31,631	78,483
Total current assets		280,574	237,538	290,391
Creditors: amounts falling due within one year	15	(2,042,241)	(1,961,650)	(1,979,801)
Net current liabilities		(1,761,667)	(1,724,112)	(1,689,410)
Total assets less current liabilities		1,974,229	2,114,830	2,099,288
Creditors: amounts falling due after more than one year	16	(4,403,938)	(4,196,334)	(4,349,450)
Provisions for liabilities and charges	17	(59,991)	(55,406)	(60,511)
Net liabilities excluding pension deficit		(2,489,700)	(2,136,910)	(2,310,673)
Pension deficit	24	(2,812)	(6,882)	(2,280)
Net liabilities including pension deficit		(2,492,512)	(2,143,792)	(2,312,953)
Capital and reserves				
Called up share capital		-	-	-
Merger reserve		(188,523)	(188,523)	(188,523)
Profit and loss reserve		(2,304,325)	(1,955,661)	(2,124,706)
Total shareholders' deficit	18	(2,492,848)	(2,144,184)	(2,313,229)
Minority interest		336	392	276
Capital employed		(2,492,512)	(2,143,792)	(2,312,953)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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

Peter Shore - Director

Arqiva Financing No 2 Limited

Condensed Consolidated Interim Financial Statements – Six months ended 31 December 2012

Statement of group total recognised gains and losses

	Six months to 31 December 2012	Six months to 31 December 2011	Year ended 30 June 2012
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
(Loss) / profit for the financial period			
- Group	(178,567)	(183,329)	(353,908)
- Joint Ventures	(836)	1,052	1,683
Loss for the financial period	(179,403)	(182,277)	(352,225)
Actuarial loss on pension scheme	(426)	(15,591)	(13,800)
Movement on deferred tax relating to pension scheme	102	3,898	3,312
Exchange adjustment offset in reserves (translation of foreign investments)	108	305	3
Total recognised losses for the period	(179,619)	(193,665)	(362,710)
Total recognised losses for the period			
- Group	(178,783)	(194,717)	(364,393)
- Joint Ventures	(836)	1,052	1,683
Total recognised losses for the period	(179,619)	(193,665)	(362,710)

Arqiva Financing No 2 Limited

Condensed Consolidated Interim Financial Statements – Six months ended 31 December 2012

Consolidated interim cash flow statement

	Note	Six months to 31 December 2012 Unaudited £'000	Six months to 31 December 2011 Unaudited £'000	Year ended 30 June 2012 Audited £'000
Net cash inflow from operating activities	19	88,327	103,352	378,537
Returns on investment and servicing of finance				
Interest received		246	217	540
Interest paid to external sources		(88,333)	(84,105)	(170,898)
Interest element of finance lease rentals		(577)	(600)	(1,183)
Dividends from associates		120	60	60
Dividends paid to minority interests		-	-	(176)
		(88,544)	(84,428)	(171,657)
Tax paid		(202)	-	(242)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(55,143)	(81,644)	(161,985)
Sale of tangible fixed assets		4,190	-	457
		(50,953)	(81,644)	(161,528)
Acquisitions and disposals				
Purchase of subsidiary undertakings		(28,676)	(1,074)	(2,083)
Cash acquired with subsidiary undertakings		528	-	-
Sale of fixed asset investments		247	-	-
		(27,901)	(1,074)	(2,083)
Financing				
Finance lease capital		(248)	(202)	(423)
Borrowings from parent undertakings		(62,307)	(85,000)	(229,000)
Increase in external borrowings		91,942	148,479	232,731
		29,387	63,277	3,308
(Decrease) / increase in net cash	20	(49,886)	(517)	46,335

Arqiva Financing No 2 Limited

Condensed Consolidated Interim Financial Statements – Six months ended 31 December 2012

Notes to the financial statements

1 General information

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 June 2012 were approved by the board of directors on 6 September 2012 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. A copy of the audited financial statements for the year ended 30 June 2012 can be obtained from the Company Secretary at Crawley Court, Crawley, Winchester, Hampshire, SO21 2QA.

2 Directors' responsibilities

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

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

3 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 31 December 2012 have been prepared in accordance with best practice as derived from IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2012, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The accounting policies adopted are consistent with the audited financial statements for the financial year ended 30 June 2012.

4 Estimates

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

In preparing these condensed consolidated interim financial statements, the Group's accounting policies and the significant judgements made by management in applying key estimations were the same as those that applied to the consolidated financial statements for the year ended 30 June 2012.

The business is not subject to any significant seasonal trends.

Arqiva Financing No 2 Limited

Condensed Consolidated Interim Financial Statements – Six months ended 31 December 2012

5 Financial risk management

The Group's operations expose it and the Company to a variety of financial risks that include price risk, credit risk, liquidity risk, cash flow interest risk and foreign exchange risk. The Group's risk management programme seeks to minimise potential adverse effects as set out below.

Price risk

Energy is a major component of the Group's cost base. A large proportion of this is managed via pass-through arrangements to customers. The Group's residual exposure to fluctuations in the electricity price is managed by forward purchasing the majority of power requirements up to 18 months in advance.

Credit risk

The Group is exposed to credit risk on customer receivables which is managed through appropriate credit checking procedures prior to taking on new customers; higher risk customers paying in advance of services being provided; and the generally low risk nature of the majority of the customer portfolio.

Liquidity risk

The Group uses medium term committed debt facilities to ensure it has sufficient available funds for operations and planned growth. The Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. At 31 December 2012 the Group had £10,000,000 available working capital facilities and £28,597,000 cash available to cover short term cash flow timing differences if required. The Group carefully manages the credit risk on liquid funds and derivative financial instruments with balances currently spread across a range of reputable financial institutions which have satisfactory credit ratings assigned by international credit rating agencies. The levels of credit risk are monitored through the Group's ongoing risk management processes, which include a regular review of the credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.

Cash flow interest risk

The Group has variable rate bank debt and uses interest rate and inflation swaps to hedge its exposure to interest rate movements. The Group maintains a hedging policy to manage interest rate risk and to ensure the certainty of future interest cash flows. It currently has fixed rate hedging, split equally between interest rate swaps and inflation swaps. Interest rate swaps convert variable rate interest costs to fixed rate interest costs while inflation swaps convert variable 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.

Foreign exchange risk

The Group operates from UK sites and predominantly in the UK market, but has some transactions denominated in foreign currency. While some customer and supplier contracts are denominated in other currencies (US Dollars and Euros), the majority of the Group's revenues and costs are sterling based, and accordingly exposure to foreign exchange risk is low. Management regularly monitor the impact of foreign exchange risks and assess the need to put any mitigating financial instruments in place. During the year, forward foreign exchange contracts were used to fix the exchange rate for certain overseas revenue contracts.

6 Turnover and segmental reporting

The geographical split of turnover by destination is shown below:

	Six months to 31 December 2012	Six months to 31 December 2011	Year ended 30 June 2012
	Unaudited £'000	Unaudited £'000	Audited £'000
UK	352,592	349,932	724,809
Continental Europe	31,157	33,846	64,335
Rest of world	20,568	22,169	42,535
Group turnover	404,317	405,947	831,679

Arqiva Financing No 2 Limited

Condensed Consolidated Interim Financial Statements – Six months ended 31 December 2012

Segmental reporting

The Group has organised its business into three customer facing business units, supported by an operations division and central corporate functions. This structure is used to provide the following segmental reporting in relation to Group turnover.

	Six months to 31 December 2012 Unaudited £'000	Six months to 31 December 2011 Unaudited £'000	Year ended 30 June 2012 Audited £'000
Broadcast and Media			
- Terrestrial broadcast	141,069	126,558	267,000
- Satellite	86,667	101,130	197,400
Digital Platforms	63,630	58,653	121,636
Government, Mobile and Enterprise	112,951	119,606	245,643
Group turnover	404,317	405,947	831,679

The majority of assets employed and underlying costs are derived from a shared infrastructure common to all operating business units. An allocation of such assets or costs to the business units is not performed as part of the normal reporting process within the business. In the absence of a suitable allocation methodology and given the size of the shared assets and costs, the Directors are of the opinion that additional segmental reporting would not provide meaningful information to the users of the financial statements.

7 Exceptional items

Loss on ordinary activities before taxation is stated after charging:

	Six months to 31 December 2012 Unaudited £'000	Six months to 31 December 2011 Unaudited £'000	Year ended 30 June 2012 Audited £'000
Administrative expenses			
- Reorganisation and severance	(6,050)	(4,248)	(10,804)
- Corporate finance activities (including refinancing)	(754)	(923)	(5,433)
- Other one off activities	(5,075)	(3,235)	(7,440)
Total exceptional items	(11,879)	(8,406)	(23,677)

Other one off activities includes substantial costs relating to a contract bid and other business change projects.

The above amounts are deductible for the purpose of taxation.

Arqiva Financing No 2 Limited

Condensed Consolidated Interim Financial Statements – Six months ended 31 December 2012

8 Interest receivable and similar income

	Six months to 31 December 2012	Six months to 31 December 2011	Year ended 30 June 2012
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Bank interest	137	83	221
Finance lease interest receivable	109	133	317
Other interest	-	1	1,202
Total interest receivable	246	217	1,740

9 Interest payable and similar charges

	Six months to 31 December 2012	Six months to 31 December 2011	Year ended 30 June 2012
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Bank loan interest	110,121	118,449	223,254
Less: Capitalised interest	(240)	(1,185)	(1,936)
Net bank loan interest	109,881	117,264	221,318
Amortisation of debt issue costs	10,798	8,726	17,387
Interest payable to parent undertakings	120,717	123,038	242,459
Finance lease interest payable	577	600	1,183
Other interest	7,197	5,772	13,865
Total interest payable	249,170	255,400	496,212

Arqiva Financing No 2 Limited

Condensed Consolidated Interim Financial Statements – Six months ended 31 December 2012

10 Tax on loss on ordinary activities

	Six months to 31 December 2012	Six months to 31 December 2011	Year ended 30 June 2012
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Analysis of tax charge / (credit) for the period			
Current tax			
UK corporation tax	34	107	208
Overseas tax	228	206	399
Total current tax	262	313	607
Deferred tax			
Origination and reversal of timing differences	(10,621)	(7,170)	(14,643)
Deferred tax on pension liability charged to profit and loss account	(66)	544	1,728
Impact of rate change	396	-	90
Prior year adjustment	-	(2,235)	(4,325)
Total deferred tax	(10,291)	(8,861)	(17,150)
Tax on loss on ordinary activities	(10,029)	(8,548)	(16,543)

The tax on loss on ordinary activities is recognised based on management's estimate of the weighted average annual corporate income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 30 June 2013 is 5.3% (the estimated tax rate for the six months to 31 December 2011 was 4.5%). This rate is less than the statutory tax rate mainly due to current year tax losses surrendered to other group companies for nil consideration.

Arqiva Financing No 2 Limited

Condensed Consolidated Interim Financial Statements – Six months ended 31 December 2012

11 Intangible assets

	Licences £'000	Development costs £'000	Access rights £'000	Goodwill £'000	Total £'000
Cost					
At 1 July 2012	3,638	925	15,420	3,048,111	3,068,094
Additions	319	-	110	26,567	26,996
At 31 December 2012	3,957	925	15,530	3,074,678	3,095,090
Accumulated amortisation					
At 1 July 2012	2,097	925	14,344	901,789	919,155
Charge for the period	219	-	330	77,278	77,827
At 31 December 2012	2,316	925	14,674	979,067	996,982
Net book value					
At 31 December 2012	1,641	-	856	2,095,611	2,098,108
At 30 June 2012	1,541	-	1,076	2,146,322	2,148,939
At 31 December 2011	1,717	58	1,826	2,222,895	2,226,496

During September 2012, the Group completed the acquisition of Connect TV Limited. Consideration paid was £3,700,000 and after allowing for other acquisition costs and an estimated fair value of net assets acquired, this acquisition gave rise to a goodwill balance of £3,672,000.

During October 2012, the Group completed the acquisition of Spectrum Interactive Limited. Consideration paid was £24,119,000 and after allowing for other acquisition costs and an estimated fair value of net assets acquired, this acquisition gave rise to a goodwill balance of £22,895,000.

12 Tangible assets

	Freehold land and buildings £'000	Leasehold buildings £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 July 2012	410,485	56,043	1,560,185	2,026,713
Acquisitions	-	-	2,429	2,429
Additions	2,280	843	51,177	54,300
Disposals	(567)	(210)	(19,836)	(20,613)
At 31 December 2012	412,198	56,676	1,593,955	2,062,829
Accumulated depreciation				
At 1 July 2012	22,843	6,127	369,039	398,009
Charge for the period	1,970	728	48,915	51,613
Disposals	(187)	(69)	(15,623)	(15,879)
At 31 December 2012	24,626	6,786	402,331	433,743
Net book value				
At 31 December 2012	387,572	49,890	1,191,624	1,629,086
At 30 June 2012	387,642	49,916	1,191,146	1,628,704
At 31 December 2011	391,092	50,343	1,160,586	1,602,021

Included above is £154,114,000 of capital work in progress. This includes additions of £48,392,000 and is after the completion of capital work in progress during the period of £53,775,000.

Arqiva Financing No 2 Limited

Condensed Consolidated Interim Financial Statements – Six months ended 31 December 2012

13 Debtors

	31 December 2012	31 December 2011	30 June 2012
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Trade debtors	109,426	96,838	84,611
Amounts owed by Group undertakings	397	225	225
Other debtors	8,737	15,183	10,099
Prepayments and accrued income	105,353	86,476	100,387
Deferred tax asset	28,064	7,185	16,586
Total debtors	251,977	205,907	211,908

14 Cash at bank and in hand

	31 December 2012	31 December 2011	30 June 2012
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Cash at bank	4,258	5,131	4,744
Short term deposits	24,339	26,500	73,739
Total cash at bank and in hand	28,597	31,631	78,483

15 Creditors: amounts falling due within one year

	31 December 2012	31 December 2011	30 June 2012
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Bank loans – working capital facility	64,300	-	-
Trade creditors	43,850	57,453	65,430
Amounts owed to Group undertakings	1,689,976	1,655,827	1,631,249
Other taxes and social security costs	11,549	15,659	12,114
Other creditors	14,913	13,952	16,300
Accruals and deferred income	217,107	218,312	254,233
Finance lease obligations	546	447	475
Total creditors: amounts falling due within one year	2,042,241	1,961,650	1,979,801

Arqiva Financing No 2 Limited

Condensed Consolidated Interim Financial Statements – Six months ended 31 December 2012

16 Creditors: amounts falling due after more than one year

	31 December 2012	31 December 2011	30 June 2012
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Bank Loans			
Senior debt	2,776,473	2,664,579	2,748,831
Junior debt	315,689	315,689	315,689
Accrued liability on inflation rate swap	277,344	236,328	255,208
Less: issue costs	(6,353)	(24,932)	(16,647)
	3,363,153	3,191,664	3,303,081
Finance lease obligations	14,248	14,749	14,500
Other creditors	1,321	2,128	1,658
Amounts owed to Group undertakings	903,373	903,373	903,373
Less: issue costs	(310)	(1,190)	(813)
Accruals and deferred income	122,153	85,610	127,651
Total creditors: amounts falling due after more than one year	4,403,938	4,196,334	4,349,450

	31 December 2012	31 December 2011	30 June 2012
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Maturity of loans			
Within one year	64,846	447	475
In more than one year, but not more than five years	3,520,582	3,367,741	3,470,840
In more than five years	12,757	13,189	12,973
Total loans	3,598,185	3,381,377	3,484,288

All senior debt represents amounts borrowed by Arqiva Financing No 1 Limited ('AF1') under a Senior Facility Agreement, dated 3 April 2007, with a total facility of £2,925,000,000. The working capital facility of £75,000,000 is a component of this senior debt facility. The loans have floating interest rates which range between LIBOR + 2.00% to LIBOR + 2.75%. The senior debt is repayable between 1 July 2014 and 1 December 2014.

All junior debt represents amounts borrowed by the Company under a Junior Facility Agreement, dated 3 April 2007, with a total facility of £475,000,000. The loans have floating interest rates which range between LIBOR + 4.50% to LIBOR + 5.00%. The junior debt is repayable on 1 July 2015.

The senior and junior debt have certain covenants attached, principally an interest cover ratio and a debt leverage ratio, and are secured by way of a fixed and floating charge over the Group's assets. The Group continues to comply with all covenant requirements.

AF1 has entered into interest rate swaps and inflation swap agreements covering a total principal value of £2,625,000,000 in order to hedge its exposure to variable interest rates. £1,312,500,000 has been hedged via interest rate swaps at a fixed rate of 5.239% and £1,312,500,000 has been hedged via inflation linked swaps which fix interest at 2.02% indexed with RPI. The swaps have a mandatory break clause at the earlier of any refinancing of the Group's senior facilities or April 2014.

In addition, AF1 had entered into basis swaps with a principal value of £2,625,000,000, to swap the interest fixing period from semi-annual to monthly. Loan interest periods are matched to this frequency. The swaps were in place until December 2012.

Arqiva Financing No 2 Limited

Condensed Consolidated Interim Financial Statements – Six months ended 31 December 2012

An amount of £277,344,000 (December 2011: £236,328,000, June 2012: £255,208,000) reflecting accrued liabilities under the inflation swaps is included within creditors. This amount is calculated on an accruals basis. The remaining fair value of the interest rate and inflation swaps at 31 December 2012 (excluding the inflation swap accrual), is a liability of £1,115,845,000 (December 2011: £1,082,037,000, June 2012: £1,044,703,000), is not recognised on the balance sheet in accordance with Group accounting policy and UK GAAP accounting standards. This fair value is calculated on a mark to market basis.

17 Provisions for liabilities and charges

	Onerous contracts	Decommissioning	Restructuring	Remediation and maintenance	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 July 2012	3,485	36,778	5,677	13,814	757	60,511
Changes relating to movements in the discounted amount	-	722	-	-	-	722
Acquired on acquisition	-	202	-	-	-	202
Charged to profit and loss	-	-	1,408	-	-	1,408
Utilised	(648)	(342)	(1,862)	-	-	(2,852)
At 31 December 2012	2,837	37,360	5,223	13,814	757	59,991

18 Reconciliation of movement in shareholders' deficit

	Six months to 31 December 2012	Six months to 31 December 2011	Year ended 30 June 2012
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Loss for the financial period	(179,403)	(182,277)	(352,225)
Other recognised gains and (losses) relating to the period	(216)	(11,388)	(10,485)
Net change in shareholders' deficit	(179,619)	(193,665)	(362,710)
Opening shareholders' deficit	(2,313,229)	(1,950,519)	(1,950,519)
Closing shareholders' deficit	(2,492,848)	(2,144,184)	(2,313,229)

Arqiva Financing No 2 Limited

Condensed Consolidated Interim Financial Statements – Six months ended 31 December 2012

19 Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:

	Six months to 31 December 2012 Unaudited £'000	Six months to 31 December 2011 Unaudited £'000	Year ended 30 June 2012 Audited £'000
Operating profit	60,268	63,306	124,081
Depreciation charge	51,613	42,682	94,076
Impairment of fixed assets	-	-	5,634
Amortisation charge	79,344	77,622	155,179
Loss on disposal of tangible fixed assets	544	-	257
(Increase) / decrease in debtors	(28,385)	(13,907)	(11,128)
(Decrease) / increase in creditors	(73,613)	(66,001)	10,178
(Decrease) / increase in provisions	(1,444)	(350)	260
Net cash inflow from operating activities	88,327	103,352	378,537

20 Analysis of changes in net debt

		At 30 June 2012 £'000	Cash flows £'000	Non-cash changes £'000	At 31 December 2012 £'000
Cash at bank and in hand	14	78,483	(49,886)	-	28,597
Amounts owed by Group undertakings	13	225	-	172	397
Debt due within one year	15	(1,631,249)	(1,993)	(121,034)	(1,754,276)
Debt due after one year	16	(4,205,641)	(27,642)	(32,933)	(4,266,216)
Finance leases	15,16	(14,975)	248	(67)	(14,794)
Total		(5,773,157)	(79,273)	(153,862)	(6,006,292)

Major non-cash changes include movements in inter-company balances representing interest charges rolled-up into loan capital, a movement in accrued liability on interest rate and inflation swaps and a movement in unamortised debt issue costs.

21 Capital commitments

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

	31 December 2012 Unaudited £'000	31 December 2011 Unaudited £'000	30 June 2012 Audited £'000
Within one year	26,256	31,999	24,728
Later than one year but not later than five years	2	1,656	3,003
Later than five years	-	-	-
Total capital commitments	26,258	33,655	27,731

Arqiva Financing No 2 Limited

Condensed Consolidated Interim Financial Statements – Six months ended 31 December 2012

22 Contingent liabilities

Under the terms of the Group's external debt facilities, the Company has provided security over the fixed and other assets by way of fixed and floating charges.

The Company and Group have inter-company loan agreements with parent undertakings. Under the terms of these loan agreements, the parent undertakings may only demand repayment of loans provided that such a repayment would not cause the Company and Group to become insolvent.

The Company and Group have inter-company agreements with Arqiva Financing No 1 Limited, Arqiva UK Broadcast Holdings Limited, Arqiva Limited, Arqiva Telecoms Investment Limited, Arqiva Holdings Limited, Arqiva Services Limited, Lattice Telecommunications Asset Development Limited and Arqiva No 2 Limited. These agreements provide that these companies will give financial support to each other so that they can meet their liabilities as they fall due and they agree not to demand repayment of the inter-company loans if this would cause the borrower to become insolvent.

The Group is the head lessee for two properties occupied by companies forming part of the Virgin Media (formerly NTL) group. Arqiva Limited is in the process of assigning these leases to Virgin Media companies, but this process was incomplete at 31 December 2012. Virgin Media companies continue to occupy the buildings concerned and to bear all costs associated with the properties, which carry an annual rental of £2,237,000 in total. The total rentals remaining on the outstanding lease terms (which expire by November 2014 at the latest) at 31 December 2012 total £4,174,000 (31 December 2011: £6,411,000). Although Virgin Media have indemnified Arqiva Limited for these costs, Arqiva Limited remains ultimately liable for the costs concerned.

23 Related party disclosures

On a consolidated basis transactions and balances between Group entities have been eliminated in full and are therefore not disclosed in accordance with the guidance of FRS 8 'Related party disclosures'.

Related party transactions:

During the six months to 31 December 2012, the Group received a dividend from MXR Holdings Limited of £60,000 (six months to 31 December 2011: £60,000).

The Group paid subscriptions of £1,442,000 (six months to 31 December 2011: £1,441,000) to DTV Services Limited, an associate undertaking, and £3,680,000 (six months to 31 December 2011: £2,167,000) to YouView TV Limited, a joint venture.

Arqiva Financing No 2 Limited

Condensed Consolidated Interim Financial Statements – Six months ended 31 December 2012

24 Pension Commitments

Defined benefit scheme

In the period to 31 December 2012, the Group operated one defined benefit scheme, sponsored by Arqiva Limited. The assets of the scheme are held separately from those of Arqiva Limited in trustee administered funds. The scheme is closed to new members. At 31 December 2011 and 2012 an update was performed (by an independent firm of qualified actuaries, Lane Clark and Peacock LLP) to the FRS17 actuarial valuations performed as at 30 June 2011 and 2012.

The following amounts have been included within operating profit:

	Six months to 31 December 2012 Unaudited £'000	Six months to 31 December 2011 Unaudited £'000	Year ended 30 June 2012 Audited £'000
Current service cost (employer only)	2,500	2,300	4,600
Settlement	200	300	600
Total operating charge	2,700	2,600	5,200

The amounts recognised in the balance sheet were as follows:

	31 December 2012 Unaudited £'000	31 December 2011 Unaudited £'000	30 June 2012 Audited £'000
Total fair value of assets	139,000	119,300	128,300
Present value of scheme liabilities	(142,700)	(128,600)	(131,300)
Gross pension liability	(3,700)	(9,300)	(3,000)
Deferred tax asset	888	2,418	720
Net pension liability	(2,812)	(6,882)	(2,280)

25 Controlling parties

The Company's immediate parent company is Arqiva Financing No 3 Plc. ABHL is the ultimate UK parent undertaking.

ABHL is owned by a consortium of shareholders comprising Canada Pension Plan Investment Board, Macquarie European Infrastructure Fund II plus other Macquarie managed funds, Health Super Investments, Industry Funds Management and the Motor Trades Association of Australia. There is no ultimate controlling party of the Company, as defined by FRS 8.

Arqiva Financing No 2 Limited

Registered number 06137899

Annual Report and Consolidated Financial Statements

For the year ended 30 June 2012

Arqiva Financing No 2 Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2012

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Arqiva Financing No 2 Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2012

Directors' report and statement of Directors' responsibilities

The Directors of Arqiva Financing No 2 Limited, registered company number 06137899, ('the Company') and its subsidiaries ('the Group') submit the following annual report and audited consolidated financial statements ('the financial statements'), in respect of the year ended 30 June 2012.

Business review and principal activities

The Group owns and operates a portfolio of communications infrastructure and provides television and radio transmission services, tower site rental to mobile network operators, media services and radio communications in the United Kingdom ('UK') and satellite services in the UK, Europe and the United States of America ('USA').

The Group has structured its business into three customer facing business units, supported by an operations division and central corporate functions. The business units within the Group comprise:

- Broadcast and Media ('B&M') is the sole provider of transmission services for all UK terrestrial TV broadcasters, reaching over 20 million homes and covering 98.5% of the population. B&M operates the new networks built for the Digital Switch Over ('DSO'). Transmission is also provided for BBC Radio and most commercial radio stations. The satellite element of the business unit provides global communication platforms to enterprise, government and broadcast customers around the world. It owns and operates teleports at key locations, as well as owning an international terrestrial fibre network and extensive media facilities and leasing satellite capacity. These enable the Group to provide customers with a comprehensive range of services to deliver their data, broadcasts and media across the globe.
- Government, Mobile and Enterprise ('GME') provides cellular, wireless broadband, voice and data solutions for the mobile communications, public safety, local government and commercial markets. Arqiva is the largest independent provider of wireless tower sites in the UK and Ireland. With its own spectrum, the Group can provide complete mobile communications networks including backhaul links.
- Digital Platforms is the Group's multiplex business which owns and operates two of the three main commercial digital terrestrial TV multiplexes, enabling major media companies to bring their TV and radio services to the Freeview platform.
- The Business Operations division provides engineering, delivery, monitoring and maintenance services to the whole of the Group, their focus being on service and efficiency.
- Central corporate functions include Strategy and Business Development, Finance, Legal and Commercial and Human Resources. During the year, the Group has significantly strengthened these areas in order to support the focus on strategic and business development, financial planning, efficiency, procurement and treasury activities.

The Group's radio and TV broadcast operations are regulated by the Office of Communications ('Ofcom') on behalf of the wholesale broadcast customers. The areas of the business impacted by this regulation are B&M and Business Operations.

The Company is a holding company with an investment in a sub group of operating companies.

Terrestrial transmission services in the UK are transitioning from analogue and low power digital transmission service to a high power digital transmission service. The Group is successfully delivering a significant and complex engineering project (DSO) to provide Digital Terrestrial Television ('DTT') transmission services nationwide. The programme is currently running within plan parameters, with thirteen of the fifteen regions fully digital as at 30 June 2012. 92% of all sites have now switched over providing digital television coverage to 90% of the total UK population as at 30 June 2012. The switchover events for the remaining 2 regions, Tyne Tees and Northern Ireland, are scheduled in September 2012 and October 2012 respectively.

In 2012, the Group delivered increased revenues of £831,679,000 (2011: £825,705,000), with a gross profit of £517,138,000 (2011: £490,696,000) and increased operating profit of £124,081,000 (2011: £116,108,000).

Key performance indicators ('KPIs')

The key measure of the Group's financial performance is EBITDA. EBITDA is defined as operating profit, before share of profit from joint ventures and associates, profit or losses on the disposal of fixed assets, depreciation, amortisation, interest and exceptional items but after non-interest finance costs including bank charges. EBITDA for the year ended 30 June 2012 is £401,305,000 (2011: £360,592,000) an increase of 11.3%.

Arqiva Financing No 2 Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2012

A reconciliation of the reported EBITDA to the financial statements is provided below:

	Year ended 30 June 2012 £'000
Operating profit before exceptional items	147,758
Depreciation of fixed assets	94,076
Impairment of fixed assets	5,634
Amortisation	155,179
Other (including loss on disposal of fixed assets and non-interest finance costs including bank charges)	(1,342)
EBITDA	401,305

Other significant KPIs for the Group are the level of network availability across both TV and radio infrastructure and project milestones on significant contracts which are monitored regularly. The target combined network availability for the Group is 99.94% and the actual network availability achieved was 99.98% during the year to 30 June 2012. In addition, the Group's own TV multiplexes have a target availability of 99.95% and the actual availability achieved was 99.99% during the year.

Business environment

The Group is the sole owner and operator of the UK's nationwide terrestrial TV infrastructure and the major owner and operator of the UK's radio infrastructure. The Group's activities are key to the technological evolution from analogue to digital based services and critical to all terrestrial TV and Radio broadcasters.

The Group is responsible for delivery of the DSO engineering project. The investment in this project is secured by long-term fixed or RPI linked contracts out as far as 2034 with high quality counterparties such as the BBC and ITV, securing long-term revenues. Terrestrial TV remains the platform of choice in the UK and at completion of the programme it will cover 98.5% of the population.

Arqiva's satellite infrastructure provides excellent levels of connectivity, reliability and security, earning the prestigious title of the World Teleport Association's 'Teleport Operator of the Year 2011'. Arqiva owns, manages and operates teleports and media hubs at key locations, plus comprehensive satellite capacity, multiplexes and an international fibre network.

The Group is the UK's largest independent provider of wireless towers which are critical to mobile network operators' contractual obligations to provide national coverage. Revenue from the Group's tower portfolio is secured by contracts with all of the largest UK mobile operators. The mobile industry is experiencing continued network consolidation amongst the mobile network operators, however significant growth in demand for mobile data is expected to fuel continued investment in mobile infrastructure. Growth in smartphones and mobile enabled devices along with faster download speeds has led to a significant increase in the demand for mobile data services. Planning restrictions create high barriers to entry. The anticipated release of spectrum for use in the mobile market is also expected to drive growth in revenue.

The Group holds spectrum licences for two of the three main commercial digital terrestrial TV multiplexes, selling space for channel programming on the Freeview platform. Since 2004, this has run at close to 100% utilisation with customers including Film4 and UKTV. Channel contracts vary in length but are usually between three and five years duration.

Dividends and transfers to reserves

The Company has declared no dividends in the year (2011: £nil). Group companies have declared external dividends of £176,000 (2011: £15,000).

The consolidated loss for the year of £352,225,000 (2011: £383,509,000) was transferred to reserves.

Arqiva Financing No 2 Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2012

Future developments

It is the intention of the Company and the Group to continue to operate and invest in communications infrastructure.

During the year significant investment has been made in strengthening the Strategy and Product teams with a particular focus on:

- Maximising the value of each of the strong core businesses,
- Investing in the future of DTT by supporting ventures such as YouView,
- Investing in the growth of mobile data (see the acquisition of Spectrum Interactive detailed above),
- Investing in other growth opportunities that leverage the Group's existing assets; and
- Simplifying and standardising to reduce costs and drive efficiencies.

Refinancing

The Group's external financing is provided by a syndicate of lenders under senior and junior loan facilities which were arranged in 2007 and are due for repayment at various dates from July 2014 to July 2015. Further details of the Group's debt facilities are given in note 17 to the financial statements.

The Group's refinancing preparations have now been underway for over a year. Arqiva has engaged financial and legal advisors to assist with the process, with a view to refinancing its existing facilities well in advance of the contractual repayment dates. Arqiva expects to access both bank and bond markets for the refinancing, and has a strong credit profile due to the essential nature of its infrastructure and its track record on earnings growth and delivery of major projects, such as DSO.

The Directors are regularly monitoring the refinancing process, and actively engaging with management and the Group's advisors to ensure timely completion of the refinancing on the best possible terms for the Group.

Principal risks and uncertainties facing the business

The Group has a formal process for monitoring risks and maintains a corporate risk register which is regularly reviewed and reported to senior management and the Directors. The key business risks affecting the Group are set out below together with the Group's mitigating actions; however the Group has long term contracts in place with a number of significant blue chip customers which support the Group's long term financial stability.

- *Completion of the DSO programme by 2013.* The reputational and financial risks are mitigated by regular monitoring of key milestones per site and excellent track record of delivery to date. The project remains on schedule.
- *The level of demand for wireless communications and impact on demand for access to the Group's towers.* Significant amounts of capital expenditure have been invested in developing the wireless communications infrastructure in the UK. The Group's wireless tower portfolio (the largest independent portfolio in the UK) is essential to the UK's mobile network operators, and also provides radio communication services to enterprise and emergency organisations. The demand for mobile data continues to grow and indications are that spectrum capacity, and antenna deployments, will need to increase to cope with this demand. The Group continues to closely monitor the development of wireless technology and network deployment activities by mobile network operators.
- *Network sharing activity amongst the mobile network operators.* The Group's sites are predominantly located in rural and suburban areas. Their location exclusivity and restrictive planning regulations creates significant barriers to mobile network operators reducing their presence on Arqiva's portfolio. Arqiva continues to closely monitor the development of wireless technology and network deployment activities by the mobile network operators. The Group seeks to protect itself by negotiating long term contracts where it makes itself the focal point for consolidation, and facilitates the mobile network operators consolidation in return for protection of its revenue streams.
- *Delivery of DTT Managed Transmission Service contracts with TV broadcasters.* Performance is closely monitored against the service level agreements in place to ensure delivery to the required standard.
- *Developments in alternative broadcast technologies, such as broadband internet connected TV, which competes against the Group's DTT transmission business.* The Group has mitigated some of this risk by investing in YouView TV Limited, a joint venture formed to develop and promote the DTT platform. DTT retains the largest share of broadcast transmission in the UK.
- *International decisions on spectrum allocation.* During the year, Ofcom requested that the Group produce a reference offer for services using the 600 MHz spectrum in the context of its planned auction of this spectrum. However, following the 2012 World Radiocommunication Conference ('WRC') in Geneva, and international decisions on spectrum allocation, Ofcom is now reconsidering what use should be made of the 600MHz spectrum. The Group is actively reviewing the possible impact of the decisions at the WRC and is engaging closely with Ofcom and the broadcasters to ensure that Arqiva and the television industry's needs are properly considered.

Arqiva Financing No 2 Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2012

Going concern

The Company and Group adopt the going concern basis in preparing the financial statements based on the support from its parent undertakings described below, the future cash flow forecasts of the Group and available facilities, which lead the Directors of the Company to be confident that the Company and Group will have adequate resources to continue in operational existence for the foreseeable future. The Group had a net cash inflow from operating activities of £378,537,000 in the year (2011: £315,907,000).

The Company and Group have inter-company loan agreements with parent undertakings. Under the terms of these loan agreements, the parent undertakings are only entitled to demand repayment of loans to the extent surplus cash is available to do so and provided that such a repayment would not cause the Company and Group to become insolvent.

The Company and Group have inter-company agreements with Arqiva Financing No 1 Limited ('AF1'), Arqiva UK Broadcast Holdings Ltd ('AUKBH'), Arqiva Limited, Arqiva Telecoms Investment Limited ('ATIL'), Arqiva Holdings Limited ('AHL'), Arqiva Services Limited ('ASL'), Lattice Telecommunications Asset Development Company Limited ('TADCO') and Arqiva No 2 Limited. These agreements provide that these companies will give financial support to each other so that they can meet their liabilities as they fall due and that they are only entitled to demand repayment of the inter-company loans to the extent surplus cash is available and if this would not cause the borrower to become insolvent.

Creditor payment policy

The Group seeks to treat all of its suppliers fairly and it is the Group's policy to agree the terms of payment at the start of business with that supplier, ensure that suppliers are aware of the terms of payment and to pay in accordance with its contractual and other legal obligations. Trade creditor days are 47 (2011: 51 days).

Financial risk management

The Group's operations expose it and the Company to a variety of financial risks that include price risk, credit risk, liquidity risk, cash flow interest risk and foreign exchange risk. The Group's risk management programme seeks to minimise potential adverse effects as set out below.

Price risk

Energy is a major component of the Group's cost base. A large proportion of this is managed via pass-through arrangements to customers. The Group's residual exposure to fluctuations in the electricity price is managed by forward purchasing the majority of power requirements up to 18 months in advance.

Credit risk

The Group is exposed to credit risk on customer receivables which is managed through appropriate credit checking procedures prior to taking on new customers; higher risk customers paying in advance of services being provided; and the generally low risk nature of the majority of the customer portfolio.

Liquidity risk

The Group uses medium term committed debt facilities to ensure the Group has sufficient available funds for operations and planned growth. In addition, at 30 June 2012 the Group had £74,300,000 available working capital facilities to cover short term cash flow timing differences if required (2011: £74,300,000). The Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. The Group has a balanced policy towards the credit risk on liquid funds and derivative financial instruments with balances currently spread across a range of reputable financial institutions, such counterparties have satisfactory credit ratings assigned by international credit rating agencies. The levels of credit risk are monitored through the Group's ongoing risk management processes, which includes a regular review of the credit ratings. Risk in this area is limited further by setting a maximum level for deposits with any single counterparty.

Cash flow interest risk

The Group has variable rate bank debt and uses interest rate and inflation swaps to hedge its exposure to rising interest rates. The Group maintains a hedging policy to manage interest rate risk and to ensure the certainty of future interest cash flows. It currently has fixed rate hedging, split equally between interest rate swaps and inflation swaps. Interest rate swaps convert variable rate interest costs to fixed rate interest costs while inflation swaps convert variable rate interest costs to RPI-linked costs, which fluctuate in line with the RPI index as do a proportion of the Group's revenue contracts.

Foreign exchange risk

The Group operates from UK sites and predominantly in the UK market, but has some transactions denominated in foreign currency. While some customer and supplier contracts are denominated in other currencies (US Dollars and Euros), the majority of the Group's revenues and costs are sterling based, and accordingly exposure to foreign exchange risk is low. Management regularly monitor the impact of foreign exchange risks and assess the need to put any mitigating financial instruments in place. During the year, forward foreign exchange contracts were used to fix the exchange rate for certain overseas revenue contracts.

Arqiva Financing No 2 Limited

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Environment

The Group is committed to complying with all applicable environmental legislation and has assessed the environmental impact of its activities products and services and aims to reduce any negative impacts through active environment management. The Group operates an environmental management system which is accredited to the international standards ISO14001 and ISO50001.

Energy consumption is a key area of interest for the Group and Arqiva has launched a new Energy policy which reflects the company's commitments to:

- Improve energy efficiency,
- Reduce energy consumption,
- Invest in energy efficient technology,
- Purchase energy effectively, and
- Monitor carbon emissions.

Part of this new policy is accreditation to ISO50001 'Energy Management System' which is a voluntary International Standard developed by the International Organization for Standardization which aims to establish a framework for an organisation to manage energy effectively.

Health and safety

The Group is committed to complying with applicable health and safety legislation, and to continual improvement in achieving a high standard of health, safety and welfare in its operations and for all those in the organisation and others who may be affected by its activities. The Group operates a safety management system that is accredited to the international standard OHSAS 18001. The Directors regularly review health and safety reports in relation to the Group's activities, employees and contractors.

Employees

The average number of persons employed by the Group during the year was 1,898 (2011: 1,980). The Company itself has no employees (2011: none). Arqiva recognises the significant contribution of its employees and makes every effort to create an energising, rewarding and stimulating environment.

Arqiva has received an Investors in People 'Silver Award'. This is the second highest level of Investors in People recognition available. Achieving the silver award is great recognition for the commitment and hard work put in by many colleagues across the business.

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

The Group'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 the Group manage change effectively. The goals of each forum are to act as the formal staff consultative body for its part of the business within Arqiva, provide a voice to management on employee issues, initiate and support division-wide social activities, and promote consultation and sharing of information. The Group Employee Forum comprises representatives of all the local forums. This forum provides an effective channel for communication and collective consultation on issues that affect the whole Group.

Significant emphasis is placed on employee communication. The Group intranet 'Connect', has been refreshed and makes information available to employees on all matters including company performance, and issues affecting our industry.

Our quarterly employee magazine 'IQ' includes business news, information on special projects, people profiles, environmental and charity initiatives and competitions. The Management Board host quarterly briefings at all key sites and 2012 saw the introduction of a Managers Conference to kick-off the new financial year.

Arqiva Financing No 2 Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2012

Directors

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

- Peter Shore
- Christian Seymour
- Alain Carrier
- Daniel Fetter
- Edward Beckley
- Damian Walsh
- Peter Douglas
- Adrianus Wamsteker (alternate)
- Andreas Kottering (alternate)
- Marc Perusat (alternate)
- Robert Wall (alternate)

Company Secretary

Michael Giles is the Company Secretary.

Disclosure of information to the Independent Auditors

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

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

Directors' indemnities

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

Charitable donations

During the year, the Group made charitable donations of £57,000 (2011: £49,000). All contributions were made as part of a matched funding scheme to match employee fundraising for charitable events up to £500 per employee. The Group also supports the Give As You Earn scheme, working in partnership with the Charities Aid Foundation which manages the Give As You Earn scheme - the UK's leading payroll giving scheme. Additionally, employees are supported to take part in 'Give and Gain Day' whereby they give their time to local charities and organisations for special projects which has included activities such as revamping the garden area at a local school.

Research and development

The Group performs development into new products and technology, the costs of which are generally capitalised in accordance with the Group's accounting policy. The research and development costs expensed in the year total £nil (2011: £nil), with amortisation of £174,000 (2011: £231,000) charged against capitalised development costs.

Freehold land and buildings

The market value of the Group's land and buildings is lower than the carrying amount by £68,567,000 (2011: £82,748,000), this is based upon an external valuation of the property portfolio as at 30 June 2010 uplifted by the percentage increase in the FTSE UK commercial property index to 30 June 2012. The Directors are comfortable that the carrying value of the assets in the financial statements is supported by their value in use to the business.

Overseas branches

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

Arqiva Financing No 2 Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2012

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

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

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

By order of the Board

Michael Giles - Company Secretary

Crawley Court
Crawley
Winchester
Hampshire
SO21 2QA

September 2012

Arqiva Financing No 2 Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2012

Independent Auditors' report to the Members of Arqiva Financing No 2 Limited

We have audited the Group and parent company financial statements (the 'financial statements') of Arqiva Financing No 2 Limited for the year ended 30 June 2012, which comprise the consolidated profit and loss account, the consolidated balance sheet, the statement of group total recognised gains and losses, the consolidated cash flow statement, the company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and Auditors

As explained more fully in the statement of Directors' responsibilities set out on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 30 June 2012 and of the Group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Alan Kinnear (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

September 2012

Arqiva Financing No 2 Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2012

Consolidated profit and loss account

		Year ended 30 June 2012			Year ended 30 June 2011		
	Note	Pre exceptional items	Exceptional items	Total	Pre exceptional items	Exceptional items	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Continuing operations							
Total turnover (including share of joint venture)		843,837	-	843,837	830,748	-	830,748
Less: share of joint venture turnover		(12,158)	-	(12,158)	(5,043)	-	(5,043)
Group turnover	2	831,679	-	831,679	825,705	-	825,705
Cost of sales		(314,541)	-	(314,541)	(335,009)	-	(335,009)
Gross profit		517,138	-	517,138	490,696	-	490,696
Administrative expenses		(369,380)	(23,677)	(393,057)	(374,588)	-	(374,588)
Group operating profit	3	147,758	(23,677)	124,081	116,108	-	116,108
Share of operating profit / (loss) in joint venture and associates		3,947	-	3,947	(333)	-	(333)
Total operating profit: Group and share of joint venture and associates		151,705	(23,677)	128,028	115,775	-	115,775
Income from investments		60	-	60	72	-	72
Fundamental reorganisation		-	-	-	-	(8,801)	(8,801)
Loss on disposal of assets		-	-	-	-	(2,136)	(2,136)
Total non-operating profit exceptional items		-	-	-	-	(10,937)	(10,937)
Profit on ordinary activities before taxation and interest		151,765	(23,677)	128,088	115,847	(10,937)	104,910
Interest receivable and similar income	7	1,740	-	1,740	392	-	392
Interest payable and similar charges	8	(496,212)	-	(496,212)	(497,928)	-	(497,928)
Share of joint venture interest payable		(2,264)	-	(2,264)	-	-	-
Loss on ordinary activities before taxation	4	(344,971)	(23,677)	(368,648)	(381,689)	(10,937)	(392,626)
Tax on loss on ordinary activities	9			16,543			9,244
Loss on ordinary activities after taxation				(352,105)			(383,382)
Equity minority interests				(120)			(127)
Loss for the financial year	19,20			(352,225)			(383,509)

There are no material differences between losses on ordinary activities for the year above and the comparative year and their historical cost equivalent.

Arqiva Financing No 2 Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2012

Consolidated balance sheet

	Note	30 June 2012 £'000	30 June 2011 £'000
Fixed assets			
Intangible assets	11	2,148,939	2,304,118
Tangible assets	12	1,628,704	1,565,516
Investments	13		
<i>Investments in joint venture</i>			
- <i>Share of gross assets</i>		15,626	20,224
- <i>Share of gross liabilities</i>		(15,204)	(21,606)
- <i>Goodwill on acquisition</i>		10,523	5,849
<i>Investments in associated undertakings</i>		110	110
		11,055	4,577
		3,788,698	3,874,211
Current assets			
Debtors	14	211,908	190,186
Cash at bank and in hand	15	78,483	32,148
Total current assets		290,391	222,334
Creditors: amounts falling due within one year	16	(1,979,801)	(1,752,365)
Net current liabilities		(1,689,410)	(1,530,031)
Total assets less current liabilities		2,099,288	2,344,180
Creditors: amounts falling due after more than one year	17	(4,349,450)	(4,239,587)
Provisions for liabilities and charges	18	(60,511)	(57,444)
Net liabilities excluding pension (deficit) / asset		(2,310,673)	(1,952,851)
Pension (deficit) / asset	25	(2,280)	2,664
Net liabilities including pension (deficit) / asset		(2,312,953)	(1,950,187)
Capital and reserves			
Called up share capital	19	-	-
Merger reserve	19	(188,523)	(188,523)
Profit and loss reserve	19	(2,124,706)	(1,761,996)
Total shareholders' deficit	20	(2,313,229)	(1,950,519)
Minority interest		276	332
Capital employed		(2,312,953)	(1,950,187)

The accounting policies and notes on pages 14 to 39 form part of these financial statements.

These financial statements were approved by the Board of Directors on September 2012 and were signed on its behalf by:

Peter Shore - Director

Arqiva Financing No 2 Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2012

Statement of group total recognised gains and losses

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
(Loss) / profit for the financial year		
- Group	(353,908)	(383,176)
- Joint Ventures	1,683	(333)
Loss for the financial year	(352,225)	(383,509)
Actuarial (loss) / gain on pension schemes	(13,800)	12,500
Movement on deferred tax relating to pension scheme	3,312	(3,250)
Exchange adjustment offset in reserves (translation of foreign investments)	3	(352)
Total recognised losses for the year	(362,710)	(374,611)
Total recognised losses for the year		
- Group	(364,393)	(374,278)
- Joint Ventures	1,683	(333)
Total recognised losses for the year	(362,710)	(374,611)

Arqiva Financing No 2 Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2012

Consolidated cash flow statement

	Note	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Net cash inflow from operating activities	21	378,537	315,907
Returns on investment and servicing of finance			
Interest received		540	370
Interest paid to external sources		(170,898)	(164,010)
Interest element of finance lease rentals		(1,183)	(1,216)
Dividends from associates		60	198
Dividends paid to minority interests		(176)	(85)
		(171,657)	(164,743)
Tax paid		(242)	(1,392)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(161,985)	(176,936)
Sale of tangible fixed assets		457	3,031
		(161,528)	(173,905)
Acquisitions and disposals			
Purchase of subsidiary undertakings (payment of deferred consideration)		(2,083)	(2,082)
		(2,083)	(2,082)
Financing			
Finance lease capital		(423)	(386)
Borrowings from parent undertakings		(229,000)	(85,000)
Loans to joint ventures		-	(288)
Repayment of external borrowings		-	(54,426)
Increase in external borrowings		232,731	173,310
		3,308	33,210
Increase in net cash	22	46,335	6,995
Reconciliation of net cash flow to movement in net debt			
Net debt at 1 July		(5,496,290)	(5,140,872)
Increase in net cash		46,335	6,995
Movement in financing		(3,308)	(33,210)
Other non-cash changes		(319,894)	(329,203)
Net debt at 30 June	22	(5,773,157)	(5,496,290)

Arqiva Financing No 2 Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2012

Company balance sheet

	Note	30 June 2012 £'000	30 June 2011 £'000
Fixed assets			
Investments	13	-	-
		-	-
Current assets			
Debtors (including £1,419,919,000 (2011: £1,419,919,000) due after more than one year)	14	2,823,646	1,752,122
Cash at bank and in hand	15	128	78
Total current assets		2,823,774	1,752,200
Creditors: amounts falling due within one year	16	(1,532,803)	(256,434)
Net current assets		1,290,971	1,495,766
Total assets less current liabilities		1,290,971	1,495,766
Creditors: amounts falling due after more than one year	17	(1,214,041)	(1,443,245)
Net assets		76,930	52,521
Capital and reserves			
Called up share capital	19	-	-
Profit and loss reserve	19	76,930	52,521
Total shareholders' funds	20	76,930	52,521

The accounting policies and notes on pages 14 to 39 form part of these financial statements.

These financial statements were approved by the Board of Directors on September 2012 and were signed on its behalf by:

Peter Shore - Director

Notes to the financial statements

1 Principal accounting policies

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

(a) Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and applicable UK accounting standards under the historical cost convention. In order to show a true and fair view, the Group's policy in respect of merger accounting departs from the requirements of the Companies Act 2006. Details of the departures are given below. The Company is exempt under Section 408 of the Companies Act 2006 from the requirement to present its own profit and loss account. The Company made a profit for the year to 30 June 2012 of £24,409,000 (2011: £23,356,000).

On 3 April 2007, the Group acquired the entire share capital of AUKBH from Arqiva Financing No 3 Plc ('AF3'); the substance of the transaction was a Group reorganisation rather than an acquisition because the reorganisation represented a change in the identity of the holding company rather than the acquisition of a business. Therefore the Directors considered that to record the purchase as an acquisition by the Group would fail to give a true and fair view of the Group's results and financial position.

The purchase of the AUKBH sub-group of companies has therefore been accounted for as a merger, the true and fair override being applied such that, in the opinion of the Directors, the consolidated financial statements give a true and fair view as required by Section 403 of the Companies Act 2006.

(b) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company as at 30 June 2012 and the results of all controlled entities for the year then ended.

Businesses acquired, previously held externally to the Group, are accounted for as acquisitions with effect from the date control passes. Those disposed of are accounted for up until the date of disposal. Intra group profits have been eliminated. Undertakings, other than subsidiary undertakings, in which the Group has an investment representing not less than 20% of the voting rights and over which it exerts significant influence are treated as associated undertakings. Associates are accounted for using the equity method of accounting in accordance with FRS 9 'Associates and joint ventures'. Joint ventures are accounted for using the gross equity method. The consolidated financial statements include the appropriate share of those undertakings' results and reserves.

(c) Going concern

The Company and Group adopt the going concern basis in preparing the financial statements based on the support from its parent undertakings described below, the future cash flow forecasts of the Group and available facilities, which lead the Directors of the Company to be confident that the Company and Group will have adequate resources to continue in operational existence for the foreseeable future. The Group had a net cash inflow from operating activities in the year.

The Company and Group have inter-company loan agreements with parent undertakings. Under the terms of these loan agreements, the parent undertakings may only demand repayment of loans provided that such a repayment would not cause the Company and Group to become insolvent.

The Company and Group have inter-company agreements with AF1, AUKBH, Arqiva Limited, ATIL, AHL, ASL, TADCO and Arqiva No 2 Limited, which provide that these companies will give financial support to each other so that they can meet their liabilities as they fall due and they agree not to demand repayment of the inter-company loans if this would cause the borrower to become insolvent.

Arqiva Financing No 2 Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2012

(d) Tangible fixed assets and depreciation

Tangible fixed assets are stated at original purchase cost (which includes costs directly attributable to bringing the assets into working condition), being fair value for acquired subsidiaries, less accumulated depreciation and any provision for impairment.

In accordance with FRS 15 'Tangible fixed assets', directly attributable finance costs are capitalised where assets take a significant period of time to become ready for use.

Depreciation is provided on a straight line basis at rates calculated to write off the cost or valued amount, less estimated residual value, of assets over their estimated useful lives. The useful economic lives of the assets have been determined taking into account the expected rate of technological developments, market requirements and expected use of the assets. The selected depreciation rates are regularly reviewed to ensure they remain appropriate to the Group's circumstances.

Asset Description	Estimated Useful Life
Freehold buildings	60 – 70 years
Leasehold buildings	Length of lease
Plant and equipment	
- Communications infrastructure network	8 – 100 years
- Network computer equipment	3 – 20 years
- Motor vehicles	3 – 5 years

Freehold land is not depreciated.

Capital work in progress is not depreciated until construction is complete and the asset is capable of operating in the manner intended by the Group in accordance with FRS 15.

(e) Turnover

The Group's accounting policy in respect of turnover is set out in note 2.

(f) Intangible fixed assets and amortisation

Intangible fixed assets are stated at original purchase cost, being fair value for acquired subsidiaries, less accumulated amortisation and any provision for impairment. The economic useful lives of intangible fixed assets are reviewed on an annual basis and revised if required, and consideration is made of whether there has been any indicator of impairment.

Development costs

Development costs incurred to produce new, or substantially improved, products and services within the Group are capitalised in accordance with SSAP 13 'Accounting for research and development' and are amortised from the commencement of service over the life of the relevant contract. Research costs, experimental or theoretical work undertaken which does not constitute development, are expensed as incurred.

Licences

Licences acquired to operate radio services are capitalised and amortised on a straight line basis over their licence period.

Goodwill

Purchased goodwill is capitalised and amortised on a straight line basis over its estimated useful life, which is considered to be no longer than 20 years. The Group capitalises costs associated with the acquisition of subsidiaries within goodwill.

Access rights

Access rights are stated at original purchase cost and amortised on a straight line basis over their expected useful life.

(g) Fixed asset investments

Fixed asset investments are stated at cost less any provision for impairment in value, in accordance with FRS 11 'Impairment of fixed assets and goodwill'.

Arqiva Financing No 2 Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2012

(h) Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date and any exchange differences arising are taken to the profit and loss account. Exchange differences on translation of overseas operations are recognised through the 'Statement of group total recognised gains and losses'.

(i) Leasing commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group, are capitalised in the balance sheet and depreciated over their useful economic lives or the lease term, if shorter.

The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding.

Operating lease payments for assets leased from third parties are charged to the profit and loss account on a straight line basis over the period of the lease.

Equipment leased to customers under finance leases is deemed to be sold at normal selling price and this value is taken to turnover at the inception of the lease. Debtors under finance leases represent outstanding amounts due under these agreements, less finance charges allocated to future periods. Finance lease interest is recognised over the primary period of the lease so as to produce a constant rate of return on the net cash investments.

(j) Taxation and deferred taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided fully in respect of all timing differences using the liability method for timing differences where there is an obligation to pay more tax, or a right to pay less tax, in the future. The provision is calculated using the rates expected to be applicable when the asset or liability crystallises based on current tax rates and laws that have been enacted or substantively enacted at the balance sheet date. A deferred tax asset is regarded as recoverable and therefore recognised only when it is more likely than not that there will be sufficient taxable profits against which to recover carried forward tax losses and from which the future reversal of timing differences can be deducted. Deferred tax is not recognised on revalued fixed assets until a binding agreement is in place to sell such assets and the resulting gain or loss has been recognised in the financial statements. Deferred tax is measured on an undiscounted basis.

(k) Provisions

The provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

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

(l) Borrowings

Borrowings are stated at their issue proceeds, net of issue costs, less amounts repaid. Issue costs are amortised over the term of the borrowing to achieve a constant rate on the carrying amount. Interest on the borrowings is recognised as an expense as it accrues over the period of the loan, unless capitalised as noted in policy (d).

Arqiva Financing No 2 Limited

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(m) Post retirement benefits

Defined contribution schemes

For defined contribution schemes, the amount charged to the profit and loss account 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 balance sheet.

Defined benefit schemes

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and terms to the scheme liabilities.

Any defined benefit asset or liability is presented separately on the face of the balance sheet and net of deferred tax.

(n) Cash at bank and in hand

Cash at bank and overnight deposits are disclosed within cash at bank.

(o) Interest

Interest income and expense are accounted for on an accruals basis and comprise amounts receivable on deposits and payable on borrowings and finance leases.

(p) Derivative financial instruments

The Group uses interest rate and inflation swaps to reduce its exposure to fluctuations in variable interest rates on its debt. Receipts, payments and accreting liabilities on interest rate and inflation swaps are recognised on an accruals basis, over the life of the instrument. Changes in the fair value of such derivatives are not recognised. Amounts received and paid under interest rate and inflation swaps are shown net under financing costs, where they are part of the same legal agreement and settled net in practice. The Group also utilises forward purchase contracts for foreign currency transactions, the changes in the fair value of such derivatives are not recognised, and the gain or loss on settlement is taken to the profit and loss account.

(q) Share issue costs

In accordance with the provision contained in FRS 4 'Capital instruments', all issue costs (as defined within the meaning of FRS 4) are accounted for as a deduction in the proceeds of the relevant capital instruments.

Arqiva Financing No 2 Limited

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2 Turnover and segmental reporting

Turnover, which is stated net of value added tax, includes the value of charges made for transmission services, distribution services, products, facilities leasing, research and development contracts, external network services to national and international telecommunication operators, other contracts, rents from properties and charges made under site sharing agreements.

Turnover is recognised as services are provided. Cash received or invoices raised in advance is taken to deferred income and recognised as turnover when service is provided. Where consideration received in advance is discounted, the effect of the time value of money, where material, is reflected within turnover and interest payable and similar charges. Turnover recognised in advance of cash received or invoices raised is taken to accrued income.

The geographical split of turnover by destination is shown below:

	Group Year ended 30 June 2012 £'000	Group Year ended 30 June 2011 £'000
UK	724,809	698,101
Continental Europe	64,335	78,636
Rest of world	42,535	48,968
Group turnover	831,679	825,705

Segmental reporting

The Group has organised its business into three customer facing business units, supported by an operations division and central corporate functions. This structure is used to provide the following segmental reporting in relation to Group turnover.

	Group Year ended 30 June 2012 £'000	Group Year ended 30 June 2011 £'000
Broadcast and Media	464,400	474,313
Digital Platforms	121,636	109,525
Government, Mobile and Enterprise	245,643	241,867
Group turnover	831,679	825,705

The majority of assets employed and underlying costs are derived from a shared infrastructure network common to all operating business units. An allocation of such assets or costs to the business units is not performed as part of the normal reporting process within the business. In the absence of a suitable allocation methodology and given the size of the shared assets and costs, the Directors are of the opinion that additional segmental reporting would not provide meaningful information to the users of the financial statements.

Arqiva Financing No 2 Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2012

3 Operating profit

Operating profit is stated after charging / (crediting):

	Group Year ended 30 June 2012 £'000	Group Year ended 30 June 2011 £'000
Depreciation of owned fixed assets	93,629	88,622
Impairment of owned fixed assets	5,634	-
Depreciation of assets held under finance lease	447	586
Amortisation of goodwill in respect of subsidiaries	153,154	153,154
Amortisation of intangible assets	2,025	2,249
Operating lease rentals		
- Land, buildings and other infrastructure	42,345	44,165
- Plant and machinery	1,613	1,228
Loss on disposal of tangible fixed assets	257	-
Foreign exchange losses	1,236	1,301
Grant income	(274)	(29)

Services provided by the Group's Auditor and network firms

During the year the Group obtained the following services from the Group's Auditors at costs as detailed below:

	Group Year ended 30 June 2012 £'000	Group Year ended 30 June 2011 £'000
Fees payable to Company Auditors for the audit of the parent company and consolidated financial statements.	67	61
Fees payable for the audit of the Company's subsidiaries	348	306
Non-audit services		
Other assurance services	195	210
Services relating to taxation	112	74
Services relating to corporate finance	210	399
All other services	220	209
Total cost of services provided by the Group's Auditors	1,152	1,259

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4 Exceptional items

Loss on ordinary activities before taxation is stated after (charging) / crediting:

	Group Year ended 30 June 2012 £'000	Group Year ended 30 June 2011 £'000
Administrative expenses		
- Reorganisation and severance	(10,804)	-
- Corporate finance activities (including refinancing)	(5,433)	-
- Other one off activities	(7,440)	-
	(23,677)	-
Non-operating profit exceptional items		
- Fundamental reorganisation	-	(8,801)
- Loss on disposal of assets	-	(2,136)
	-	(10,937)
Total exceptional items	(23,677)	(10,937)

Reorganisation and severance costs in the year ended 30 June 2012 primarily represent amounts provided in relation to the closure of the Group's Warwick offices and some other business efficiency and process changes.

Other one off activities includes substantial costs relating to a contract bid, the write off of amounts relating to a business disposal in the prior year and other business change projects.

The above amounts are deductible for the purpose of taxation with the exception of the loss on disposal of assets. The aggregate tax impact of these items was a tax deduction of £6,038,000 (2011: £2,420,000).

Arqiva Financing No 2 Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2012

5 Staff costs

The Company had no employees during the year (2011: none). The average number of persons employed by the Group during the year was as follows:

	Group Year ended 30 June 2012	Group Year ended 30 June 2011 *
	Number	Number
Broadcast and Media	245	262
Digital Platforms	18	10
Government, Mobile and Enterprise	162	162
Business Operations	1,160	1,228
Corporate Support	313	318
Total staff numbers	1,898	1,980

* The prior year figures have been reclassified to align with the current year disclosure by business unit.

The aggregate payroll costs of these persons were as follows:

	Group Year ended 30 June 2012	Group Year ended 30 June 2011
	£'000	£'000
Wages and salaries	117,832	116,720
Social security costs	12,325	11,517
Other pension costs	9,556	9,743
Total staff costs	139,713	137,980

6 Directors' emoluments

During the year, two Directors (2011: one) were employees of Arqiva Limited (a subsidiary company).

One of the Directors (2011: one) was a representative of the shareholders of the Company's ultimate parent and their individual remuneration reflects the services they provide to the ultimate and intermediate parent undertakings, the Company, its subsidiaries and certain other entities outside of the Group. It is however possible to make an accurate apportionment of the Director's emoluments in respect of their service to the Group. Accordingly, this is taken into account in providing the following disclosure:

	Group Year ended 30 June 2012	Group Year ended 30 June 2011
	£'000	£'000
Aggregate emoluments	192	44

All other Directors were representatives of the shareholders of the Company's ultimate parent and their individual remuneration reflects the services they provide to the ultimate and intermediate parent undertakings, the Company, its subsidiaries and a number of other entities outside of the Group. It is therefore not possible to make an accurate apportionment of each Director's emoluments in respect of each of their service to the Company and the Group. Accordingly, the details set out in the table above include no emoluments in respect of these Directors services.

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Annual Report and Consolidated Financial Statements – Year ended 30 June 2012

7 Interest receivable and similar income

	Group Year ended 30 June 2012 £'000	Group Year ended 30 June 2011 £'000
Bank interest	221	165
Finance lease interest receivable	317	203
Other interest	1,202	24
Total interest receivable	1,740	392

8 Interest payable and similar charges

	Group Year ended 30 June 2012 £'000	Group Year ended 30 June 2011 £'000
Bank loan interest	223,254	238,108
Less: Capitalised interest	(1,936)	(3,458)
Net bank loan interest	221,318	234,650
Amortisation of debt issue costs	17,387	17,220
Interest payable to parent undertakings	242,459	232,835
Finance lease interest payable	1,183	1,216
Other interest	13,865	12,007
Total interest payable	496,212	497,928

Included within bank loan interest is the increase in the accrued liabilities on the Group's inflation swaps of £54,036,000 (2011: £76,823,000) (see note 17). Excluding this amount the net bank loan interest was £167,282,000 (2011: £157,827,000).

Arqiva Financing No 2 Limited

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9 Tax on loss on ordinary activities

	Group Year ended 30 June 2012 £'000	Group Year ended 30 June 2011 £'000
(a) Analysis of tax credit for the year		
Current tax		
UK corporation tax	208	-
Overseas tax	399	636
Total current tax	607	636
Deferred tax		
Origination and reversal of timing differences	(14,643)	(6,330)
Deferred tax on pension liability charged to profit and loss account	1,728	884
Impact of rate change	90	(412)
Prior year adjustment	(4,325)	(4,022)
Total deferred tax	(17,150)	(9,880)
Tax on loss on ordinary activities	(16,543)	(9,244)

(b) Factors affecting the current tax charge for the year

The tax charge assessed for the year is different to the standard rate of tax in the UK of 25.5% (2011: 27.5%). The differences are explained below:

Loss on ordinary activities before taxation	(368,648)	(392,626)
Loss before taxation multiplied by standard rates of corporation tax in the United Kingdom of 25.5% (2011: 27.5%)	(94,005)	(107,972)
Expenses not deductible for tax purposes	1,032	1,276
Amortisation of goodwill	39,054	42,117
Depreciation in excess of capital allowances	18,803	8,071
Non qualifying depreciation	6,509	3,361
Associate / joint venture revenue / expense with no tax applicable	(429)	92
Income not subject to corporation tax	(2,050)	(1,066)
Generation / (utilisation) of unrecognised tax losses	13,230	(74)
Utilisation of recognised tax losses	(1,020)	(1,375)
Other timing differences	(2,217)	(963)
Loss on disposal of fixed assets	66	553
Overseas tax in excess of UK tax rate	-	119
Tax losses group relieved for nil consideration	21,634	56,497
Total current tax	607	636

The UK corporation tax rate was reduced from 26% to 24% effective from 1 April 2012. Therefore for the purpose of this tax reconciliation an average tax rate of 25.5% has been used.

There has been a stated intention to reduce the UK corporation tax rate in future years (see note 14).

Arqiva Financing No 2 Limited

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10 Dividends

Dividends payable to minority interests	Group Year ended 30 June 2012 £'000	Group Year ended 30 June 2011 £'000
Now Digital (East Midlands) Limited		
Interim dividend declared on 22 February 2012 of £30.00 per share (2011: none)	143	-
South West Digital Radio Limited		
Interim dividend declared on 27 February 2012 of £10.00 per share (2011 of £4.50 per share)	33	15
Total dividends payable to minority interests	176	15

The above amounts represent dividends paid to minority interest shareholders.

11 Intangible assets

Group	Licences £'000	Development costs £'000	Access rights £'000	Goodwill £'000	Total £'000
Cost					
At 1 July 2011 and 30 June 2012	3,638	925	15,420	3,048,111	3,068,094
Accumulated amortisation					
At 1 July 2011	1,745	751	12,845	748,635	763,976
Charged in the year	352	174	1,499	153,154	155,179
At 30 June 2012	2,097	925	14,344	901,789	919,155
Net book value					
At 30 June 2012	1,541	-	1,076	2,146,322	2,148,939
At 30 June 2011	1,893	174	2,575	2,299,476	2,304,118

Development costs in respect of products and services that are being developed by the Group are being capitalised in accordance with SSAP 13. These are amortised over their expected useful life once the product or service has been commercially launched.

The Company has no intangible fixed assets (2011: nil).

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12 Tangible assets

Group	Freehold land and buildings £'000	Leasehold buildings £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 July 2011	400,421	55,389	1,427,179	1,882,989
Additions	10,210	654	152,748	163,612
Disposals	(146)	-	(19,742)	(19,888)
At 30 June 2012	410,485	56,043	1,560,185	2,026,713
Accumulated depreciation				
At 1 July 2011	13,286	4,622	299,565	317,473
Charge for the year	4,069	1,505	88,502	94,076
Impairment	5,634	-	-	5,634
Disposals	(146)	-	(19,028)	(19,174)
At 30 June 2012	22,843	6,127	369,039	398,009
Net book value				
At 30 June 2012	387,642	49,916	1,191,146	1,628,704
At 30 June 2011	387,135	50,767	1,127,614	1,565,516

The Group's fixed and other assets have been pledged as security under fixed and floating charges that have arisen as a result of borrowing agreements entered into by the Group (see note 24).

Included above is £159,497,000 (2011: £320,003,000) of capital work in progress. This includes additions of £156,184,000 and the completion of capital work in progress during the year of £316,690,000.

Borrowing costs relating to the DSO project were capitalised during the year totalling £1,936,000 (2011: £3,458,000) at a capitalisation rate of 2.7% (2011: 2.6%). The aggregate amount of finance costs included in the cost of tangible fixed assets totals £20,298,000 (2011: £18,362,000).

Freehold land included above but not depreciated amounts to £84,219,000 (2011: £83,811,000).

Assets held under finance leases, capitalised and included within fixed assets above:

	Land and buildings £'000
Cost	10,907
Accumulated depreciation	(2,904)
Net book value	
At 30 June 2012	8,003
At 30 June 2011	8,450

The Company has no tangible fixed assets (2011: nil).

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13 Investments

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

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
Arqiva Financing No. 1 Limited (held directly)	United Kingdom	Holding company	30 June	100%
Arqiva UK Broadcast Holdings Limited	United Kingdom	Holding company	30 June	100%
Arqiva Limited	United Kingdom	Transmission services	30 June	100%
Arqiva Inc	USA	Transmission services	30 June	100%
Arqiva SRL	Italy	Transmission services	30 June	100%
Arqiva SAS	France	Transmission services	30 June	100%
Arqiva (Scotland) Limited	Scotland	Transmission services	30 June	100%
MUKBL Digital Limited	United Kingdom	Holding company	30 June	100%
MUKBL Digital Radio Limited	United Kingdom	Holding company	30 June	100%
Macropolitan Limited	United Kingdom	Site management	30 June	100%
Arqiva Telecoms Investment Limited	United Kingdom	Holding company	30 June	100%
Arqiva Holdings Limited	United Kingdom	Holding company	30 June	100%
Arqiva Services Limited	United Kingdom	Transmission services	30 June	100%
Arqiva No 2 Limited	United Kingdom	Transmission services	30 June	100%
Arqiva No 3 Limited	United Kingdom	Transmission services	30 June	100%
Arqiva Aerial Sites Plc	United Kingdom	Management of aerial sites	30 June	100%
Lattice Telecommunications Asset Development Company Limited	United Kingdom	Telecommunications infrastructure	30 June	100%
JFMG Limited	United Kingdom	Spectrum and transmission management	30 June	100%
Digital One Limited	United Kingdom	Transmission services	30 June	100%
Now Digital Limited	United Kingdom	Transmission services	30 June	100%
Now Digital (Southern) Limited	United Kingdom	Transmission services	30 June	100%
Now Digital (East Midlands) Limited	United Kingdom	Transmission services	30 June	52.5%
South West Digital Radio Limited	United Kingdom	Transmission services	30 June	66.7%
Joint ventures:				
Arts Alliance Media Investment Limited	British Virgin Islands	Digital cinema distribution	30 June	24.99%
YouView TV Limited	United Kingdom	Open source IPTV development	31 March	14.3%
Associate undertakings:				
DTV Services Limited	United Kingdom	Freeview market services co-ordination	31 May	20%
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	31 Dec	25%

Group	Investments in associates and joint ventures £'000
At 1 July 2011	4,577
Additions (see note 26)	4,795
Share of retained profits	1,683
At 30 June 2012	11,055

The Directors believe that the carrying value of the investment is supported by its underlying net assets.

The Company has an investment in AF1 with a cost and net book value of £1 (2011: £1).

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14 Debtors

	Group 30 June 2012 £'000	Group 30 June 2011 £'000	Company 30 June 2012 £'000	Company 30 June 2011 £'000
Trade debtors	84,611	89,367	-	-
Amounts owed by group undertakings	225	1,409	2,823,646	1,752,122
Amounts owed by joint ventures (note 26)	-	4,808	-	-
Other debtors	10,099	13,359	-	-
Prepayments and accrued income	100,387	81,243	-	-
Deferred tax asset	16,586	-	-	-
Total debtors	211,908	190,186	2,823,646	1,752,122

The Directors consider that the fair value of debtors closely approximates to book value.

Deferred tax asset / (liability)	Group 30 June 2012 Asset £'000	Group 30 June 2011 Liability £'000
At 1 July	(2,221)	(13,148)
Credited to the profit and loss account	18,807	10,927
At 30 June	16,586	(2,221)
Accelerated capital allowances	8,121	(11,846)
Short term timing differences	676	438
Tax losses	7,789	9,187
Deferred tax asset / (liability)	16,586	(2,221)

The deferred tax asset of £16,586,000 has been calculated based on the UK corporation tax rate of 24% (the rate in force at the balance sheet date). There has also been a stated intention to reduce the UK corporation tax rate to 22% by April 2014 by a number of changes in the UK corporation tax rate; these changes have not been substantively enacted.

There is an unrecognised deferred tax asset of £32,298,000 (2011: £17,212,000) in respect of tax losses which are not anticipated to be utilised in the foreseeable future. This unrecognised deferred tax asset is anticipated to be utilised when there is taxable income in the relevant Group entities to utilise the losses previously generated.

Finance leases

Included within 'other debtors' are the following amounts receivable under finance leases:

	Group 30 June 2012 £'000	Group 30 June 2011 £'000
Net investment in finance leases and hire purchase contracts comprises		
Total amounts receivable	5,619	6,042
Less: Interest allocated to future years	(2,324)	(2,641)
Total finance leases	3,295	3,401

Rentals receivable during the year under finance leases and hire purchase contracts amount to £423,000 (2011: £422,000).

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Amounts owed to Group undertakings are unsecured. Interest has been charged at 0% for Group balances (2011: 0%), and £2,823,646,000 at 9.75% for company balances (2011: £1,752,122,000 at 9.75%). Of the above Company balances £1,419,919,000 at 9.75% is in respect of amounts due in greater than one year (2011: £1,419,919,000 at 9.75%).

The Company and Group have inter-company agreements with AF1, AUKBH, Arqiva Limited, ATIL, AHL, ASL, TADCO and Arqiva No 2 Limited. These agreements provide that these companies will give financial support to each other so that they can meet their liabilities as they fall due and that they are only entitled to demand repayment of the inter-company loans to the extent surplus cash is available and if this would not cause the borrower to become insolvent.

15 Cash at bank and in hand

	Group 30 June 2012 £'000	Group 30 June 2011 £'000	Company 30 June 2012 £'000	Company 30 June 2011 £'000
Cash at bank	4,744	10,377	128	78
Short term deposits	73,739	21,771	-	-
Total cash	78,483	32,148	128	78

16 Creditors: amounts falling due within one year

	Group 30 June 2012 £'000	Group 30 June 2011 £'000	Company 30 June 2012 £'000	Company 30 June 2011 £'000
Trade creditors	65,430	78,818	-	-
Amounts owed to Group undertakings	1,631,249	1,386,148	1,532,675	256,353
Other taxes and social security costs	12,114	18,676	-	-
Other creditors	16,300	15,258	128	81
Accruals and deferred income	254,233	253,042	-	-
Finance lease obligations	475	423	-	-
Total creditors: amounts falling due within one year	1,979,801	1,752,365	1,532,803	256,434

The Directors consider that the fair value of creditors: amounts falling due within one year closely approximates to book value.

The Company and Group have inter-company agreements with AF1, AUKBH, Arqiva Limited, ATIL, AHL, ASL, TADCO and Arqiva No 2 Limited. These agreements provide that these companies will give financial support to each other so that they can meet their liabilities as they fall due and that they are only entitled to demand repayment of the inter-company loans to the extent surplus cash is available and if this would not cause the borrower to become insolvent.

Amounts owed to Group undertakings are unsecured. Interest has been charged at 9.75% for Group balances (2011: 9.75%), and £1,532,675,000 at 9.75% for Company balances (2011: £256,275,000 at 9.75% and £78,000 at 0%).

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17 Creditors: amounts falling due after more than one year

	Group 30 June 2012 £'000	Group 30 June 2011 £'000	Company 30 June 2012 £'000	Company 30 June 2011 £'000
Bank loans				
Senior debt - A1	1,509,788	1,509,788	-	-
Senior debt - A2	581,837	581,837	-	-
Senior debt - facility C	657,206	424,475	-	-
Junior debt	315,689	324,618	315,689	324,618
Accrued liability on inflation rate swaps	255,208	201,172	-	-
Less: issue costs	(16,647)	(33,319)	(1,633)	(3,358)
	3,303,081	3,008,571	314,056	321,260
Finance lease obligations	14,500	14,975	-	-
Other creditors	1,658	2,777	-	-
Amounts owed to group undertakings	903,373	1,126,066	900,776	1,123,469
Less: issue costs	(813)	(1,528)	(791)	(1,484)
Accruals and deferred income	127,651	88,726	-	-
Total creditors: amounts falling due after more than one year	4,349,450	4,239,587	1,214,041	1,443,245

Amounts owed to Group undertakings are unsecured and are repayable over periods of up to 3 years. Interest has been charged on £753,788,000 at 9.75% and £149,585,000 at variable rates linked to LIBOR for Group balances (2011: £985,410,000 at 9.75% and £140,656,000 at variable rates linked to LIBOR), and £753,788,000 at 9.75% and £146,988,000 at variable rates linked to LIBOR for Company balances (2011: £985,410,000 at 9.75% and £138,059,000 at variable rates linked to LIBOR).

	Group 30 June 2012 £'000	Group 30 June 2011 £'000	Company 30 June 2012 £'000	Company 30 June 2011 £'000
Maturity of loans				
Within one year	475	423	-	-
In more than one year, but not more than five years	3,470,840	3,184,131	462,677	462,677
In more than five years	12,973	13,390	-	-
Total loans	3,484,288	3,197,944	462,677	462,677

Finance leases

Future minimum payments under finance leases are as follows:

	Group 30 June 2012 £'000	Group 30 June 2011 £'000
Within one year	1,606	1,606
In more than one year, but not more than five years	5,665	5,863
After five years	20,702	22,110
Total gross payments	27,973	29,579
Less finance charges included above	(12,998)	(14,181)
Total finance leases	14,975	15,398

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All senior debt represents amounts borrowed by Arqiva Financing No 1 Limited ('AF1') under a Senior Facility Agreement, dated 3 April 2007, with a total facility of £2,925,000,000. The working capital facility of £75,000,000 is a component of this senior debt facility. The loans have floating interest rates which range between LIBOR + 2.00% to LIBOR + 2.75%.

All junior debt represents amounts borrowed by the Company under a Junior Facility Agreement, dated 3 April 2007, with a total facility of £475,000,000. The loans have floating interest rates which range between LIBOR + 4.50% to LIBOR + 5.00%.

The senior and junior debt have certain covenants attached, principally an interest cover ratio and a debt leverage ratio, and are secured by way of a fixed and floating charge over the Group's assets. The Group continues to comply with all covenant requirements. The loans are repayable as shown below:

	Repayable on
Senior debt - A1	1 July 2014
Senior debt - A2	1 December 2014
Senior debt - Facility C	1 July 2014
Junior debt	1 July 2015

AF1 has entered into interest rate swaps and inflation swap agreements covering a total principal value of £2,625,000,000 in order to hedge its exposure to variable interest rates. £1,312,500,000 has been hedged via interest rate swaps at a fixed rate of 5.239% and £1,312,500,000 has been hedged via inflation linked swaps which fix interest at 2.02% indexed with RPI. The swaps have a mandatory break clause at the earlier of any refinancing of the Group's senior facilities or April 2014.

In addition, AF1 has entered into basis swaps with a principal value of £2,625,000,000, to swap the interest fixing period from semi-annual to monthly. Loan interest periods are matched to this frequency. The swaps are in place until September 2012.

An amount of £255,208,000 (2011: £201,172,000) reflecting accrued liabilities under the inflation swaps is included within creditors. This amount is calculated on an accruals basis. The remaining fair value of the interest rate and inflation swaps at 30 June 2012 (excluding the inflation swap accrual), a liability of £1,044,703,000 (2011: £557,797,000), is not recognised on the balance sheet in accordance with Group accounting policy. This fair value is calculated on a mark to market basis.

18 Provisions for liabilities and charges

Group	Onerous contracts	Decommissioning	Restructuring	Remediation	Other	Deferred tax	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 July 2011	2,860	37,921	300	13,385	757	2,221	57,444
Reclassification *	1,967	(5,281)	-	3,314	-	-	-
Additions created through fixed assets	-	3,428	-	-	-	-	3,428
Released to profit and loss account	(186)	(1,410)	-	(2,885)	-	(2,221)	(6,702)
Charged to profit and loss account	864	645	6,006	-	-	-	7,515
Changes relating to movements in the discounted amount	-	1,599	-	-	-	-	1,599
Utilised	(2,020)	(124)	(629)	-	-	-	(2,773)
At 30 June 2012	3,485	36,778	5,677	13,814	757	-	60,511

* During the year, certain brought forward provisions have been reviewed and reclassified to appropriate categories in line with the constituent parts of each individual provision.

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The onerous contract provision relates to supplier contracts where the costs are expected to exceed the benefits, and onerous lease contracts where the buildings are empty but lease costs are being incurred. The provision is expected to be utilised over the next four years.

Provisions are made for decommissioning and asset at risk costs where the Group has an obligation to restore sites and the cost of restoration is not recoverable from third parties. The provision is in relation to assets of which the remaining useful economic life ranges up to 22 years.

The restructuring provision relates to the costs of a reorganisation of Group operations which will be utilised during the next financial year.

The remediation provision represents the cost of works identified as being required across a number of the Group's sites and is expected to be utilised over the next one to four years.

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

The current year deferred tax balance is an asset, see note 14.

The Company has no provisions (2011: nil).

19 Share capital and reserves

	Share capital	Merger reserve	Profit and loss reserve
	£'000	£'000	£'000
Group			
At 1 July 2011	-	(188,523)	(1,761,996)
Actuarial loss on pension scheme	-	-	(13,800)
Movement on deferred tax relating to pension liability	-	-	3,312
Loss for the financial year	-	-	(352,225)
Exchange adjustments offset in reserves (translation of foreign investments)	-	-	3
At 30 June 2012	-	(188,523)	(2,124,706)
Company			
At 1 July 2011	-	-	52,521
Profit for the financial year	-	-	24,409
At 30 June 2012	-	-	76,930

The merger reserve arises as a result of the true and fair override on the acquisition of the AUKBH sub group (see note 1a).

	Group and Company 30 June 2012 £	Group and Company 30 June 2011 £
Authorised:		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid:		
1 ordinary shares of £1 each	1	1

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20 Reconciliation of movement in shareholders' (deficit) / funds

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Group		
Loss for the financial year	(352,225)	(383,509)
Dividends	-	(15)
Other recognised (losses) and gains relating to the year	(10,485)	8,898
Net change in shareholders' deficit	(362,710)	(374,626)
Opening shareholders' deficit	(1,950,519)	(1,575,893)
Closing shareholders' deficit	(2,313,229)	(1,950,519)
Company		
Profit for the financial year	24,409	23,356
Opening shareholders' funds	52,521	29,165
Closing shareholders' funds	76,930	52,521

21 Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:

	Group Year ended 30 June 2012 £'000	Group Year ended 30 June 2011 £'000
Operating profit	124,081	116,108
Non-operating profit exceptional items	-	(10,937)
Depreciation charge	94,076	89,208
Impairment of fixed assets	5,634	-
Amortisation charge	155,179	155,403
Loss on disposal of tangible fixed assets	257	2,010
Loss on disposal of intangible fixed assets	-	97
Increase in debtors	(11,128)	(18,016)
Increase / (decrease) in creditors	10,178	(23,431)
Net increase in provisions	260	5,465
Net cash inflow from operating activities	378,537	315,907

Net cash inflow from operating activities includes cash outflows relating to exceptional items of £16,530,000 (2011: £8,801,000). The balance of £7,147,000 is expected to be paid within the next financial year.

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22 Analysis of changes in net debt

	Note	At 1 July 2011 £'000	Cash flows £'000	Non-cash changes £'000	At 30 June 2012 £'000
Cash at bank and in hand	15	32,148	46,335	-	78,483
Amounts owed by group undertakings	14	1,409	-	(1,184)	225
Loans to joint ventures	14	4,808	-	(4,808)	-
Debt due within one year	16	(1,386,148)	229,000	(474,101)	(1,631,249)
Debt due after one year	17	(4,133,109)	(232,731)	160,199	(4,205,641)
Finance leases	16,17	(15,398)	423	-	(14,975)
Total		(5,496,290)	43,027	(319,894)	(5,773,157)

Major non-cash changes include £242,459,000 movement in inter-company balances representing interest charges rolled-up into loan capital, £54,036,000 increase in accrued liability on interest rate swap and £17,387,000 decrease in debt issue costs.

23 Commitments for expenditure

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 2012 £'000	30 June 2011 £'000
Within one year	24,728	39,269
Later than one year but not later than five years	3,003	310
Later than five years	-	-
Total capital commitments	27,731	39,579

At the balance sheet date, the Group has entered into forward contracts to sell Euros at a total value of £11,985,000 (2011: £1,678,000) and sell US Dollars at a total value of £8,093,000 (2011: £nil). All contracts expire within one year.

Operating leases

Annual commitments in relation to non-cancellable operating leases for land, buildings and other infrastructure locations expiring:

	30 June 2012 £'000	30 June 2011 £'000
Within one year	714	1,555
Later than one year but not later than five years	6,012	4,150
Later than five years	16,774	17,703
Total land, buildings and other infrastructure locations annual lease commitments	23,500	23,408

The annual commitments above exclude amounts relating to contingent rentals, cancellable leases and leases which have expired their initial term and now operate on a rolling notice period of less than one year. Accordingly, the annual lease expense seen in note 3 is greater than the commitment shown above.

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Other annual lease commitments expiring:

	30 June 2012	30 June 2011
	£'000	£'000
Within one year	93	211
Later than one year but not later than five years	1,449	1,072
Total other annual lease commitments	1,542	1,283

24 Contingent liabilities

Under the terms of the Group's external debt facilities, the Company has provided security over the fixed and other assets by way of fixed and floating charges.

The Company and Group have inter-company loan agreements with parent undertakings. Under the terms of these loan agreements, the parent undertakings may only demand repayment of loans provided that such a repayment would not cause the Company and Group to become insolvent.

The Company and Group have inter-company agreements with AF1, AUKBH, Arqiva Limited, ATIL, AHL, ASL, TADCO and Arqiva No 2 Limited. These agreements provide that these companies will give financial support to each other so that they can meet their liabilities as they fall due and they agree not to demand repayment of the inter-company loans if this would cause the borrower to become insolvent.

The Group is the head lessee for two properties occupied by companies forming part of the Virgin Media (formerly NTL) group. Arqiva Limited is in the process of assigning these leases to Virgin Media companies, but this process was incomplete at 30 June 2012. Virgin Media companies continue to occupy the buildings concerned and to bear all costs associated with the properties, which carry an annual rental of £2,237,000 in total. The total rentals remaining on the outstanding lease terms (which expire by November 2014 at the latest) at 30 June 2012 total £5,292,000 (2011: £7,529,000). Although Virgin Media have indemnified Arqiva Limited for these costs, Arqiva Limited remains ultimately liable for the costs concerned.

25 Pension commitments

Defined benefit scheme

In the year to 30 June 2012, the Group operated one defined benefit scheme, sponsored by Arqiva Limited. The assets of the scheme are held separately from those of Arqiva Limited in trustee administered funds.

Triennial valuation

The triennial valuation of the Group's defined benefit pension obligations as at 30 June 2011, for actuarial funding purposes, has resulted in an assessed deficit of £17.4m. Gross plan liabilities at the valuation date were £130.5m compared to gross plan assets of £113.1m. Arqiva Limited has agreed with the trustee to make deficit recovery payments into the Plan of £5.7m in July 2013, £5.7m in July 2014 and £4.1m in July 2015, after taking into account payments already made under the previous recovery plan since the date of the valuation.

FRS 17 assumptions

The assumptions used for the scheme for the purpose of the FRS 17 accounting position as at the year end are set out below, along with the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS 17 liabilities and the deficit / surplus of assets below / above the FRS 17 liabilities (which equals the gross pension liability / asset).

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An actuarial valuation for the purpose of statutory reporting under FRS 17 was carried out at 30 June 2012 in consultation with an independent firm of consulting actuaries, Lane Clark & Peacock LLP. The principal assumptions made are:

	30 June 2012	30 June 2011
Price inflation (RPI)	3.00%	3.65%
Price inflation (CPI)	2.00%	2.65%
Discount rate	4.70%	5.75%
Pension increases (LPI with a minimum of 3%)	3.50%	3.80%
Salary growth	3.00%	4.15%
Life expectancy of a male age 60 (current pensioner)	26.6yrs	25.7yrs
Life expectancy of a male age 60 (future pensioner)	28.2yrs	27.0yrs

As required by FRS 17 'Retirement benefits', the value of the defined benefit liabilities has been measured using the projected unit method.

Asset distribution and long term rate of return expected

	30 June 2012 Expected return	30 June 2012 Fair value £'000	30 June 2011 Expected return	30 June 2011 Fair value £'000
Equities	6.70%	65,600	7.35%	72,100
Bonds	3.50%	62,500	4.80%	38,600
Cash	0.50%	200	0.50%	2,400
Total		128,300		113,100

Balance sheet

Total fair value of assets	128,300	113,100
Present value of scheme liabilities	(131,300)	(109,500)
Gross pension (liability) / asset	(3,000)	3,600
Deferred tax asset / (liability)	720	(936)
Net pension (liability) / asset	(2,280)	2,664

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

A higher long term rate of return is expected on equity investments than that which is available on bonds. The extent to which equities are assumed to provide higher returns than bonds in the future is estimated based on the returns achieved above bond returns historically and market conditions at the balance sheet date.

Arqiva Limited pays contributions of 26.3% of pensionable salaries for the majority of the 351 active members of the scheme, plus the cost of matching AVC added year payments.

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

	Year ended 30 June 2012	Year ended 30 June 2011
	£'000	£'000
1 July	109,500	101,800
Current service costs	4,600	4,700
Settlements	600	(100)
Contributions by employees	1,800	2,200
Interest cost	6,300	5,800
Benefits paid	(2,000)	(3,000)
Actuarial loss / (gain)	10,500	(1,900)
30 June	131,300	109,500

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

	Year ended 30 June 2012	Year ended 30 June 2011
	£'000	£'000
1 July	113,100	89,500
Expected return on scheme assets	7,500	5,700
Actuarial (loss) / gain	(3,300)	10,600
Contributions by employers	11,200	8,100
Contributions by employees	1,800	2,200
Benefits paid	(2,000)	(3,000)
30 June	128,300	113,100

The post retirement deficit under FRS 17 moved over the year as follows:

	Year ended 30 June 2012	Year ended 30 June 2011
	£'000	£'000
Surplus / (deficit) at 1 July	3,600	(12,300)
Current service costs	(4,600)	(4,700)
Settlements	(600)	100
Contributions	11,200	8,100
Other net finance income / (expense)	1,200	(100)
Actuarial (loss) / gain	(13,800)	12,500
(Deficit) / surplus at 30 June	(3,000)	3,600

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The following amounts have been included within operating profit:

	Year ended 30 June 2012	Year ended 30 June 2011
	£'000	£'000
Current service costs (employer only)	4,600	4,700
Settlements	600	(100)
Total operating charge	5,200	4,600

The following amounts have been included as net finance expense under FRS 17:

	Year ended 30 June 2012	Year ended 30 June 2011
	£'000	£'000
Expected return on pension scheme assets	7,500	5,700
Interest on post retirement liabilities	(6,300)	(5,800)
Net finance income / (expense)	1,200	(100)

The actual return on scheme assets was a gain of £4,200,000 (2011: £16,300,000).

The following amounts have been recognised within the statement of group total recognised gains and losses ('STRGL') under FRS 17:

	Year ended 30 June 2012	Year ended 30 June 2011
	£'000	£'000
Actual return less expected return on scheme assets	(3,300)	10,600
(Losses) / gains due to changes in assumptions underlying the FRS 17 value of scheme liabilities	(12,200)	1,900
Experience gains / (losses) arising on the scheme's liabilities	1,700	-
Actuarial (loss) / gain recognised in the STRGL	(13,800)	12,500

The cumulative amount of actuarial gains and losses recognised in the STRGL is a loss of £15,010,000 (2011: £1,210,000).

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The history of experience gains and losses is:

	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Present value of scheme liabilities	(131,300)	(109,500)	(101,800)	(78,520)	(72,920)
Fair value of scheme assets	128,300	113,100	89,500	68,480	66,430
(Deficit) / surplus on scheme	(3,000)	3,600	(12,300)	(10,040)	(6,490)
Actual return less expected return on scheme assets	(3,300)	10,600	7,620	(10,640)	(9,960)
Percentage of Scheme's assets	(3%)	9%	9%	(16%)	(15%)
Experience gains and (losses) arising on scheme's liabilities	1,700	-	-	(959)	(300)
Percentage of the FRS 17 value of the scheme's liabilities	(1%)	0%	0%	1%	0%
Total amount recognised in the STRGL	(13,800)	12,500	(6,060)	(3,030)	(8,720)
Percentage of the FRS 17 value of the scheme's liabilities	11%	(11%)	6%	4%	12%

The scheme is closed to new entrants and under the method used to calculate pension costs in accordance with FRS 17, the cost as a percentage of covered pensionable payroll will tend to increase as the average age of the membership increases.

Other pension schemes

Arqiva Limited

Arqiva Limited has operated a defined contribution scheme during the year, for those employees who are not members of the Defined Benefit scheme described above. Contributions payable in respect of this scheme for the year were £4,289,000 (2011: £5,069,000). The assets of the scheme are held outside of the Group.

An amount of £654,000 (2011: £553,000) is included in accruals being the outstanding contributions to the defined contribution scheme.

Arqiva Inc

Arqiva Inc operates a defined contribution scheme for its employees. Contributions payable in respect of this scheme for the year were £67,000 (2011: £74,000). The assets of the scheme are held outside of the Group.

An amount of £6,000 (2011: £6,000) is included in accruals being the outstanding contributions to the defined contribution scheme.

26 Related party disclosures

On a consolidated basis transactions and balances between group entities have been eliminated in full and are therefore not disclosed in accordance with FRS 8 'Related party disclosures'.

The Company has taken advantage of the exemptions available under FRS 8 for disclosure of transactions with entities that are part of the Group as related parties in these financial statements.

Related party transactions:

As at 30 June 2012, the amount outstanding from Arts Alliance Media Investment Limited, a joint venture company, including accrued interest was £nil (2011: £4,808,000). No interest was charged during the year to 30 June 2012 (2011: £3,750,000 at 0% and £525,000 at 15%) but an adjustment of £13,000 was made to the 2011 balance. The loan was converted into an equity investment during the year.

In 2012 the Group received a dividend from MXR Holdings Limited, a Company in which the Group has a trade investment, of £60,000 (2011: £72,000). In 2011 the Group received an additional cash payment of £126,000 relating to the dividend declared on 24 June 2010.

The Group paid subscriptions of £2,573,000 (2011: £2,738,000) to DTV Services Limited, an associate undertaking, and £5,456,000 (2011: £4,568,000) to YouView TV Limited, a joint venture.

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2012	Macquarie Bank Limited*	Airwave*	Macquarie Capital Group Limited*	Broadcast Australia *
	£000's	£000's	£000's	£000's
Swap interest paid	7,954	-	-	-
Sales (net)	-	13,479	-	-
Expenses	-	457	131	-
Trade creditors	-	(153)	-	-

* A related party by virtue of common influence.

2011	Macquarie Bank Limited*	Airwave*	Macquarie Capital Group Limited*	Broadcast Australia *
	£000's	£000's	£000's	£000's
Swap interest paid	7,126	-	-	-
Sales (net)	-	13,743	-	-
Expenses	-	426	181	41
Trade debtors	-	243	-	-

* A related party by virtue of common influence.

27 Immediate parent company and ultimate UK parent undertaking

The Company's immediate parent undertaking is AF3. The ultimate UK parent undertaking and the smallest group to consolidate these financial statements is ABHL.

Copies of the ABHL consolidated financial statements and the AF3 financial statements can be obtained from the Company Secretary of each company at Crawley Court, Crawley, Winchester, Hampshire, SO21 2QA.

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

28 Controlling parties

ABHL 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, as defined by FRS 8.

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

Arqiva Financing No 2 Limited

(formerly Macquarie UK Broadcast Enterprises Limited)

Registered number 06137899

Annual Report and Consolidated Financial Statements

For the year ended 30 June 2011

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Directors' report and statement of Directors' responsibilities

The Directors of Arqiva Financing No 2 Limited (formerly Macquarie UK Broadcast Enterprises Limited), registered company number 06137899, ('the Company') and its subsidiaries ('the Group') submit the following annual report and audited consolidated financial statements ('the financial statements'), in respect of the year ended 30 June 2011.

During the year the Company changed its name to Arqiva Financing No 2 Limited

Business review and principal activities

The Group owns and operates a portfolio of communications infrastructure and provides television and radio transmission services, tower site rental to mobile network operators, media services and radio communications in the United Kingdom ('UK') and satellite services in the UK, Europe and the United States of America ('USA').

The Group has re-organised its business into three customer facing business units, supported by an operations division and central corporate functions. This has included strengthening the management team in key areas to enable the Group to focus on customer service, growth and efficiency. Key changes in the management team include the recruitment of a new Chief Executive Officer, Chief Financial Officer, Group Strategy and Business Development Director and two divisional Managing Directors, all of whom sit on the management board.

The business units within the Group comprise:

- Broadcast and Media ('B&M') is the sole provider of transmission services for all UK terrestrial TV broadcasters, including the new networks being built for the Digital Switch Over ('DSO'). Transmission is also provided for BBC Radio and most commercial radio stations. The satellite element of the business unit provides global communication platforms to enterprise, government and broadcast customers around the world. It owns and operates teleports at key locations, as well as owning an international terrestrial fibre network and extensive media facilities and leasing satellite capacity. These enable the Group to provide customers with a comprehensive range of services to deliver their data, broadcasts and media across the globe.
- Government, Mobile and Enterprise ('GME') provides cellular, wireless broadband, voice and data solutions for the mobile communications, public safety, local government and commercial markets. Arqiva is the largest independent provider of wireless tower sites in the UK and Ireland. With its own spectrum, the Group can provide complete mobile communications networks including backhaul links.
- The multiplex business was separated into a new operating business unit, Digital Platforms, with effect from 1 July 2011. The Group owns and operates two of the four main commercial digital terrestrial TV multiplexes, enabling major media companies to bring their TV and radio services to the Freeview platform.
- The Business Operations division provides engineering, delivery, monitoring and maintenance services to the whole of the Group, their focus being on service and efficiency.
- Central corporate functions include Strategy and Business Development, Finance, Legal and Commercial and Human Resources. In the past year the Group has significantly strengthened these areas in order to support the focus on growth, planning, efficiency and corporate finance activities.

The Company is a holding company with an investment in a sub group of operating companies.

Terrestrial transmission services in the UK are transitioning from analogue and low power digital transmission service to a high power digital transmission service. The Group is delivering a significant and complex digital switchover engineering project (DSO) to provide Digital Terrestrial Television ('DTT') transmission services nationwide. The programme is currently running within plan parameters, with eight regions (Border, West Country, Granada, Wales, West, STV North, Channel Islands and STV Central) fully digital as at 30 June 2011. 39% of UK households were receiving high power digital transmission services as at 30 June 2011.

The Group delivered increased revenues of £825,705,000 (2010: £823,174,000), with a gross profit of £490,696,000 (2010: £460,890,000) and increased operating profit of £116,108,000 (2010: £101,686,000). After interest charges and exceptional items the results show a pre-tax loss of £392,626,000 (2010: £361,873,000). The Group has net current liabilities of £1,530,031,000 (2010: £1,488,172,000) and capital employed of £1,950,187,000 (2010: £1,575,688,000).

Key performance indicators ('KPIs')

The key measure of the Group's performance is EBITDA. EBITDA is defined as operating profit, before share of profit from joint ventures and associates, profit or losses on the disposal of fixed assets, depreciation, amortisation, interest and exceptional items. EBITDA for the year ended 30 June 2011 is £360,719,000 (2010: £342,691,000) an increase of 5.3%.

Business environment

The Group is the sole owner and operator of the UK's nationwide terrestrial TV infrastructure and the major owner and operator of the UK's Radio infrastructure. The Group's activities are key to the technological evolution from analogue to digital based services and critical to all TV and Radio broadcasters.

The Group is responsible for delivery of the DSO engineering project. The investment in this project is secured by long-term fixed or RPI linked contracts out to 2034 with high quality counterparties such as the BBC and ITV, securing long-term revenues. Terrestrial TV remains the platform of choice in the UK, at completion of the programme in 2013 it will cover 98.5% of the population.

The Group is the UK's largest independent provider of wireless towers, having leading positions in rural sites, which are critical to mobile network operators' contractual obligations to provide national coverage. The Group's tower portfolio is secured by RPI linked contracts with each of the largest operators. The mobile industry is experiencing significant growth in demand for mobile data, which is expected to fuel continued investment in mobile infrastructure. Planning restrictions create high barriers to entry, eliminating the risk of large scale competition. The anticipated release of spectrum for use in the mobile market is also expected to drive growth in revenue.

The public safety activities of the GME division have been affected by the recent cuts in government spending. The public safety business forms less than 4% of Group revenue and the Group has reacted to the reduced revenue in this area by reducing costs and exiting low margin contracts.

The Group holds spectrum licences for two of the four main commercial digital terrestrial TV multiplexes, selling space for channel programming on the Freeview platform. Since 2004, this has run at close to 100% utilisation with customers including Film4 and UKTV. Channel contracts vary in length but are usually between three and five years duration.

Dividends and transfers to reserves

The Company has declared no dividends in the year (2010: £nil). The Group has declared dividends of £15,000 (2010: £70,000)

The consolidated loss for the year of £383,509,000 (2010: £352,373,000) was transferred to reserves.

Future developments

It is the intention of the Company and the Group to continue to operate and invest in communications infrastructure.

The Group's multiplex business was separated into a new operating business unit, Digital Platforms, with effect from 1 July 2011.

Creditor payment policy

The Group seeks to treat all of its suppliers fairly and it is the Group's policy to agree the terms of payment at the start of business with that supplier, ensure that suppliers are aware of the terms of payment and to pay in accordance with its contractual and other legal obligations. Trade creditor days are 51 (2010: 46 days).

Principal risks and uncertainties facing the business

The key business risks affecting the Group are set out below; however the Group has long term contracts in place with a number of significant blue chip customers which contributes to the Group's long term stability.

- Completion of the DSO programme by 2013. This risk is mitigated by regular monitoring of key milestones per site. The project remains on schedule.
- Demand for wireless communications and impact on demand for access to the Group's towers. Significant amounts of capital expenditure have been invested in developing the wireless communications infrastructure in the UK. The Group's wireless tower portfolio (the largest independent portfolio in the UK) is essential to the UK's mobile network operators, and also provides radio communication services to enterprise and emergency organisations. The demand for mobile data continues to grow and indications are that spectrum capacity, and antenna deployments, will need to increase to cope with this demand. The Group continues to closely monitor the development of wireless technology and network deployment activities by mobile network operators, and involves itself in trials such as White Space technology.
- Network sharing activity amongst the mobile network operators. The Group's sites are predominantly located in rural and suburban areas. Their location exclusivity and restrictive planning regulations creates significant barriers to mobile network operators reducing their presence on Arqiva's portfolio. Arqiva continues to closely monitor the development of wireless technology and network deployment activities by the mobile network operators. The Group seeks to protect itself by negotiating long term contracts where it makes itself the focal point for consolidation, and facilitates the mobile network operators consolidation in return for protection of its revenue streams.
- Delivery of DTT Managed Transmission Service contracts with TV broadcasters. Performance is closely monitored against the service level agreements in place to ensure delivery to the required standard.
- Developments in alternative broadcast technologies, such as broadband internet connected TV, which competes against the Group's DTT transmission business. The Group has mitigated some of this risk by investing in YouView TV Limited, a joint venture formed to develop and promote the DTT platform. DTT retains the largest share of broadcast transmission in the UK.

Going concern

The Company and Group adopt the going concern basis in preparing the financial statements based on the support from its parent undertakings described below, the future cash flow forecasts of the Group and available facilities, which lead the Directors of the Company to have a reasonable expectation that the Company and Group will have adequate resources to continue in operational existence for the foreseeable future. The Group had a net cash inflow from operating activities of £315,907,000 in the year (2010: £318,197,000).

The Company and Group have inter-company loan agreements with parent undertakings. Under the terms of these loan agreements, the parent undertakings may only demand repayment of loans provided that such a repayment would not cause the Company and Group to become insolvent.

The Company and Group have inter-company agreements with Arqiva Financing No 1 Limited (formerly Macquarie UK Broadcast Ventures Limited) ('AF1'), Arqiva UK Broadcast Holdings Ltd (formerly Macquarie UK Broadcast Limited) ('AUKBH'), Arqiva Limited, Arqiva Telecoms Investment Limited ('ATIL'), Arqiva Holdings Limited ('AHL'), Arqiva Services Limited ('ASL'), Lattice Telecommunications Asset Development Company Limited ('TADCO') and Arqiva No 2 Limited. These agreements provide that these companies will give financial support to each other so that they can meet their liabilities as they fall due and they agree not to demand repayment of the inter-company loans if this would cause the borrower to become insolvent.

Financial risk management

The Group's operations expose it and the Company to a variety of financial risks that include price risk, credit risk, liquidity risk, cash flow interest risk and foreign exchange risk. The Group's risk management programme seeks to minimise potential adverse effects as set out below.

Price risk

Energy is a major component of the Group's cost base. A large proportion of this is managed via pass-through arrangements to customers. The Group's residual exposure to fluctuations in the electricity price is managed by forward purchasing the majority of power requirements.

Credit risk

The Group is exposed to credit risk on customer receivables which is managed through appropriate credit checking procedures prior to taking on new customers, higher risk customers paying in advance of services being provided, and the generally low risk nature of the majority of the customer portfolio.

Liquidity risk

The Group uses medium term committed debt facilities to ensure the Group has sufficient available funds for operations and planned growth. In addition, at 30 June 2011 the Group had £74,300,000 available working capital facilities to cover short term cash flow timing differences if required. The Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements.

Cash flow interest risk

The Group has variable rate bank debt and uses interest rate and inflation swaps to hedge its exposure to rising interest rates. The Group maintains a hedging policy to manage interest rate risk and to ensure the certainty of future interest cash flows. It currently has fixed rate hedging, split equally between interest rate swaps and inflation swaps. Interest rate swaps convert variable rate interest costs to fixed rate interest costs while inflation swaps convert variable rate interest costs to RPI-linked costs, which fluctuate in line with the RPI index as do a proportion of the Group's revenue contracts.

Foreign exchange risk

The Group operates from UK sites and predominantly in the UK market, but has some transactions denominated in foreign currency. While some customer and supplier contracts are denominated in other currencies (US Dollars and Euros), the majority of the Group's revenues and costs are sterling based, and accordingly exposure to foreign exchange risk is low. Management regularly monitor the impact of foreign exchange risks and assess the need to put any mitigating financial instruments in place. During the year, forward foreign exchange contracts were used to fix the exchange rate for certain overseas revenue contracts.

Environment

The Group recognises that its activities and those of its subsidiaries impact on the environment to some degree, and aims to reduce negative impacts through a system of active environmental management. The Group aims to:

- comply with current and future legislative requirements, encourage best environmental practice and commit to continual improvement;
- fulfil applicable landscape and ecological commitments;
- minimise pollution from its activities;
- plan the contingency / emergency response for major incidents with other environmental stakeholders, to minimise environmental impact;
- engender within its staff, and as far as practicable its contractors, a culture of awareness and responsibility for relevant environmental issues by promoting its environmental policy internally;
- continue to develop the environmental management system to support these aims; and
- promote its environment-friendly credentials as widely as possible.

Health and safety

The Group is committed to complying with applicable health and safety legislation, and to continual improvement in achieving a high standard of health, safety and welfare for its operating environments and for all those in the organisation and others who may be affected by its activities.

Employees

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

The Group'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 the Group manage change effectively. The goals of each forum are to act as the formal staff consultative body for its part of the business within Arqiva, provide a voice to management on employee issues, initiate and support division-wide social activities, and promote consultation and sharing of information. The Group Employee Forum comprises representatives of all the local forums. This forum provides an effective channel for communication and collective consultation on issues that affect the whole Group.

In the past year the Group intranet 'Connect', has been relaunched. This has improved the volume and quantity of information available to employees on all matters including company performance, and issues affecting our industry. Our quarterly employee magazine 'IQ' has continued to develop and includes business news, information on special projects, people profiles, environmental and charity initiatives and competitions.

The Company itself has no employees (2010: none).

Directors

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

- Peter Shore
- Christian Seymour
- Alain Carrier
- Daniel Fetter
- Edward Beckley (Appointed 26 November 2010)
- Damian Walsh (Appointed 29 November 2010)
- Peter Douglas (Appointed 28 January 2011)
- Adrianus Wamsteker (alternate)
- Andreas Kottering (alternate)
- Marc Perusat (alternate)
- Robert Wall (alternate) (Appointed 4 August 2010)
- Graeme Bevans (Resigned 16 July 2010)
- Martin Stanley (Resigned 26 November 2010)

Company Secretary

Michael Giles is the Company Secretary.

Disclosure of information to the Independent Auditors

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

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

Charitable donations

During the year, the Group made charitable donations of £49,000 (2010: £7,000). All contributions were made as part of a matched funding scheme to match employee fundraising for charitable events up to £500 per employee.

Research and development

The Group performs research and development into new products and technology. Development costs are capitalised in accordance with Group policy. The research and development costs expensed in the year total £nil (2010: £24,000).

Freehold land and buildings

The difference between the market value of the Group's land and buildings and the carrying amount is a lower market value by £82,748,000 (2010: £124,910,000). This is based upon a market valuation completed as at 30 June 2010, uplifted by the percentage increase in the FTSE UK commercial property index to 30 June 2011. The Directors are comfortable the carrying value of the assets in the financial statements is supported by their value in use to the business.

Overseas branches

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

Directors' indemnities

The Group maintains liability insurance for the Company Directors and officers. Following shareholder approval, the Company has also provided an indemnity for its directors and the Company Secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

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

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

By order of the Board

Michael Giles
Company Secretary
Crawley Court
Crawley
Winchester
Hampshire
SO21 2QA

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Independent Auditors' report to the Members of Arqiva Financing No 2 Limited (formerly Macquarie UK Broadcast Enterprises Limited)

We have audited the Group and parent company financial statements of Arqiva Financing No 2 Limited (formerly Macquarie UK Broadcast Enterprises Limited) for the year ended 30 June 2011, which comprise the consolidated profit and loss account, the consolidated balance sheet, the statement of group total recognised gains and losses, the consolidated cash flow statement, the company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and Auditors

As explained more fully in the statement of Directors' responsibilities set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 30 June 2011 and of the Group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Alan Kinnear (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

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26 October 2011

Consolidated profit and loss account

	Note	Year ended 30 June 2011 £'000	Year ended 30 June 2010* £'000
Continuing operations			
Turnover (including share of joint venture)		830,748	824,919
Less: share of joint ventures' turnover		(5,043)	(1,745)
Group turnover	2	825,705	823,174
Cost of sales		(335,009)	(362,284)
Gross profit		490,696	460,890
Administrative expenses		(374,588)	(359,204)
Group operating profit	3	116,108	101,686
Share of operating loss in joint venture and associates		(333)	(744)
Total operating profit: Group and share of joint venture and associates		115,775	100,942
Income from shares in group undertakings		72	126
Exceptional items – Fundamental reorganisation		(8,801)	(4,180)
Exceptional items – Loss on disposal of assets		(2,136)	-
Non-operating profit exceptional items	4	(10,937)	(4,180)
Profit on ordinary activities before interest		104,910	96,888
Interest receivable and similar income	7	392	1,029
Interest payable and similar charges	8	(497,928)	(459,790)
Loss on ordinary activities before taxation		(392,626)	(361,873)
Tax on loss on ordinary activities	9	9,244	9,641
Loss on ordinary activities after taxation		(383,382)	(352,232)
Equity minority interests		(127)	(141)
Loss for the financial year	19,20	(383,509)	(352,373)

* Restated, see notes 7 and 8.

There is no material difference between losses on ordinary activities for the year above and the comparative year and their historical cost equivalent.

Consolidated balance sheet

	Note	30 June 2011 £'000	30 June 2010* £'000
Fixed assets			
Intangible assets	11	2,304,118	2,459,618
Tangible assets	12	1,565,516	1,480,979
Investments	13		
<i>Investments in joint venture</i>			
- <i>Share of gross assets</i>		20,224	3,970
- <i>Share of gross liabilities</i>		(21,606)	(5,019)
- <i>Goodwill on acquisition</i>		5,849	5,849
<i>Investments in associated undertakings</i>		110	110
		4,577	4,910
		3,874,211	3,945,507
Current assets			
Debtors	14	190,186	174,426
Cash at bank and in hand	15	32,148	25,153
Total current assets		222,334	199,579
Creditors: amounts falling due within one year	16	(1,752,365)	(1,687,751)
Net current liabilities		(1,530,031)	(1,488,172)
Total assets less current liabilities		2,344,180	2,457,335
Creditors: amounts falling due after more than one year	17	(4,239,587)	(3,962,402)
Provisions for liabilities and charges	18	(57,444)	(61,765)
Net liabilities excluding pension asset / (deficit)		(1,952,851)	(1,566,832)
Pension asset / (deficit)	25	2,664	(8,856)
Net liabilities including pension asset / (deficit)		(1,950,187)	(1,575,688)
Capital and reserves			
Called up share capital	19	-	-
Merger reserve	19	(188,523)	(188,523)
Profit and loss reserve	19	(1,761,996)	(1,387,370)
Total shareholders' deficit	20	(1,950,519)	(1,575,893)
Minority interest		332	205
Capital employed		(1,950,187)	(1,575,688)

*Restated to reflect the maturity profile of certain balances with Group undertakings.

The accounting policies and notes on pages 13 to 35 form part of these financial statements.

These financial statements were approved by the Board of Directors on and were signed on its behalf by:

Peter Shore - Director

Statement of group total recognised gains and losses

	Year ended 30 June 2011	Year ended 30 June 2010
	£'000	£'000
Loss for the financial year	(383,509)	(352,373)
Actuarial gain / (loss) on pension schemes	12,500	(6,060)
Exchange adjustment offset in reserves (translation of foreign investments)	(352)	(100)
Movement on deferred tax relating to net pension asset / (liability)	(3,250)	1,697
Total recognised losses for the year	(374,611)	(356,836)

Consolidated cash flow statement

	Note	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Net cash inflow from operating activities	21	315,907	318,197
Dividends from associates		198	1,652
Returns on investment and servicing of finance			
Interest received		370	526
Interest paid to external sources		(164,010)	(162,231)
Interest element of finance lease rentals		(1,216)	(1,244)
		(164,856)	(162,949)
Tax paid		(1,392)	(516)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(176,936)	(205,699)
Purchase of intangible fixed assets		-	(2,976)
Sale of tangible fixed assets		3,031	-
		(173,905)	(208,675)
Acquisitions and disposals			
Purchase of subsidiary undertakings		(2,082)	(3,264)
Cash acquired with subsidiary undertakings		-	2,077
		(2,082)	(1,187)
Equity dividends paid		(85)	-
Financing			
Finance lease capital		(386)	(765)
Borrowings from parent undertakings		(85,000)	(78,700)
Loans to joint ventures		(288)	(2,388)
Repayment of external borrowings		(54,426)	-
Increase in external borrowings		173,310	133,647
		33,210	51,794
Increase / (decrease) in net cash	22	6,995	(1,684)
Reconciliation of net cash flow to movement in net debt			
Net debt at 1 July		(5,140,872)	(4,802,458)
Increase / (decrease) in net cash		6,995	(1,684)
Movement in financing		(33,210)	(51,794)
Other non-cash changes		(329,203)	(284,936)
Net debt at 30 June	22	(5,496,290)	(5,140,872)

Company balance sheet

	Note	30 June 2011 £'000	30 June 2010* £'000
Fixed assets			
Investments	13	-	-
		-	-
Current assets			
Debtors	14	1,752,122	1,690,542
Cash at bank and in hand	15	78	106
Total current assets		1,752,200	1,690,648
Creditors: amounts falling due within one year	16	(256,434)	(220,636)
Net current assets		1,495,766	1,470,012
Total assets less current liabilities		1,495,766	1,470,012
Creditors: amounts falling due after more than one year	17	(1,443,245)	(1,440,847)
Net assets		52,521	29,165
Capital and reserves			
Called up share capital	19	-	-
Profit and loss reserve	19	52,521	29,165
Total shareholders' funds	20	52,521	29,165

*Restated to reflect the maturity profile of certain balances with Group undertakings.

The accounting policies and notes on pages 13 to 35 form part of these financial statements.

These financial statements were approved by the Board of Directors on and were signed on its behalf by:

Peter Shore - Director

Notes to the financial statements

1 Principal accounting policies

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

(a) Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and applicable UK accounting standards under the historical cost convention. In order to show a true and fair view, the Group's policy in respect of merger accounting departs from the requirements of the Companies Act 2006. Details of the departures are given below. The Company is exempt under Section 408 of the Companies Act 2006 from the requirement to present its own profit and loss account. The Company made a profit for the year to 30 June 2011 of £23,356,000 (2010: £23,214,000).

On 3 April 2007, the Group acquired the entire share capital of AUKBH from AF3; the substance of the transaction was a Group reorganisation rather than an acquisition because the reorganisation represented a change in the identity of the holding company rather than the acquisition of a business. Therefore the Directors considered that to record the purchase as an acquisition by the Group would fail to give a true and fair view of the Group's results and financial position.

The purchase of the AUKBH sub-group of companies has therefore been accounted for as a merger, the true and fair override being applied such that, in the opinion of the Directors, the consolidated financial statements give a true and fair view as required by Section 403 of the Companies Act 2006.

(b) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company as at 30 June 2011 and the results of all controlled entities for the year then ended.

Businesses acquired, previously held externally to the Group, are accounted for as acquisitions with effect from the date control passes. Those disposed of are accounted for up until the date of disposal. Intra group profits have been eliminated. Undertakings, other than subsidiary undertakings, in which the Group has an investment representing not less than 20% of the voting rights and over which it exerts significant influence are treated as associated undertakings. Associates are accounted for using the equity method of accounting in accordance with FRS 9 'Associates and joint ventures'. Joint ventures are accounted for using the gross equity method. The consolidated financial statements include the appropriate share of those undertakings' results and reserves.

(c) Going concern

The Company and Group adopt the going concern basis in preparing the financial statements based on the support from its parent undertakings described below, the future cash flow forecasts of the Group and available facilities, which lead the Directors of the Company to have a reasonable expectation that the Company and Group will have adequate resources to continue in operational existence for the foreseeable future. The Group had a net cash inflow from operating activities in the year.

The Company and Group have inter-company loan agreements with parent undertakings. Under the terms of these loan agreements, the parent undertakings may only demand repayment of loans provided that such a repayment would not cause the Company and Group to become insolvent.

The Company and Group have inter-company agreements with AF1, AUKBH, Arqiva Limited, ATIL, AHL, ASL, TADCO and Arqiva No 2 Limited, which provide that these companies will give financial support to each other so that they can meet their liabilities as they fall due and they agree not to demand repayment of the inter-company loans if this would cause the borrower to become insolvent.

(d) Tangible fixed assets and depreciation

Tangible fixed assets are stated at original purchase cost (which includes costs directly attributable to bringing the assets into working condition), being fair value for acquired subsidiaries, less accumulated depreciation and any provision for impairment.

In accordance with FRS 15 'Tangible fixed assets', directly attributable finance costs are capitalised where assets take a significant period of time to become ready for use.

Depreciation is provided on a straight line basis at rates calculated to write off the cost or valued amount, less estimated residual value, of assets over their estimated useful lives. The useful economic lives of the assets have been determined taking into account the expected rate of technological developments, market requirements and expected use of the assets. The selected depreciation rates are regularly reviewed to ensure they remain appropriate to the Group's circumstances.

Asset Description	Estimated Useful Life
Freehold buildings	60 – 70 years
Leasehold buildings	Length of lease
Plant and equipment	
- Communications infrastructure network	8 – 100 years
- Network computer equipment	3 – 20 years
- Motor vehicles	3 – 5 years

Freehold land is not depreciated.

(e) Turnover

The Group's accounting policy in respect of turnover is set out in note 2.

(f) Intangible fixed assets and amortisation

The economic useful lives of intangible fixed assets are reviewed on an annual basis and revised if required, and consideration is made of whether there has been any indicator of impairment.

Development costs

Development costs incurred on development of products and services within the Group are capitalised in accordance with SSAP 13 'Accounting for research and development' and are amortised from the commencement of service over the life of the relevant contract.

Licences

Licences acquired to operate radio services are capitalised and amortised on a straight line basis over their licence period.

Goodwill

Purchased goodwill is capitalised and amortised on a straight line basis over its estimated useful life, which is considered to be no longer than 20 years. The Group capitalises costs associated with the acquisition of subsidiaries within goodwill.

Access rights

Access rights are valued on acquisition and amortised on a straight line basis over their expected useful life.

(g) Fixed asset investments

Fixed asset investments are stated at cost less any provision for impairment in value, in accordance with FRS 11 'Impairment of fixed assets and goodwill'.

(h) Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date and any exchange differences arising are taken to the profit and loss account. Exchange differences on translation of overseas operations are recognised through the 'Statement of group total recognised gains and losses'.

(i) Leasing commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group, are capitalised in the balance sheet and depreciated over their useful economic lives or the lease term, if shorter.

The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding.

Operating lease payments for assets leased from third parties are charged to the profit and loss account on a straight line basis over the period of the lease.

Equipment leased to customers under finance leases is deemed to be sold at normal selling price and this value is taken to turnover at the inception of the lease. Debtors under finance leases represent outstanding amounts due under these agreements, less finance charges allocated to future periods. Finance lease interest is recognised over the primary period of the lease so as to produce a constant rate of return on the net cash investments.

(j) Taxation and deferred taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided fully in respect of all timing differences using the liability method for timing differences where there is an obligation to pay more tax, or a right to pay less tax, in the future. The provision is calculated using the rates expected to be applicable when the asset or liability crystallises based on current tax rates and laws that have been enacted or substantively enacted at the balance sheet date. A deferred tax asset is regarded as recoverable and therefore recognised only when it is more likely than not that there will be sufficient taxable profits against which to recover carried forward tax losses and from which the future reversal of timing differences can be deducted. Deferred tax is not recognised on revalued fixed assets until a binding agreement is in place to sell such assets and the resulting gain or loss has been recognised in the financial statements. Deferred tax is measured on an undiscounted basis.

(k) Provisions

The provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

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

(l) Borrowings

Borrowings are stated at their issue proceeds, net of issue costs, less amounts repaid. Issue costs are amortised over the term of the borrowing to achieve a constant rate on the carrying amount. Interest on the borrowings is recognised as an expense as it accrues over the period of the loan, unless capitalised as noted in policy (d).

(m) Post retirement benefits

Defined contribution schemes

For defined contribution schemes, the amount charged to the profit and loss account 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 balance sheet.

Defined benefit schemes

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and terms to the scheme liabilities.

Any defined benefit asset or liability is presented separately on the face of the balance sheet and net of deferred tax.

(n) Cash at bank and in hand

Cash at bank and overnight deposits are disclosed within cash at bank.

(o) Interest

Interest income and expense are accounted for on an accruals basis and comprise amounts receivable on deposits and payable on borrowings and finance leases.

(p) Derivative financial instruments

The Group uses interest rate and inflation swaps to reduce its exposure to fluctuations in variable interest rates on its debt. Receipts, payments and accreting liabilities on interest rate and inflation swaps are recognised on an accruals basis, over the life of the instrument. Changes in the fair value of such derivatives are not recognised. Amounts received and paid under interest rate and inflation swaps are shown net under financing costs, where they are part of the same legal agreement and settled net in practice.

(q) Share issue costs

In accordance with the provision contained in FRS 4 'Capital instruments', all issue costs (as defined within the meaning of FRS 4) are accounted for as a deduction in the proceeds of the relevant capital instruments.

2 Turnover and segmental reporting

Turnover, which is stated net of value added tax, includes the value of charges made for transmission services, distribution services, products, facilities leasing, research and development contracts, external network services to national and international telecommunication operators, other contracts, rents from properties, capital works contributions from third parties and charges made under site sharing agreements.

Turnover recognised as services are provided. Cash received in advance from customers is taken to deferred income and recognised as turnover when service is provided. Turnover recognised in advance of cash received is taken to accrued income.

The Group has not disclosed segmental analysis in the financial statements as all revenue is derived from a shared infrastructure network common to all business units. Therefore, in the view of the Directors, the Group has only one class of business.

The geographical split of turnover is shown below:

	Group Year ended 30 June 2011 £'000	Group Year ended 30 June 2010 £'000
UK	698,101	684,292
Continental Europe	78,636	77,508
Rest of world	48,968	61,374
Group turnover	825,705	823,174

3 Operating profit

Operating profit is stated after charging / (crediting):

	Group Year ended 30 June 2011 £'000	Group Year ended 30 June 2010 £'000
Depreciation of owned fixed assets	88,622	79,656
Depreciation of assets held under finance lease	586	840
Amortisation of goodwill in respect of subsidiaries	153,154	153,051
Amortisation of intangible assets	2,249	7,441
Operating lease rentals		
- Land, buildings and other infrastructure	44,165	49,033
- Other	1,228	1,087
Loss on disposal of tangible fixed assets	-	17
Research and development	-	24
Foreign exchange losses / (gains)	1,301	(1,035)

Services provided by the Group's Auditor and network firms

During the year the Group obtained the following services from the Group's Auditors at costs as detailed below:

	Group Year ended 30 June 2011 £'000	Group Year ended 30 June 2010 £'000
Fees payable to Company Auditor for the audit of the parent company and consolidated financial statements.	61	64
Fees payable for the audit of other Group companies	306	372
Non-audit services		
Other audit services	210	447
Services relating to taxation	74	90
Services relating to transaction advice	399	142
All other services	209	211
Total cost of Auditors	1,259	1,326

4 Exceptional items

The non-operating exceptional items in the year to 30 June 2011 comprised of costs resulting from a fundamental reorganisation of Group operations of £8,801,000 (2010: £4,180,000) and the loss on disposal of assets of £2,136,000 (2010: £nil). The aggregate tax impact of these items was £2,420,000 (2010: £1,170,000).

5 Staff costs

The Company had no employees during the year (2010: none). The average monthly number of persons employed by the Group during the year was as follows:

	Group Year ended 30 June 2011	Group Year ended 30 June 2010*
	Number	Number
Broadcast and Media	486	570
Government, Mobile and Enterprise	107	99
Business Operations	1,115	1,121
Corporate Support	272	253
Total staff numbers	1,980	2,043

* Figures reclassified to new categories

The aggregate payroll costs of these persons were as follows:

	Group Year ended 30 June 2011 £'000	Group Year ended 30 June 2010 £'000
Wages and salaries	116,720	117,555
Social security costs	11,517	12,188
Other pension costs	9,743	9,811
Total staff costs	137,980	139,554

6 Directors' emoluments

During the year, one Director (2010: two) was an employee of Arqiva Limited.

Twelve of the Directors (2010: nine) were representatives of the Company's shareholders and their individual remuneration reflects the services they provide to the Company, its subsidiaries and a number of other entities outside of the Group. It is therefore not possible to make an accurate apportionment of each Director's emoluments in respect of each of their service to the Company and the Group. Accordingly, the details set out in the table below include no emoluments in respect of these Directors services.

One of the Directors (2010: none) was a representative of the Company's shareholders and their individual remuneration reflects the services they provide to the Company, its subsidiaries and certain other entities outside of the Group. It is however possible to make an accurate apportionment of the Director's emoluments in respect of their service to the Group. Accordingly, this is taken into account in providing the following disclosure:

	Group Year ended 30 June 2011 £'000	Group Year ended 30 June 2010 £'000
Aggregate emoluments	44	3

The Group incurred costs of £nil (2010: £nil) in respect of amounts recharged from the Directors' employer companies for the direct costs of Directors attending board meetings during the year.

7 Interest receivable and similar income

	Group Year ended 30 June 2011 £'000	Group Year ended 30 June 2010* £'000
Bank interest	165	213
Finance lease interest receivable	203	283
Interest receivable from parent undertakings	-	-
Other interest	24	533
Total interest receivable	392	1,029

*Interest receivable from parent undertakings has been restated to correctly analyse interest on the amounts due on loan balances with Group companies between interest receivable and interest payable.

8 Interest payable and similar charges

	Group Year ended 30 June 2011 £'000	Group Year ended 30 June 2010* £'000
Bank loan interest	238,108	219,693
Less: Capitalised interest	(3,458)	(3,488)
Net bank loan interest	234,650	216,205
Amortisation of debt issue costs	17,220	12,181
Interest payable to parent undertakings	232,835	219,649
Finance lease interest payable	1,216	1,244
Other interest	12,007	10,511
Total interest payable	497,928	459,790

*Interest payable to parent undertakings has been restated to correctly analyse interest on the amounts due on loan balances with Group companies between interest receivable and interest payable.

Included within bank loan interest is the interest associated with the interest rate and inflation swaps (see note 17).

9 Tax on loss on ordinary activities

	Group Year ended 30 June 2011 £'000	Group Year ended 30 June 2010 £'000
(a) Analysis of tax credit for the year		
Current tax		
UK corporation tax from prior year	-	(1,743)
Overseas tax	636	796
Overseas tax from prior year	-	205
Total current tax	636	(742)
Deferred tax		
Origination and reversal of timing differences	(6,330)	(11,077)
Recognition of deferred tax on losses	-	(9,502)
Deferred tax on pension liability charged to profit and loss account	884	1,064
Impact of rate change	(412)	-
Prior year adjustment	(4,022)	10,616
Total deferred tax	(9,880)	(8,899)
Tax on loss on ordinary activities	(9,244)	(9,641)
(b) Factors affecting the current tax charge / (credit) for the year		
The tax charge / (credit) assessed for the year is less than the standard rate of tax in the UK (27.5%). The differences are explained below:		
Loss on ordinary activities before taxation	(392,626)	(361,873)
Loss before taxation multiplied by standard rates of corporation tax in the United Kingdom of 27.5% (2010: 28%)	(107,972)	(101,324)
Expenses not deductible for tax purposes	1,276	1,899
Amortisation of goodwill	42,117	42,854
Depreciation in excess of capital allowances	8,071	12,842
Non qualifying depreciation	3,361	(2,878)
Associate / joint venture expense with no tax applicable	92	208
Income not subject to corporation tax	(1,066)	(416)
Utilisation of unrecognised tax losses	(74)	(205)
Utilisation of recognised tax losses	(1,375)	(1,301)
Other timing differences	(963)	(1,528)
Prior year adjustment	-	(1,538)
Loss on disposal of fixed assets	553	-
Overseas tax in excess of UK tax rate	119	152
Tax losses group relieved for nil consideration	56,497	50,493
Total current tax	636	(742)

The UK corporation tax rate was reduced from 28% to 26% effective from 1 April 2011. Therefore for the purpose of this tax reconciliation an average tax rate of 27.5% has been used.

The reconciling items in respect of the comparative year have been reclassified, which has resulted in additional group relief being surrendered for nil consideration.

There has been a stated intention to reduce the UK corporation tax rate in future year (see note 18).

10 Dividends

Equity dividends – Ordinary shares	Group Year ended 30 June 2011 £'000	Group Year ended 30 June 2010 £'000
Now Digital (East Midlands) Limited		
Interim dividend declared on 24 June 2010 of £10 per share	-	48
South West Digital Radio Limited		
Interim dividend declared on 19 April 2011 of £4.50 per share (2010 of £6.50 per share)	15	22
Total dividends	15	70

11 Intangible assets

Group	Licences £'000	Development costs £'000	Access rights £'000	Goodwill £'000	Total £'000
Cost					
At 1 July 2010	3,638	925	15,754	3,048,111	3,068,428
Disposals	-	-	(334)	-	(334)
At 30 June 2011	3,638	925	15,420	3,048,111	3,068,094
Accumulated amortisation					
At 1 July 2010	1,393	520	11,416	595,481	608,810
Charged in the year	352	231	1,666	153,154	155,403
Disposals	-	-	(237)	-	(237)
At 30 June 2011	1,745	751	12,845	748,635	763,976
Net book value					
At 30 June 2011	1,893	174	2,575	2,299,476	2,304,118
At 30 June 2010	2,245	405	4,338	2,452,630	2,459,618

Development costs in respect of products and services that are being developed by the Group are being capitalised in accordance with SSAP 13. These are amortised over their expected useful life once the product or service has been commercially launched.

Acquisition of the Digital Group

On 21 July 2009 the Group increased its shareholding in Digital One Limited ('D1') from 36.7% to 100%. D1 holds and operates the national commercial digital radio multiplex. As part of the same transaction the Group acquired 100% of the ordinary shares in Now Digital (Southern) Ltd ('NDSL') and 100% of the ordinary shares in Now Digital Ltd ('NDL'). NDSL and NDL hold and operate a number of regional DAB multiplex licences. NDL holds 52.5% of Now Digital (East Midlands) Limited and 66.7% of South West Digital Radio Limited. As part of this acquisition a 12% investment in the radio multiplex MXR was also acquired via MXR Holdings Limited. The fair value of assets and liabilities acquired have been finalised in the year, and no changes were made to the fair value recorded and disclosed in the 2010 financial statements.

12 Tangible assets

Group	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 July 2010	389,447	52,932	1,275,179	1,717,558
Reclassification	(7,425)	(2,746)	10,171	-
Additions	18,399	5,203	155,184	178,786
Disposals	-	-	(13,355)	(13,355)
At 30 June 2011	400,421	55,389	1,427,179	1,882,989
Accumulated depreciation				
At 1 July 2010	14,951	5,672	215,956	236,579
Reclassification	(3,139)	(2,408)	5,547	-
Charge for the year	1,474	1,358	86,376	89,208
Disposals	-	-	(8,314)	(8,314)
At 30 June 2011	13,286	4,622	299,565	317,473
Net book value				
At 30 June 2011	387,135	50,767	1,127,614	1,565,516
At 30 June 2010	374,496	47,260	1,059,223	1,480,979

The Group's fixed and other assets have been pledged as security under fixed and floating charges that have arisen as a result of borrowing agreements entered into by the Group (see note 24).

Included above is £320,003,000 (2010: £287,172,000) of capital work in progress.

Borrowing costs relating to the DSO project were capitalised during the year totalling £3,458,000 (2010: £3,488,000) at a capitalisation rate of 2.6% (2010: 2.3%). The aggregate amount of finance costs included in the cost of tangible fixed assets totals £18,362,000 (2010: £14,904,000).

Freehold land included above but not depreciated amounts to £85,736,000 (2010: £85,120,000)

Assets held under finance leases, capitalised and included within fixed assets above:

	Land and buildings £'000	Other £'000
Cost	10,907	1,603
Accumulated depreciation	(2,457)	(1,603)
Net book value		
At 30 June 2011	8,450	-
At 30 June 2010	8,897	139

Arqiva Financing No 2 Limited (formerly Macquarie UK Broadcast Enterprises Limited)

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13 Investments

Group	Investments in associates and joint ventures £'000
At 1 July 2010	4,910
Share of retained losses	(333)
At 30 June 2011	4,577

The Directors believe that the carrying value of the investment is supported by its underlying net assets.

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

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
Arqiva Financing No. 1 Limited (formerly Macquarie UK Broadcast Ventures Limited) (held directly)	United Kingdom	Holding company	30 June	100%
Arqiva UK Broadcast Holdings Limited (formerly Macquarie UK Broadcast Limited)	United Kingdom	Holding company	30 June	100%
Arqiva Limited	United Kingdom	Transmission services	30 June	100%
Arqiva Inc	USA	Transmission services	30 June	100%
Arqiva SRL	Italy	Transmission services	30 June	100%
Arqiva SAS	France	Transmission services	30 June	100%
Arqiva (Scotland) Limited	Scotland	Transmission services	30 June	100%
MUKBL Digital Limited	United Kingdom	Holding company	30 June	100%
MUKBL Digital Radio Limited	United Kingdom	Holding company	30 June	100%
Macropolitan Limited	United Kingdom	Site management	30 June	100%
Arqiva Telecoms Investment Limited	United Kingdom	Holding company	30 June	100%
Arqiva Holdings Limited	United Kingdom	Holding company	30 June	100%
Arqiva Services Limited	United Kingdom	Transmission services	30 June	100%
Arqiva No 2 Limited	United Kingdom	Transmission services	30 June	100%
Arqiva No 3 Limited	United Kingdom	Transmission services	30 June	100%
Arqiva Aerial Sites plc	United Kingdom	Management of aerial sites	30 June	100%
Lattice Telecommunications Asset Development Company Limited	United Kingdom	Telecommunications infrastructure	30 June	100%
JFMG Limited	United Kingdom	Spectrum and transmission management	30 June	100%
Digital One Limited	United Kingdom	Transmission services	30 June	100%
Now Digital Limited	United Kingdom	Transmission services	30 June	100%
Now Digital (Southern) Limited	United Kingdom	Transmission services	30 June	100%
Now Digital (East Midlands) Limited	United Kingdom	Transmission services	30 June	52.5%
South West Digital Radio Limited	United Kingdom	Transmission services	30 June	66.7%
Joint ventures:				
Arts Alliance Media Investment Limited	British Virgin Islands	Digital cinema distribution	30 June	16.4%
YouView TV Limited (formerly Canvas Pro Term Limited)	United Kingdom	Open source IPTV development	31 March	14.3%
Associate undertakings:				
DTV Services Limited	United Kingdom	Freeview market services co-ordination	31 May	20%
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	31 Dec	25%

The Company has an investment in AF1 with a cost and net book value of £1 (2010: £1).

14 Debtors

	Group 30 June 2011 £'000	Group 30 June 2010 £'000	Company 30 June 2011 £'000	Company 30 June 2010 £'000
Trade debtors	89,367	85,664	-	-
Amounts owed by group undertakings	1,409	3,849	1,752,122	1,690,542
Amounts owed by joint ventures (note 26)	4,808	4,498	-	-
Other debtors	13,359	9,838	-	-
Prepayments and accrued income	81,243	70,577	-	-
Total debtors	190,186	174,426	1,752,122	1,690,542

The Directors consider that the fair value of debtors closely approximates to book value.

Finance leases

Included within 'other debtors' are the following amounts receivable under finance leases:

	Group 30 June 2011 £'000	Group 30 June 2010 £'000
Net investment in finance leases and hire purchase contracts comprises		
Total amounts receivable	6,042	6,663
Less: Interest allocated to future years	(2,641)	(3,042)
Total finance leases	3,401	3,621

Rentals receivable during the year under finance leases and hire purchase contracts amount to £422,000 (2010: £431,000).

Company

Amounts owed by Group undertakings are unsecured and repayable on demand. Interest has been charged on £1,752,122,000 at 9.75% (2010: £1,690,542,000 at 9.75%). Of the above balances £1,419,919,000 at 9.75% is in respect of amounts due in greater than one year (2010: £1,419,919,000 at 9.75%).

The Company and Group have inter-company agreements with AF1, AUKBH, Arqiva Limited, ATIL, AHL, ASL, TADCO and Arqiva No 2 Limited. These agreements provide that these companies will give financial support to each other so that they can meet their liabilities as they fall due and they agree not to demand repayment of the inter-company loans if this would cause the borrower to become insolvent.

15 Cash at bank and in hand

	Group 30 June 2011 £'000	Group 30 June 2010 £'000	Company 30 June 2011 £'000	Company 30 June 2010 £'000
Cash at bank	10,377	6,098	78	106
Short term deposits	21,771	19,055	-	-
Total cash	32,148	25,153	78	106

16 Creditors: amounts falling due within one year

	Group 30 June 2011 £'000	Group 30 June 2010* £'000	Company 30 June 2011 £'000	Company 30 June 2010* £'000
Bank loans				
Senior debt - working capital facility	-	54,426	-	-
	-	54,426	-	-
Trade creditors	78,818	79,520	-	-
Amounts owed to Group undertakings	1,386,148	1,238,406	256,353	220,530
Other taxes and social security costs	18,676	12,462	-	-
Other creditors	15,258	19,856	81	106
Accruals and deferred income	253,042	282,689	-	-
Finance lease obligations	423	392	-	-
Total creditors: amounts falling due within one year	1,752,365	1,687,751	256,434	220,636

*Restated to reflect the maturity profile of certain balances with Group undertakings.

The Directors consider that the fair value of creditors: amounts falling due within one year closely approximates to book value.

The Company and Group have inter-company agreements with AF1, AUKBH, Arqiva Limited, ATIL, AHL, ASL, TADCO and Arqiva No 2 Limited. These agreements provide that these companies will give financial support to each other so that they can meet their liabilities as they fall due and they agree not to demand repayment of the inter-company loans if this would cause the borrower to become insolvent.

Company

Amounts owed to Group undertakings are unsecured and repayable on demand. Interest has been charged on £256,275,000 at 9.75% and £78,000 at 0% (2010: £220,452,000 at 9.75% and £78,000 at 0%).

17 Creditors: amounts falling due after more than one year

	Group 30 June 2011 £'000	Group 30 June 2010* £'000	Company 30 June 2011 £'000	Company 30 June 2010* £'000
Bank loans				
Senior debt - A1	1,509,788	1,509,788	-	-
Senior debt - A2	581,837	584,434	-	-
Senior debt - facility C	424,475	251,165	-	-
Junior debt	324,618	455,859	324,618	455,859
Accrued liability on inflation rate swaps	201,172	124,349	-	-
Less: issue costs	(33,319)	(52,067)	(3,358)	(7,240)
	3,008,571	2,873,528	321,260	448,619
Finance lease obligations	14,975	15,392	-	-
Other creditors	2,777	4,187	-	-
Amounts owed to group undertakings	1,126,066	992,228	1,123,469	992,228
Less: issue costs	(1,528)	-	(1,484)	-
Accruals and deferred income	88,726	77,067	-	-
Total creditors: amounts falling due after more than one year	4,239,587	3,962,402	1,443,245	1,440,847

*Restated to reflect the maturity profile of certain balances with Group undertakings.

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Amounts owed to Group undertakings are unsecured. Interest has been charged on £985,410,000 at 9.75% and £140,656,000 at variable rates linked to LIBOR for Group balances (2010: £985,410,000 at 9.75% and £6,818 at 0%), and £985,410,000 at 9.75% and £138,059,000 at variable rates linked to LIBOR for Company balances (2010: £985,410,000 at 9.75% and £6,818 at 0%).

	Group 30 June 2011 £'000	Group 30 June 2010 £'000	Company 30 June 2011 £'000	Company 30 June 2010 £'000
Maturity of loans				
Within one year	423	54,818	-	-
In more than one year, but not more than five years	3,184,131	2,471,354	462,677	-
In more than five years	13,390	476,451	-	462,677
Total loans	3,197,944	3,002,623	462,677	462,677

Finance leases

Future minimum payments under finance leases are as follows:

	Group 30 June 2011 £'000	Group 30 June 2010 £'000
Within one year	1,606	1,591
In more than one year, but not more than five years	5,863	6,019
After five years	22,110	23,519
Total gross payments	29,579	31,129
Less finance charges included above	(14,181)	(15,345)
Total finance leases	15,398	15,784

All senior debt represents amounts borrowed by AF1 under a Senior Facility Agreement with Barclays Capital, Commerzbank AG, HSBC Bank plc and the Royal Bank of Scotland plc as arrangers, for a facility of £2,925,000,000, further to a Senior Facility Agreement dated 3 April 2007. The working capital facility of £75,000,000 is a component of this senior debt facility.

All junior debt represents amounts borrowed by the Company under a Junior Facility Agreement with Barclays Capital, Commerzbank AG, HSBC Bank plc and the Royal Bank of Scotland plc as arrangers for a facility of £475,000,000 further to a Junior Facility Agreement dated 3 April 2007.

The senior and junior debt have certain covenants attached and are secured by way of a fixed and floating charge over the Group's assets. The loans have the following interest rates and are repayable as shown below:

Repayable by	Interest rate until April 2011	Interest rate until April 2012	Interest rate until April 2013	Interest rate until maturity
Senior - A1	1 July 2014	LIBOR + 1.75%	LIBOR + 2.00%	LIBOR + 2.25%
Senior - A2	1 December 2014	LIBOR + 2.00%	LIBOR + 2.25%	LIBOR + 2.50%
Senior - facility C	1 July 2014	LIBOR + 1.75%	LIBOR + 2.00%	LIBOR + 2.25%
Junior debt	1 July 2015	LIBOR + 4.25%	LIBOR + 4.50%	LIBOR + 4.75%

AF1 has entered into interest rate swaps and inflation swap agreements covering a total principal value of £2,625,000,000 in order to hedge its exposure to variable interest rates. £1,312,500,000 has been hedged via interest rate swaps at a fixed rate of 5.239% and £1,312,500,000 has been hedged via inflation linked swaps which fix interest at 2.02% indexed with RPI. The swaps have a mandatory break clause at the earlier of any refinancing of the Group's senior facilities or April 2014.

In addition, AF1 has entered into basis swaps with a principal value of £2,625,000,000, to swap the interest fixing period from semi-annual to monthly. Loan interest periods are matched to this frequency. The swaps are in place until June 2012.

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An amount of £201,172,000 (2010: £124,349,000) reflecting accrued liabilities under the inflation swaps is included within creditors. This amount is calculated on an accruals basis. The remaining fair value of the interest rate and inflation swaps at 30 June 2011 (excluding the inflation swap accrual), a liability of £557,797,000 (2010: £629,567,000), is held off balance sheet in accordance with Group accounting policy. This fair value is calculated on a mark to market basis.

18 Provisions for liabilities and charges

Group	Onerous contracts	Decommissioning	Restructuring	Remediation and maintenance	Other	Deferred tax	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 July 2010	2,535	31,940	-	13,385	757	13,148	61,765
Additions created through fixed assets	-	4,502	-	-	-	-	4,502
Released to profit and loss account	(256)	(1,482)	-	-	-	(10,927)	(12,665)
Charged to profit and loss account	1,540	2,618	2,000	-	-	-	6,158
Changes relating to movements in the discounted amount	-	1,196	-	-	-	-	1,196
Utilised	(959)	(853)	(1,700)	-	-	-	(3,512)
At 30 June 2011	2,860	37,921	300	13,385	757	2,221	57,444

The onerous contract provision relates to supplier contracts where the costs are expected to exceed the benefits, and onerous lease contracts where the buildings are empty but lease costs are being incurred. The provision is expected to be utilised over the next five years.

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

The restructuring provision represents the cost of restructuring the business which will be utilised during the next financial year.

The remediation and maintenance provision represents the cost of upgrading certain sites to meet safety standards and is expected to be utilised over the next two to five years.

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

The provision for deferred tax is analysed below:

	30 June 2011	30 June 2010
	£'000	£'000
Accelerated capital allowances	11,846	23,881
Short term timing differences	(438)	666
Tax losses	(9,187)	(11,399)
Undiscounted provision for deferred tax	2,221	13,148

The deferred tax liability of £2,221,000 has been calculated based on the UK corporation tax rate of 26% (the rate in force at the balance sheet date). Subsequent to the balance sheet date a UK corporation tax rate of 25% has been substantively enacted and the impact of this change in the UK corporation tax rate would reduce the liability to £2,136,000. There has also been a stated intention to reduce the UK corporation tax rate to 23% by April 2014 by a number of changes in the UK corporation tax rate; these changes have not been substantively enacted.

There is an unrecognised deferred tax asset of £17,212,000 (2010: £18,291,000) in respect of tax losses which are not anticipated to be utilised in the foreseeable future.

19 Share capital and reserves

	Share capital	Merger reserve	Profit and loss reserve
	£'000	£'000	£'000
Group			
At 1 July 2010	-	(188,523)	(1,387,370)
Actuarial gain on pension scheme	-	-	12,500
Movement on deferred tax relating to pension liability	-	-	(3,250)
Loss for the financial year	-	-	(383,509)
Dividends (see note 10)	-	-	(15)
Exchange adjustments offset in reserves (translation of foreign investments)	-	-	(352)
At 30 June 2011	-	(188,523)	(1,761,996)
Company			
At 1 July 2010	-	-	29,165
Profit for the financial year	-	-	23,356
At 30 June 2011	-	-	52,521

The merger reserve arises as a result of the true and fair override on the acquisition of the AUKBH sub group (see note 1a).

	Group and Company 30 June 2011 £	Group and Company 30 June 2010 £
Authorised:		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid:		
1 ordinary shares of £1 each	1	1

20 Reconciliation of movement in shareholders' funds / (deficit)

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Group		
Loss for the financial year	(383,509)	(352,373)
Dividends	(15)	(70)
Other recognised gains and losses relating to the year	8,898	(4,463)
Removal of former associate's profits	-	(475)
Net change in shareholders' deficit	(374,626)	(357,381)
Opening shareholders' deficit	(1,575,893)	(1,218,512)
Closing shareholders' deficit	(1,950,519)	(1,575,893)
Company		
Profit for the financial year	23,356	23,214
Opening shareholders' funds	29,165	5,951
Closing shareholders' funds	52,521	29,165

21 Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:

	Group Year ended 30 June 2011 £'000	Group Year ended 30 June 2010 £'000
Operating profit	116,108	101,686
Exceptional items	(10,937)	(4,180)
Depreciation charge	89,208	80,496
Amortisation charge	155,403	160,492
Loss on disposal of tangible fixed assets	2,010	17
Loss on disposal of intangible fixed assets	97	-
Increase in debtors	(18,016)	(641)
Decrease in creditors	(23,431)	(20,007)
Net increase in provisions	5,465	334
Net cash inflow from operating activities	315,907	318,197

22 Analysis of changes in net debt

	Note	At 1 July 2010 £'000	Cash flows £'000	Non-cash changes £'000	At 30 June 2011 £'000
Cash at bank and in hand	15	25,153	6,995	-	32,148
Amounts owed by group undertakings	14	3,849	(2,440)	-	1,409
Loans to joint ventures	14	4,498	288	22	4,808
Debt due within one year	16	(2,278,242)	141,866	(235,182)	(2,371,558)
Debt due after one year	17	(2,880,346)	(173,310)	(94,043)	(3,147,699)
Finance leases	16,17	(15,784)	386	-	(15,398)
Total		(5,140,872)	(26,215)	(329,203)	(5,496,290)

Major non-cash changes include £232,835,000 movement in inter-company balances representing interest charges rolled-up into loan capital, £76,823,000 increase in accrued liability on interest rate swap and £17,220,000 decrease in debt issue costs.

23 Commitments for expenditure

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 2011 £'000	30 June 2010 £'000
Within one year	39,269	50,292
Later than one year but not later than five years	310	13,188
Later than five years	-	6
Total capital commitments	39,579	63,486

At the balance sheet date, the Group has entered into forward contracts to purchase Euros at a total value of £1,678,000 (2010: £2,309,000). All contracts expire within one year.

Operating leases

Annual commitments in relation to non-cancellable operating leases for land, buildings and other infrastructure locations expiring:

	30 June 2011 £'000	30 June 2010* £'000
Within one year	1,555	1,111
Later than one year but not later than five years	4,150	3,525
Later than five years	17,703	17,844
Total land, buildings and other infrastructure locations operating leases	23,408	22,480

* The comparative figure for 30 June 2010 has been restated to remove contingent rentals from the annual commitment.

Other annual lease commitments expiring:

	30 June 2011 £'000	30 June 2010 £'000
Within one year	211	306
Later than one year but not later than five years	1,072	922
Total other lease commitments	1,283	1,228

24 Contingent liabilities

Under the terms of the Group's external debt facilities, the Company has provided security over the fixed and other assets by way of fixed and floating charges.

The Company and Group have inter-company loan agreements with parent undertakings. Under the terms of these loan agreements, the parent undertakings may only demand repayment of loans provided that such a repayment would not cause the Company and Group to become insolvent.

The Company and Group have inter-company agreements with AF1, AUKBH, Arqiva Limited, ATIL, AHL, ASL, TADCO and Arqiva No 2 Limited. These agreements provide that these companies will give financial support to each other so that they can meet their liabilities as they fall due and they agree not to demand repayment of the inter-company loans if this would cause the borrower to become insolvent.

The Group has provided an indemnity to the two Inmedia trading companies whose assets and liabilities were acquired during the year to 30 June 2006 in respect of any actions and claims made against those companies.

The Group is the lessee for various properties occupied by companies forming part of the Virgin Media (formerly NTL) group. Arqiva Limited is in the process of assigning these leases to Virgin Media companies, but this process was incomplete at 30 June 2011. The Group remain the main tenant on two of the leases. Virgin Media companies continue to occupy the buildings concerned and to bear all costs associated with the properties, which carry an annual rental of £2,237,000 in total. The total rentals remaining on the outstanding lease terms (which expire by November 2014 at the latest) at 30 June 2011 total £7,529,000 (2010: £9,766,000). Although Virgin Media have indemnified Arqiva Limited for these costs, Arqiva Limited remains ultimately liable for the costs concerned.

25 Pension commitments

Defined benefit scheme

In the year to 30 June 2011, the Group operated one defined benefit scheme, sponsored by Arqiva Limited. The assets of the scheme are held separately from those of Arqiva Limited in trustee administered funds.

As required by FRS 17 'Retirement benefits', the value of the defined benefit liabilities has been measured using the projected unit method.

The FRS 17 assumptions used for the scheme are set out below, along with the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS 17 liabilities and the surplus / deficit of assets above / below the FRS 17 liabilities (which equals the gross pension asset / liability).

Assumptions

An actuarial valuation was carried out at 30 June 2011 in consultation with an independent firm of consulting actuaries, KPMG LLP. The principal assumptions made are:

	30 June 2011	30 June 2010
Price inflation (RPI)	3.65%	3.50%
Price inflation (CPI)	2.65%	n/a
Discount rate	5.75%	5.55%
Pension increases (LPI with a minimum of 3%)	3.80%	3.70%
Salary growth	4.15%	4.00%
Life expectancy of a male age 60 (current pensioner)	25.7yrs	25.5yrs
Life expectancy of a male age 60 (future pensioner)	27.0yrs	26.9yrs

Asset distribution and long term rate of return expected

	30 June 2011 Expected return	30 June 2011 Fair value £'000	30 June 2010 Expected return	30 June 2010 Fair value £'000
Equities	7.35%	72,100	7.00%	54,600
Bonds	4.80%	38,600	4.40%	34,300
Cash	0.50%	2,400	0.50%	600
Total		113,100		89,500

Balance sheet

Total fair value of assets	113,100	89,500
Present value of scheme liabilities	(109,500)	(101,800)
Gross pension asset / (liability)	3,600	(12,300)
Deferred tax (liability) / asset	(936)	3,444
Net pension asset / (liability)	2,664	(8,856)

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

A higher long term rate of return is expected on equity investments than that which is available on bonds. The extent to which equities are assumed to provide higher returns than bonds in the future is estimated based on the returns achieved above bond returns historically and market conditions at the balance sheet date.

Arqiva Limited pays contributions of 26.3% of pensionable salaries for the majority of employed members, plus the cost of matching AVC added year payments.

The Group has agreed with the Trustees to make additional contributions of £3,000,000 in each of the following two years with a final additional contribution of £2,086,000 in the third year.

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

	Year ended 30 June 2011	Year ended 30 June 2010
	£'000	£'000
1 July	101,800	78,520
Current service costs	4,700	4,300
Settlements	(100)	-
Contributions by employees	2,200	1,600
Interest cost	5,800	5,200
Benefits paid	(3,000)	(1,500)
Actuarial (gain) / loss	(1,900)	13,680
30 June	109,500	101,800

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

	Year ended 30 June 2011	Year ended 30 June 2010
	£'000	£'000
1 July	89,500	68,480
Expected return on scheme assets	5,700	4,400
Actuarial gain	10,600	7,620
Contributions by employers	8,100	8,900
Contributions by employees	2,200	1,600
Benefits paid	(3,000)	(1,500)
30 June	113,100	89,500

The post retirement deficit under FRS 17 moved over the year as follows:

	Year ended 30 June 2011	Year ended 30 June 2010
	£'000	£'000
Deficit at 1 July	(12,300)	(10,040)
Current service costs	(4,700)	(4,300)
Settlements	100	-
Contributions	8,100	8,900
Other net finance expense	(100)	(800)
Actuarial gain / (loss)	12,500	(6,060)
Surplus / (deficit) at 30 June	3,600	(12,300)

The following amounts have been included within operating profit:

	Year ended 30 June 2011	Year ended 30 June 2010
	£'000	£'000
Current service cost (employer only)	4,700	4,300
Settlement	(100)	-
Total operating charge	4,600	4,300

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The following amounts have been included as net finance expense under FRS 17:

	Year ended 30 June 2011	Year ended 30 June 2010
	£'000	£'000
Expected return on pension scheme assets	5,700	4,400
Interest on post retirement liabilities	(5,800)	(5,200)
Net finance expense	(100)	(800)

The actual return on scheme assets was a gain of £16,300,000 (2010: £12,020,000).

The following amounts have been recognised within the statement of group total recognised gains and losses ('STRGL') under FRS 17:

	Year ended 30 June 2011	Year ended 30 June 2010
	£'000	£'000
Actual return less expected return on scheme assets	10,600	7,620
Gains / (losses) due to changes in assumptions underlying the FRS 17 value of scheme liabilities	1,900	(13,680)
Actuarial gain / (loss) recognised in the STRGL	12,500	(6,060)

The cumulative amount of actuarial gains and losses recognised in the STRGL is a loss of £1,210,000 (2010: £13,710,000).

The history of experience gains and losses is:

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Present value of scheme liabilities	(109,500)	(101,800)	(78,520)	(72,920)	(60,080)
Fair value of scheme assets	113,100	89,500	68,480	66,430	60,090
Surplus / (deficit) on scheme	3,600	(12,300)	(10,040)	(6,490)	10
Actual return less expected return on scheme assets	10,600	7,620	(10,640)	(9,960)	1,180
Percentage of Scheme's assets	9%	9%	(16%)	(15%)	2%
Experience (losses) and gains arising on scheme's liabilities	-	-	(959)	(300)	800
Percentage of the FRS 17 value of the scheme's liabilities	0%	0%	1%	0%	(1%)
Total amount recognised in the STRGL	12,500	(6,060)	(3,030)	(8,720)	4,100
Percentage of the FRS 17 value of the scheme's liabilities	(11%)	6%	4%	12%	(7%)

The scheme is closed to new entrants and under the method used to calculate pension costs in accordance with FRS 17, the cost as a percentage of covered pensionable payroll will tend to increase as the average age of the membership increases.

Other pension schemes

Arqiva Limited

Arqiva Limited has operated a defined contribution scheme during the year, for those employees who are not members of the Defined Benefit scheme described above. Contributions payable in respect of this scheme for the year were £5,069,000. Contributions to defined contributions schemes in the year ended 30 June 2010 amounted to £5,511,000. The assets of the scheme are held outside of Arqiva Limited.

An amount of £553,000 (2010: £503,000) is included in accruals being the outstanding contributions to the defined contribution scheme.

Arqiva Inc

Arqiva Inc operates a defined contribution scheme for its' employees. Contributions payable in respect of this scheme for the year were £74,000 (2010: £89,000). The assets of the scheme are held outside of Arqiva Inc.

26 Related party disclosures

On a consolidated basis transactions and balances between group entities have been eliminated in full and are therefore not disclosed in accordance with FRS 8 'Related party disclosures'.

The Company has taken advantage of the exemptions available under FRS 8 for disclosure of transactions with entities that are part of the Group as related parties in these financial statements.

Related party transactions:

In 2011 the Group received a dividend from MXR Holdings Limited of £72,000, in addition to the cash payment of £126,000 relating to the dividend declared on 24 June 2010. In 2010, the Group received a dividend of £1,652,000 from its former associate Digital One Limited.

During the year to 30 June 2011, the Group advanced a further loan of £288,000 (2010: £2,388,000) to Arts Alliance Media Investment Limited, a joint venture company. The amount outstanding at 30 June 2011, including accrued interest, was £4,808,000 (2010: £4,498,000). Interest has been charged on the loan principal of £3,750,000 at 0% and £525,000 at 15%. The loan amount is unsecured and has a maturity date of 30 June 2012.

The Group paid subscriptions of £2,738,000 (2010: £2,516,000) to DTV Services Limited, an associate undertaking, and £4,568,000 (2010: £nil) to YouView TV Limited, a joint venture.

2011	Macquarie Bank Limited*	Airwave*	Macquarie Capital Group Limited*	Broadcast Australia *
	£000's	£000's	£000's	£000's
Swap interest paid	7,126	-	-	-
Sales (net)	-	13,743	-	-
Expenses	-	426	181	41
Trade debtors	-	243	-	-

* A related party by virtue of common influence.

2010	Macquarie Bank Limited*	Airwave*	Macquarie Capital Group Limited*	Broadcast Australia *
	£000's	£000's	£000's	£000's
Swaps expired (principal value)	875,000	-	-	-
Swap interest paid	11,427	-	-	-
Sales (net)	-	12,889	-	-
Expenses	-	397	153	106
Trade debtors	-	109	-	-

* A related party by virtue of common influence.

27 Immediate parent company and ultimate UK parent undertaking

The Company's immediate parent undertaking is AF3. The ultimate UK parent undertaking and the smallest group to consolidate these financial statements is ABHL.

Copies of the ABHL consolidated financial statements and the AF3 financial statements can be obtained from the Company Secretary of each company at Crawley Court, Crawley, Winchester, Hampshire, SO21 2QA.

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

28 Controlling parties

ABHL is owned by a consortium of eight shareholders including Canada Pension Plan Investment Board, Macquarie European Infrastructure Funds, other Macquarie funds and minorities. There is no ultimate controlling party of the Company, as defined by FRS 8.

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

Macquarie UK Broadcast Enterprises Limited

Registered number 06137899

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For the year ended 30 June 2010

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Directors' report and statement of Directors' responsibilities

The Directors of Macquarie UK Broadcast Enterprises Limited, registered company number 06137899, ('the Company') and its subsidiaries ('the Group') submit the following annual report and audited consolidated financial statements ('the financial statements'), in respect of the year ended 30 June 2010.

Business review and principal activities

The Group owns and operates a portfolio of communications infrastructure and provides television and radio transmission services, tower site rental, media services and radio communications in the United Kingdom ('UK') and satellite services in the UK, Europe and the United States of America ('USA').

During the year, the Group provided a range of products and services to its customers principally through three business units:

- Terrestrial Broadcast provides transmission for all UK terrestrial TV broadcasters, including the new networks being built for the Digital Switch Over ('DSO'). Transmission is also provided for BBC Radio and most commercial radio stations. The Group owns and operates two of the six UK digital terrestrial TV multiplexes, enabling major media companies to bring their TV and radio services to Freeview. The charging regime for access to the Group network for the purposes of Television and Radio Broadcasting is regulated in nature; the framework is a typical rate of return (on invested capital) and pass through of operating costs model, which is overseen by the Office of Communications (Ofcom).
- Satellite & Media provides global communication platforms to enterprise, government and broadcast customers around the world. It owns and operates teleports at key locations including Los Angeles, Washington, London and Paris, as well as comprehensive satellite capacity, an international terrestrial fibre network and extensive media facilities. These enable the Group to provide organisations with a comprehensive range of services to deliver their data, broadcasts and media across the globe.
- Wireless Access provides cellular, wireless broadband, voice and data solutions for the mobile communications, public safety, local government and commercial markets. Arqiva is the largest independent provider of radio sites in the UK and Ireland. With its own spectrum, the company can provide complete mobile communications networks including backhaul links.

The Company is a holding company with an investment in an operational sub group of companies funded by external debt.

In July 2009, the Group completed a transaction with Global Radio to acquire the remaining 63% share in the commercial Digital Audio Broadcasting ('DAB') multiplex, Digital One, and ownership of Now Digital, which operates Global Radio's local digital radio multiplexes. Resulting from this transaction, the Group now accounts for minority interests in two of the entities acquired. As part of this transaction the Group also acquired a 12% stake in the radio multiplex MXR, which owns 5 regional multiplex licences.

In August 2009, the Group acquired the video-on-demand platform developed by UK VOD LLP, a joint venture set up by BBC Worldwide, ITV and Channel 4 for £6m. A further £6m was spent developing the platform to support the launch of the service.

The merger of T-Mobile and Orange went ahead during the year with operations being merged into a new venture, Everything Everywhere Limited on 1 July 2010. Through this venture Orange joined 3UK and T Mobiles' network sharing venture, Mobile Broadband Network Limited ('MBNL') in September 2010. The Group is a principal cell site partner with MBNL and the impact of the Orange / T-Mobile merger on the Group's site sharing portfolio is being closely monitored.

In March 2010, Arqiva Limited, a subsidiary company, committed with six other parties, to join the Canvas venture, which is being set up to develop an open standard for internet connected TV. The Canvas venture incorporated on 16 September 2010 as YouView TV Limited.

The consolidated results show a pre-tax loss of £361,873,000 (2009: £324,652,000) and Group turnover of £823,174,000 (2009: £805,520,000). The Group has current liabilities of £2,473,582,000 (2009: £2,295,242,000) and capital employed of £1,575,688,000 (2009: £1,218,512,000).

Key performance indicators ('KPIs')

The key measure of the Group's performance is EBITDA. EBITDA is defined as operating profit, before share of profit from joint ventures and associates, profit or losses on the disposal of fixed assets, depreciation, amortisation, interest and exceptional items. EBITDA for the year ended 30 June 2010 is £342,691,000 (2009: £306,674,000). The EBITDA margin (ratio of EBITDA to turnover, expressed as a percentage) for the year ended 30 June 2010 is 41.6% (2009: 38.0%).

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Business environment

The business environment reflects the ongoing technology evolution from analogue to digital based services, whilst mobile network operators are consolidating their networks in order to offer a broader range of services at lower costs. In addition the UK Government spending cuts will put pressure on services to this market segment. Terrestrial transmission services in the UK are transitioning from current analogue and low power digital transmission service to a high power digital transmission service. A significant and complex broadcast engineering project (DSO) is being undertaken in order to provide Digital Terrestrial Television ('DTT') transmission services. The programme is currently running within plan parameters, with the Border, West Country, Granada, Wales and West regions now fully digital. The Group has contracts with the BBC, SDN, and Digital 3/4 to design, build and operate new high-power DTT networks.

Principal risks and uncertainties facing the business

The key business risks affecting the Group are set out below:

- As identified above, completion of the DSO programme on a technical and commercial level over the next two years. This risk is mitigated by regular monitoring of key milestones per site.
- Demand for wireless communications and resultant demand for access to the Group's towers as a result of recent network sharing activity amongst the mobile network operators.
- Delivery of DTT Managed Transmission Service contracts with TV broadcasters. The contracts are closely monitored against the service level agreements in place to assess the risk of any potential breaches.
- Development in alternative broadcast technologies, such as broadband internet connected TV, which would compete against the DTT business. The Group has mitigated some of this risk by investing in YouView TV Limited.

Dividends and transfers to reserves

The Company has declared no dividends in the year (2009: £nil).

The consolidated loss for the year of £352,373,000 (2009: £302,812,000) was transferred to reserves.

Going concern

The Company and Group adopt the going concern basis in preparing its consolidated financial statements based on the support from its parent undertakings described below, the future cash flow forecasts of the Group and available facilities, which lead the Directors of the Company to have a reasonable expectation that the Company and Group will have adequate resources to continue in operational existence for the foreseeable future. The Group had a net cash inflow from operating activities of £318,197,000 in the year.

The Company and Group have inter-company loan agreements with Macquarie UK Broadcast Holdings Limited ('MUKBHL') and Macquarie UK Broadcast Services Plc ('MUKBS'). Under the terms of these loan agreements, MUKBHL and MUKBS may only demand repayment of loans provided that such a repayment would not cause the Company and Group to become insolvent.

The Company and Group have inter-company agreements with Macquarie UK Broadcast Ventures Limited ('MUKBV'), Macquarie UK Broadcast Limited ('MUKBL'), Arqiva Limited, Arqiva Telecoms Investment Limited ('ATIL'), Arqiva Holdings Limited ('AHL'), Arqiva Services Limited ('ASL'), Lattice Telecommunications Asset Development Company Limited ('TADCO') and Arqiva No 2 Limited. These agreements provide that these companies will give financial support to each other so that they can meet their liabilities as they fall due and they agree not to demand repayment of the inter-company loans if this would cause the borrower to become insolvent.

Future developments

It is the intention of the Company and the Group to continue investing in communications infrastructure projects.

The Group intends to consolidate its current business unit structure into two customer facing business units; Broadcast and Media, and Government, Mobile and Enterprise.

Creditor payment policy

The Group seeks to treat all of its suppliers fairly and it is the Group's policy to agree the terms of payment at the start of business with that supplier, ensure that suppliers are aware of the terms of payment and to pay in accordance with its contractual and other legal obligations. Trade creditor days are 46 (2009: 47 days).

Financial risk management

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

Price risk

The Group has a limited exposure to fluctuations in prices of electricity, gas and other commodities. As energy is a major component of the Group cost base, the risk of fluctuations in price is managed by purchasing the majority under a flexible purchasing strategy. Flexible contracting enables the spread of risk through forward purchasing of electricity.

Credit risk

The Group is exposed to credit risk but this is managed through appropriate credit checking procedures prior to taking on new customers, higher risk customers paying in advance of services being provided, and the generally lower risk nature of the majority of the customer portfolio.

Liquidity risk

The Group uses medium term debt finance to ensure the Group has sufficient available funds for operations and planned growth.

Cash flow interest risk

The Group has a policy of maintaining approximately 50% of bank debt at a fixed rate to ensure certainty of future interest cash flows. This is achieved using interest rate swaps to convert the floating rate term debt into fixed rate debt. The remaining interest cost of the bank debt is covered by inflation index (RPI) linked swaps.

Foreign exchange risk

The Group operates from UK sites and predominantly in the UK market, but has some transactions denominated in foreign currency. While some customer and supplier contracts are denominated in other currencies (US Dollars and Euros), the majority of the Group's revenues and cost are sterling based, and accordingly exposure to foreign exchange risk is low. Management regularly monitor the impact of foreign exchange risks and assess the need to put any mitigating financial instruments in place.

Environment

The Group recognises that its activities and those of its subsidiaries impact on the environment to some degree; therefore it aims to secure the positive advantages and reduce the negative impacts through a system of active environmental management. The Group aims to:

- comply with current and future legislative requirements, encourage best environmental practice and commit to continual improvement;
- fulfil applicable landscape and ecological commitments;
- minimise pollution from its activities;
- plan the contingency / emergency response for major incidents with other environmental stakeholders, to minimise environmental impact;
- engender within its staff, and as far as practicable its contractors, a culture of awareness and responsibility for relevant environmental issues by promoting its environmental policy internally;
- develop, implement and audit an environmental management system to support these aims; and
- promote its environment-friendly credentials as widely as possible.

Health and safety

The Group is committed to complying with applicable health and safety legislation, and to continual improvement in achieving a high standard of health, safety and welfare for its operating environments and for all those in the organisation and others who may be affected by its activities.

Employees

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

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Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests. All employees are aware of the financial and economic performance of their business units and of the Group as a whole, as this is the key driver for the bonus scheme to which employees are entitled. Communication with all employees continues using the intranet, briefing groups and distribution of an in-house magazine.

The Company itself has no employees (2009: none).

Directors

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

— Christian Seymour	
— Peter Shore	
— Martin Stanley	
— Adrianus Wamsteker	
— Alain Carrier	(Appointed 20 July 2009)
— Daniel Fetter	(Appointed 20 July 2009)
— Andreas Kottering	(Appointed 20 July 2009)
— Marc Perusat	(Appointed 19 May 2010)
— Graeme Bevans	(Appointed 20 July 2009, Resigned 16 July 2010)
— Robert Wall	(Appointed 4 August 2010)
— Andrew Hunter	(Resigned 20 July 2009)
— Graeme Barclay	(Resigned 20 July 2009)
— Michael Buckling	(Resigned 20 July 2009)
— Scott Davies	(Resigned 20 July 2009)
— Peter Douglas	(Resigned 20 July 2009)
— Gerald Moriarty	(Resigned 20 July 2009)
— Joshua McHutchison	(Resigned 23 March 2010)

Company Secretary

Michael Giles is the Company Secretary.

Disclosure of information to the Independent Auditors

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

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

Research and development

The Group performs research and development into new products and technology. Development costs are capitalised when they relate to a customer project. The research and development costs expensed in the year total £24,000 (2009: £1,408,000).

Freehold land and buildings

The difference between the market value of the Group's land and buildings and the carrying amount is a lower market value by £124,910,000. This is based upon a market valuation completed as at 30 June 2010. The Directors are comfortable the carrying value of the assets in the accounts is supported by their value in use to the business.

Overseas branches

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

Directors' indemnities

The Group maintains liability insurance for the Company Directors and officers. Following shareholder approval, the Company has also provided an indemnity for its directors and the Secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Statement of Directors' responsibilities in respect of the annual report and the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

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

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

On behalf of the Board

Peter Shore - Director

Crawley Court
Crawley
Winchester
Hampshire
SO21 2QA

27 October 2010

Independent Auditors' report to the Members of Macquarie UK Broadcast Enterprises Limited

We have audited the Group and parent company financial statements of Macquarie UK Broadcast Enterprises Limited for the year ended 30 June 2010, which comprise the consolidated profit and loss account, the consolidated balance sheet, the statement of group total recognised gains and losses, the consolidated cash flow statement, the company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and Auditors

As explained more fully in the statement of Directors' responsibilities on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's Members as a body in accordance with chapter 3, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 30 June 2010 and of the Group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Alan Kinnear (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

27 October 2010

Macquarie UK Broadcast Enterprises Limited

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Consolidated profit and loss account

	Note	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Continuing operations			
Turnover (including share of joint ventures)	2	824,919	806,852
Less: share of joint ventures' turnover		(1,745)	(1,332)
Group turnover		823,174	805,520
Cost of sales		(362,284)	(356,837)
Gross profit		460,890	448,683
Administrative expenses		(359,204)	(376,376)
Group operating profit	3	101,686	72,307
Share of operating (loss) / profit in joint venture and associates		(744)	256
Total operating profit: Group and share of joint ventures and associates		100,942	72,563
Income from shares in group undertakings		126	-
Exceptional items	4	(4,180)	(28,159)
Profit on ordinary activities before interest		96,888	44,404
Interest receivable and similar income	7	147,936	6,205
Interest payable and similar charges	8	(606,697)	(375,261)
Loss on ordinary activities before taxation		(361,873)	(324,652)
Tax on loss on ordinary activities	9	9,641	21,840
Loss on ordinary activities after taxation		(352,232)	(302,812)
Equity minority interests		(141)	-
Loss for the financial year	19,20	(352,373)	(302,812)

There is no material difference between losses on ordinary activities for the year above and the comparative year and their historical cost equivalent.

Macquarie UK Broadcast Enterprises Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2010

Consolidated balance sheet

	Note	30 June 2010 £'000	30 June 2009 £'000
Fixed assets			
Intangible assets	11	2,459,618	2,609,924
Tangible assets	12	1,480,979	1,340,240
Investments	13		
<i>Investments in joint venture</i>			
- <i>Share of gross assets</i>		3,970	4,190
- <i>Share of gross liabilities</i>		(5,019)	(4,494)
- <i>Goodwill on acquisition</i>		5,849	5,849
<i>Investments in associated undertakings</i>		110	2,444
		4,910	7,989
		3,945,507	3,958,153
Current assets			
Debtors	14	174,426	164,315
Cash at bank and in hand	15	25,153	26,837
Total current assets		199,579	191,152
Creditors: amounts falling due within one year	16	(2,673,161)	(2,486,394)
Net current liabilities		(2,473,582)	(2,295,242)
Total assets less current liabilities		1,471,925	1,662,911
Creditors: amounts falling due after more than one year	17	(2,976,992)	(2,816,747)
Provisions for liabilities and charges	18	(61,765)	(57,447)
Net liabilities excluding pension deficit		(1,566,832)	(1,211,283)
Pension deficit	25	(8,856)	(7,229)
Net liabilities including pension deficit		(1,575,688)	(1,218,512)
Capital and reserves			
Called up share capital	19	-	-
Merger reserve	19	(188,523)	(188,523)
Profit and loss reserve	19	(1,387,370)	(1,029,989)
Total shareholders' deficit	20	(1,575,893)	(1,218,512)
Minority interest		205	-
Capital employed		(1,575,688)	(1,218,512)

The accounting policies and notes on pages 12 to 35 form part of these financial statements.

These financial statements were approved by the Board of Directors on 27 October 2010 and were signed on its behalf by:

Peter Shore - Director

Alain Carrier - Director

Macquarie UK Broadcast Enterprises Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2010

Statement of group total recognised gains and losses

	Year ended 30 June 2010	Year ended 30 June 2009
	£'000	£'000
Loss for the financial year	(352,373)	(302,812)
Actuarial loss on pension schemes	(6,060)	(3,030)
Exchange adjustment offset in reserves (translation of foreign investments)	(100)	(612)
Movement on deferred tax relating to pension liability	1,697	848
Total recognised losses for the year	(356,836)	(305,606)

Macquarie UK Broadcast Enterprises Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2010

Consolidated cash flow statement

	Note	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Net cash inflow from operating activities	21	318,197	267,056
Dividends from associates		1,652	-
Returns on investment and servicing of finance			
Interest received		526	6,205
Interest paid to external sources		(162,231)	(162,524)
Interest element of finance lease rentals		(1,244)	(1,313)
		(162,949)	(157,632)
Tax (paid) / received		(516)	714
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(205,699)	(171,040)
Purchase of intangible fixed assets		(2,976)	-
Sale of tangible fixed assets		-	4
		(208,675)	(171,036)
Acquisitions and disposals			
Purchase of subsidiary undertakings	11	(3,264)	(322)
Cash acquired with subsidiary undertakings	11	2,077	615
Purchase of joint ventures and associated undertakings		-	(6,030)
		(1,187)	(5,737)
Financing			
Finance lease capital		(765)	(622)
Borrowings from parent undertakings		(78,700)	(190,652)
Loans to joint ventures		(2,388)	(1,600)
Repayment of external borrowings		-	(68,101)
Increase in external borrowings	16,17	133,647	153,944
		51,794	(107,031)
Decrease in net cash	22	(1,684)	(173,666)
Reconciliation of net cash flow to movement in net debt			
Net debt at 1 July		(4,802,458)	(4,519,134)
Decrease in net cash		(1,684)	(173,666)
Movement in financing		(51,794)	107,031
Other non cash changes		(284,936)	(216,689)
Net debt at 30 June	22	(5,140,872)	(4,802,458)

Macquarie UK Broadcast Enterprises Limited

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Company balance sheet

	Note	30 June 2010 £'000	30 June 2009 £'000
Fixed assets			
Investments	13	-	-
		-	-
Current assets			
Debtors	14	1,690,542	1,628,351
Cash at bank and in hand	15	106	53
Total current assets		1,690,648	1,628,404
Creditors: amounts falling due within one year	16	(1,206,046)	(1,168,450)
Net current assets		484,602	459,954
Total assets less current liabilities		484,602	459,954
Creditors: amounts falling due after more than one year	17	(455,437)	(454,003)
Net assets		29,165	5,951
Capital and reserves			
Called up share capital	19	-	-
Profit and loss reserve	19	29,165	5,951
Total shareholders' funds	20	29,165	5,951

The accounting policies and notes on pages 12 to 35 form part of these financial statements.

These financial statements were approved by the Board of Directors on 27 October 2010 and were signed on its behalf by:

Peter Shore - Director

Alain Carrier - Director

Notes to the financial statements

1 Principal accounting policies

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

(a) Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and applicable UK accounting standards under the historical cost convention. In order to show a true and fair view, the Group's policy in respect of merger accounting departs from the requirements of the Companies Act 2006. Details of the departures are given below. The Company is exempt under Section 408 of the Companies Act 2006 from the requirement to present its own profit and loss account. The Company made a profit for the year to 30 June 2010 of £23,214,000 (2009: £11,834,000).

On 3 April 2007, the Group acquired the entire share capital of MUKBL from MUKBS, the substance of the transaction was a Group reorganisation rather than an acquisition because the reorganisation represented a change in the identity of the holding company rather than the acquisition of a business. Therefore the Directors considered that to record the purchase as an acquisition by the Group would fail to give a true and fair view of the Group's results and financial position.

The purchase of the MUKBL sub-group of companies has therefore been accounted for as a merger, the true and fair override being applied such that, in the opinion of the Directors, the consolidated financial statements give a true and fair view as required by Section 403 of the Companies Act 2006.

(b) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company as at 30 June 2010 and the results of all controlled entities for the year then ended.

Businesses acquired, previously held externally to the Group, are accounted for as acquisitions with effect from the date control passes. Those disposed of are accounted for up until the date of disposal. Intra group profits have been eliminated. Undertakings, other than subsidiary undertakings, in which the Group has an investment representing not less than 20% of the voting rights and over which it exerts significant influence are treated as associated undertakings. Associates are accounted for using the equity method of accounting in accordance with FRS 9 'Associates and joint ventures'. Joint ventures are accounted for using the gross equity method. The consolidated financial statements include the appropriate share of those undertakings' results and reserves.

(c) Going concern

The Company and Group adopt the going concern basis in preparing its consolidated financial statements based on the support from its parent undertakings described below, the future cash flow forecasts of the Group and available facilities, which lead the Directors of the Company to have a reasonable expectation that the Company and Group will have adequate resources to continue in operational existence for the foreseeable future. The Group had a net cash inflow from operating activities in the year.

The Company and Group have inter-company loan agreements with MUKBHL and MUKBS. Under the terms of these loan agreements, MUKBHL and MUKBS may only demand repayment of loans provided that such a repayment would not cause the Company and Group to become insolvent.

The Company and Group have inter-company agreements with MUKBV, MUKBL, Arqiva Limited, ATIL, AHL, ASL, TADCO and Arqiva No 2 Limited, which provide that these companies will give financial support to each other so that they can meet their liabilities as they fall due and they agree not to demand repayment of the inter-company loans if this would cause the borrower to become insolvent.

(d) Tangible fixed assets and depreciation

Tangible fixed assets are stated at original purchase cost (which includes costs directly attributable to bringing the assets into working condition), being fair value for acquired subsidiaries, less accumulated depreciation and any provision for impairment.

In accordance with FRS 15 'Tangible fixed assets', directly attributable finance costs are capitalised where assets take a significant period of time to become ready for use.

Macquarie UK Broadcast Enterprises Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2010

Depreciation is provided on a straight line basis at rates calculated to write off the cost or valued amount, less estimated residual value, of assets over their estimated useful lives. The useful economic lives of the assets have been determined taking into account the expected rate of technological developments, market requirements and expected use of the assets. The selected depreciation rates are regularly reviewed to ensure they remain appropriate to the Group's circumstances.

Asset Description	Estimated Useful Life
Freehold buildings	60 – 70 years
Leasehold buildings	Length of lease
Plant and equipment	
- Communications infrastructure network	8 – 100 years
- Network computer equipment	3 – 20 years
- Motor vehicles	3 – 5 years

Freehold land is not depreciated.

(e) Turnover

The Group's accounting policy in respect of turnover is set out in note 2.

(f) Intangible fixed assets and amortisation

Development costs

Development costs incurred on development of products and services within the Group are capitalised in accordance with SSAP 13 'Accounting for research and development' and are amortised from the commencement of service over the life of the relevant contract.

Licences

Licences acquired to operate radio services are capitalised and amortised on a straight line basis over their licence period.

Acquisitions

Purchased goodwill is capitalised and amortised on a straight line basis over its estimated useful life, which is considered to be no longer than 20 years. The Group capitalises costs associated with the acquisition of subsidiaries within goodwill.

Access rights

Access rights are valued on acquisition and amortised on a straight line basis over their expected useful life.

The economic useful lives of intangible fixed assets are reviewed on an annual basis and revised if required, and consideration is made of whether there has been any indicator of impairment.

(g) Fixed asset investments

Fixed asset investments are stated at cost less any provision for impairment in value, in accordance with FRS 11.

(h) Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date and any exchange differences arising are taken to the profit and loss account. Exchange differences on translation of overseas operations are recognised through the 'Statement of group total recognised gains and losses'.

(i) Leasing commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group, are capitalised in the balance sheet and depreciated over their useful economic lives or the lease term, if shorter.

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The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding.

Operating lease payments for assets leased from third parties are charged to the profit and loss account on a straight line basis over the period of the lease.

Equipment leased to customers under finance leases is deemed to be sold at normal selling price and this value is taken to turnover at the inception of the lease. Debtors under finance leases represent outstanding amounts due under these agreements, less finance charges allocated to future periods. Finance lease interest is recognised over the primary period of the lease so as to produce a constant rate of return on the net cash investments.

(j) **Taxation and deferred taxation**

The charge for taxation is based on the result for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided fully in respect of all timing differences using the liability method for timing differences where there is an obligation to pay more tax, or a right to pay less tax, in the future. The provision is calculated using the rates expected to be applicable when the asset or liability crystallises based on current tax rates and laws that have been enacted or substantively enacted at the balance sheet date. A deferred tax asset is regarded as recoverable and therefore recognised only when it is more likely than not that there will be sufficient taxable profits against which to recover carried forward tax losses and from which the future reversal of timing differences can be deducted. Deferred tax is not recognised on revalued fixed assets until a binding agreement is in place to sell such assets and the resulting gain or loss has been recognised in the financial statements. Deferred tax is measured on an undiscounted basis.

(k) **Provisions**

The provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

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

(l) **Borrowings**

Borrowings are stated at their issue proceeds, net of issue costs, less amounts repaid. Issue costs are amortised over the term of the borrowing to achieve a constant rate on the carrying amount. Interest on the borrowings is recognised as an expense as it accrues over the period of the loan, unless capitalised as noted in policy (d).

(m) **Post retirement benefits**

Defined contribution schemes

For defined contribution schemes, the amount charged to the profit and loss account 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 balance sheet.

Defined benefit schemes

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and terms to the scheme liabilities.

Any defined benefit asset or liability is presented separately on the face of the balance sheet and net of deferred tax.

(n) **Cash at bank and in hand**

Cash at bank and overnight deposits are disclosed within cash at bank.

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(o) Interest

Interest income and expense are accounted for on an accruals basis and comprise amounts receivable on deposits and payable on borrowings and finance leases.

(p) Financial instruments

The Group uses interest rate swaps to reduce its exposure to fluctuations in interest rates. Receipts, payments and accreting liabilities on interest rate swaps are recognised on an accruals basis, over the life of the instrument. Changes in the fair value of such derivatives are not recognised. Amounts received and paid under interest rate swaps are shown net under financing costs, where they are part of the same legal agreement and settled net in practice.

(q) Share issue costs

In accordance with the provision contained in FRS 4 'Capital instruments', all issue costs (as defined within the meaning of FRS 4) are accounted for as a deduction in the proceeds of the relevant capital instruments.

2 Turnover and segmental reporting

Turnover, which is stated net of value added tax, includes the value of charges made for transmission services, distribution services, products, facilities leasing, research and development contracts, external network services to national and international telecommunication operators, other contracts, rents from properties, capital works contributions from third parties and charges made under site sharing agreements.

Turnover and profit is recognised as services are provided. Cash received in advance from customers is taken to deferred income and recognised as turnover when service is provided. Turnover recognised in advance of cash received is taken to accrued income.

The Group has not disclosed segmental analysis in the financial statements as all revenue is derived from a shared infrastructure network common to all three business units. Therefore, in the view of the Directors, the Group has only one class of business.

The geographical split of turnover is shown below;

	Group Year ended 30 June 2010 £'000	Group Year ended 30 June 2009 £'000
UK	684,292	670,125
Continental Europe	77,508	75,583
Rest of world	61,374	59,812
Group turnover	823,174	805,520

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3 Operating profit

Operating profit is stated after charging / (crediting):

	Group Year ended 30 June 2010 £'000	Group Year ended 30 June 2009 £'000
Depreciation of owned fixed assets	79,656	78,555
Depreciation of assets held under finance lease	840	1,074
Amortisation of goodwill in respect of subsidiaries	153,051	151,868
Amortisation of intangible assets	7,441	2,517
Operating lease rentals – communications infrastructure equipment	50,120	50,485
Loss on disposal of tangible fixed assets	17	353
Research and development	24	1,408
Foreign exchange (gains) / losses	(1,035)	1,330

Services provided by the Group's Auditor and network firms

During the year the Group obtained the following services from the Group's Auditors at costs as detailed below:

	Group Year ended 30 June 2010 £'000	Group Year ended 30 June 2009 £'000
Fees payable to Company Auditor for the audit of the parent company and consolidated accounts	64	65
Fees payable for the audit of other Group companies	372	348
Non-audit services		
Other audit services	447	85
Services relating to taxation	90	28
Services relating to transaction advice	142	650
All other services	211	13
Total cost of Auditors	1,326	1,189

4 Exceptional items

Exceptional costs incurred in the year were £4,180,000 (2009: £28,159,000). The exceptional costs in the year to 30 June 2010 comprised costs resulting from the integration of acquired subsidiaries. The exceptional costs in the year to 30 June 2009 comprised redundancy costs of £17,450,000 resulting from the integration of the National Grid Wireless ('NGW') group, and £10,709,000 of related costs such as systems integration activity and other charges.

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5 Staff costs

The Company had no employees during the year (2009: none). The average monthly number of persons employed by the Group during the year was as follows:

	Group Year ended 30 June 2010	Group Year ended 30 June 2009 *
	Number	Number
Terrestrial Broadcast	84	60
Satellite & Media	486	454
Wireless Access	99	145
Shared Network Operations	1,121	1,228
Corporate Support	253	267
Total staff numbers	2,043	2,154

* Figures re-stated to remove agency staff numbers of 195.

The aggregate payroll costs of these persons were as follows:

	Group Year ended 30 June 2010	Group Year ended 30 June 2009
	£'000	£'000
Wages and salaries	117,555	115,494
Social security costs	12,188	11,413
Other pension costs	9,811	12,842
Total staff costs	139,554	139,749

6 Directors' emoluments

	Group Year ended 30 June 2010	Group Year ended 30 June 2009
	£'000	£'000
Aggregate emoluments	3	50

During the year, two directors (2009: one) were employees of Arqiva Limited. Nine (2009: nine) of the Directors are representatives of the Company's shareholders and their individual remuneration reflects the services they provide to the Company, its subsidiaries and a number of other entities outside of the Group. It is therefore not possible to make an accurate apportionment of each Director's emoluments in respect of each of their service to the Company and the Group. Accordingly, the above details include no emoluments in respect of these Directors services.

The Group incurred costs of £nil (2009: £24,000) in respect of amounts recharged from the Directors' employer companies for the direct costs of directors attending board meetings during the year.

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7 Interest receivable and similar income

	Group Year ended 30 June 2010 £'000	Group Year ended 30 June 2009 £'000
Bank interest	213	2,168
Finance lease interest receivable	283	263
Interest receivable from parent undertakings	146,907	-
Other interest	533	3,774
Total interest receivable	147,936	6,205

8 Interest payable and similar charges

	Group Year ended 30 June 2010 £'000	Group Year ended 30 June 2009 £'000
Bank loan interest	219,693	151,058
Less: Capitalised interest	(3,488)	(6,796)
Net bank loan interest	216,205	144,262
Amortisation of debt issue costs	12,181	12,293
Interest payable to parent undertakings	366,556	205,572
Finance lease interest payable	1,244	1,313
Other interest	10,511	11,821
Total interest payable	606,697	375,261

Included within bank loan interest is the interest associated with other financial instruments.

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9 Taxation

	Group Year ended 30 June 2010 £'000	Group Year ended 30 June 2009 £'000
(a) Analysis of tax credit for the year		
Current tax		
UK corporation tax from prior year	(1,743)	(2,802)
Overseas tax	796	608
Overseas tax from prior year	205	-
Total current tax	(742)	(2,194)
Deferred tax		
Origination and reversal of timing differences	(11,077)	(14,598)
Recognition of deferred tax on losses	(9,502)	-
Deferred tax on pension liability charged to profit and loss account	1,064	(145)
Prior year adjustment	10,616	(4,903)
Total deferred tax	(8,899)	(19,646)
Tax credit on loss on ordinary activities	(9,641)	(21,840)
(b) Factors affecting the current tax charge for the year		
The tax assessed for the year is less than the standard rate of tax in the UK (28%). The differences are explained below:		
Loss on ordinary activities before taxation	(361,873)	(324,652)
Loss before taxation multiplied by standard rates of corporation tax in the United Kingdom of 28% (2009: 28%)	(101,324)	(90,903)
Expenses not deductible for tax purposes	1,899	789
Amortisation of goodwill	42,854	42,523
Depreciation in excess of capital allowances	12,842	14,580
Non qualifying depreciation	(2,878)	3,402
Non-deductible loan note interest	18,120	-
Associate / joint venture expense / (income) with no tax applicable	208	(72)
Income not subject to corporation tax	(416)	(2,432)
Overseas tax rate in excess of UK rate	152	246
Utilisation of unrecognised tax losses	(205)	(840)
Utilisation of recognised tax losses	(1,301)	-
Other timing differences	(1,528)	-
Prior year adjustment	(1,538)	(2,802)
Tax losses group relieved	32,373	33,315
Total current tax	(742)	(2,194)

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10 Dividends

	Group Year ended 30 June 2010 £'000	Group Year ended 30 June 2009 £'000
Equity – Ordinary		
Interim dividend declared on 24 June 2010 of £10 per share - Now Digital (East Midlands) Limited	48	-
Interim dividend declared on 24 June 2010 of £6.50 per share - South West Digital Radio Limited	22	-
	70	-

11 Intangible fixed assets

	Licences £'000	Development costs £'000	Access rights £'000	Goodwill £'000	Total Group £'000
Cost					
At 1 July 2009	3,638	925	15,561	3,038,118	3,058,242
Acquisition	-	-	-	9,993	9,993
Additions	-	-	193	-	193
At 30 June 2010	3,638	925	15,754	3,048,111	3,068,428
Accumulated amortisation					
At 1 July 2009	1,041	289	4,558	442,430	448,318
Charged in the year	352	231	6,858	153,051	160,492
At 30 June 2010	1,393	520	11,416	595,481	608,810
Net book value					
At 30 June 2010	2,245	405	4,338	2,452,630	2,459,618
At 30 June 2009	2,597	636	11,003	2,595,688	2,609,924

Development costs in respect of products and services that are being developed by the Group are being capitalised in accordance with SSAP 13. These are amortised over their expected useful life once the product or service has been commercially launched.

Acquisition of JFMG Limited

On 18 February 2009 the Group acquired 100% of the share capital of JFMG Limited. The fair value of assets and liabilities acquired have been finalised in the year, and no changes were made to the fair value recorded and disclosed in the 2009 financial statements.

Acquisition of the Digital Group

On 21 July 2009 the Group increased its shareholding in Digital One Limited ('D1') from 36.7% to 100%. D1 holds and operates the national commercial digital radio multiplex. As part of the same transaction the Group acquired 100% of the ordinary shares in Now Digital (Southern) Ltd ('NDSL') and 100% of the ordinary shares in Now Digital Ltd ('NDL'). NDSL and NDL hold and operate a number of regional DAB multiplex licences. NDL holds 52.5% of Now Digital (East Midlands) Limited and 66.7% of South West Digital Radio Limited. As part of this acquisition a 12% investment in the radio multiplex MXR was also acquired via MXR Holdings Limited.

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During the period from acquisition to 30 June 2010, the acquired companies reported the following results:

	£'000
Turnover	12,262
Administrative expenses	(13,748)
Operating loss	(1,486)

Disclosure of the impact of the acquisition on the cash flow is not made on the grounds of materiality.

The provisional fair value of assets and liabilities acquired is as follows:

	Book and Provisional fair value £'000
Bank and cash	2,077
Debtors	1,730
Prepayments	715
Corporation tax	285
Creditors	(2,509)
Deferred income	(401)
Accruals	(352)
Minority interest	(64)
Net assets acquired	1,481
Goodwill	9,993
Cash consideration	3,067
Deferred consideration	8,002
Acquisition fees	197
Original investment (in Digital One as an associate)	208
Total consideration	11,474

The book values of the assets and liabilities have been taken from the accounts as at acquisition, and there were no material fair value adjustments.

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12 Tangible fixed assets

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Plant and equipment £'000	Total Group £'000
Cost				
At 1 July 2009	370,182	45,807	1,084,478	1,500,467
Additions	19,265	7,125	191,002	217,392
Disposals	-	-	(301)	(301)
At 30 June 2010	389,447	52,932	1,275,179	1,717,558
Accumulated depreciation				
At 1 July 2009	8,375	3,240	148,612	160,227
Reclassification	-	-	(3,860)	(3,860)
Charge for the year	6,576	2,432	71,488	80,496
Disposals	-	-	(284)	(284)
At 30 June 2010	14,951	5,672	215,956	236,579
Net book value				
At 30 June 2010	374,496	47,260	1,059,223	1,480,979
At 30 June 2009	361,807	42,567	935,866	1,340,240
Freehold land at valuation included above not depreciated				136,824

The Group's fixed and other assets have been pledged as security under fixed and floating charges that have arisen as a result of borrowing agreements entered into by the Group (see note 24).

Borrowing costs capitalised during the year totalled £3,488,000 (2009: £6,796,000) at a capitalisation rate of 2.3% (2009: 5.01%). The aggregate amount of finance costs included in the cost of tangible fixed assets totals £14,904,000 (2009: £11,416,000).

Assets held under finance leases, capitalised and included within fixed assets above:

	Land and buildings £'000	Other £'000
Cost	10,907	1,603
Accumulated depreciation	(2,010)	(1,464)
Net book value		
At 30 June 2010	8,897	139
At 30 June 2009	9,344	532

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13 Investments

Group	Investments in associates and joint ventures £'000
At 1 July 2009	7,989
Share of retained losses	(744)
Removal of original investment in D1 at cost	(208)
Pre step acquisition dividend from D1	(1,652)
Removal of D1's profits whilst an associate	(475)
At 30 June 2010	4,910

The Directors believe that the carrying value of the investment is supported by its underlying net assets.

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

Company	Country of Incorporation	Principal Activities	Year End	Percentage of Ordinary Shares Held
Macquarie UK Broadcast Ventures Limited (held directly)	United Kingdom	Holding company	30 June	100%
Macquarie UK Broadcast Limited	United Kingdom	Holding company	30 June	100%
Arqiva Limited	United Kingdom	Transmission services	30 June	100%
Arqiva Inc	USA	Transmission services	30 June	100%
Arqiva SRL	Italy	Transmission services	30 June	100%
Arqiva SAS	France	Transmission services	30 June	100%
Arqiva (Scotland) Limited (formerly 'St. Vincent Street (490) Limited')	Scotland	Transmission services	30 June	100%
MUKBL Digital Limited	United Kingdom	Holding company	30 June	100%
MUKBL Digital Radio Limited	United Kingdom	Holding company	30 June	100%
Macropolitan Limited	United Kingdom	Site management	30 June	100%
Arqiva Telecoms Investment Limited	United Kingdom	Holding company	30 June	100%
Arqiva Holdings Limited	United Kingdom	Holding company	30 June	100%
Arqiva Services Limited	United Kingdom	Transmission services	30 June	100%
Arqiva No 2 Limited	United Kingdom	Transmission services	30 June	100%
Arqiva No 3 Limited	United Kingdom	Transmission services	30 June	100%
Arqiva Aerial Sites plc	United Kingdom	Management of aerial sites	30 June	100%
Lattice Telecommunications Asset Development Company Limited	United Kingdom	Telecommunications infrastructure	30 June	100%
JFMG Limited	United Kingdom	Spectrum and transmission management	30 June	100%
Digital One Limited	United Kingdom	Transmission services	30 June	100%
Now Digital Limited	United Kingdom	Transmission services	30 June	100%
Now Digital (Southern) Limited	United Kingdom	Transmission services	30 June	100%
Now Digital (East Midlands) Limited	United Kingdom	Transmission services	30 June	52.5%
South West Digital Radio Limited	United Kingdom	Transmission services	30 June	66.7%
Joint ventures				
Arts Alliance Media Investment Limited	British Virgin Islands	Digital cinema distribution	30 June	16.4%
Associate undertakings				
DTV Services Limited	United Kingdom	Free view market services co-ordination	31 May	20%
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	31 Dec	25%

The Company has an investment in MUKBV with a cost and net book value of £1 (2009: £1).

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14 Debtors

	Group 30 June 2010 £'000	Group 30 June 2009 £'000	Company 30 June 2010 £'000	Company 30 June 2009 £'000
Trade debtors	85,664	84,469	-	-
Amounts owed by group undertakings	3,849	-	1,690,542	1,628,351
Amounts owed by joint ventures	4,498	1,607	-	-
Other debtors	9,838	14,256	-	-
Prepayments and accrued income	70,577	63,983	-	-
Total debtors	174,426	164,315	1,690,542	1,628,351

Amounts owed by group undertakings are unsecured and repayable on demand. Interest has been charged on these balances at a fixed rate of 9.75%.

The Directors consider that the fair value of debtors closely approximates to book value.

Included within 'other debtors' are the following amounts receivable under finance leases:

Finance leases

	Group 30 June 2010 £'000	Group 30 June 2009 £'000
Net investment in finance leases and hire purchase contracts comprises		
Total amounts receivable	6,663	7,008
Less: Interest allocated to future years	(3,042)	(3,369)
Total finance leases	3,621	3,639

Rentals receivable during the year under finance leases and hire purchase contracts amount to £431,000 (2009: £430,000).

15 Cash at bank and in hand

	Group 30 June 2010 £'000	Group 30 June 2009 £'000	Company 30 June 2010 £'000	Company 30 June 2009 £'000
Cash at bank	6,098	5,626	106	53
Short term deposits	19,055	21,211	-	-
Total cash	25,153	26,837	106	53

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16 Creditors: amounts falling due within one year

	Group 30 June 2010 £'000	Group 30 June 2009 £'000	Company 30 June 2010 £'000	Company 30 June 2009 £'000
Bank loans				
Senior debt - working capital facility	54,426	19,813	-	-
	54,426	19,813	-	-
Trade creditors	79,520	76,896	-	-
Amounts owed to group undertakings	2,223,816	2,086,607	1,205,940	1,168,299
Other taxes and social security costs	12,462	1,307	-	-
Other creditors	19,856	21,493	106	151
Accruals and deferred income	282,689	279,528	-	-
Finance lease obligations	392	750	-	-
Total creditors: amounts falling due within one year	2,673,161	2,486,394	1,206,046	1,168,450

See note 17 for the terms of the working capital facility.

The Directors consider that the fair value of creditors: amounts falling due within one year closely approximates to book value.

The Company and Group have inter-company loan agreements with MUKBHL and MUKBS. Under the terms of these loan agreements, MUKBHL and MUKBS may only demand repayment of loans provided that such a repayment would not cause the Company and Group to become insolvent.

Company

Amounts owed to Group undertakings are unsecured and repayable on demand. Interest has been charged on £1,205,862,000 at 9.75% and £78,000 at 0% (2009: £1,168,221,000 at 9.75% and £78,000 at 0%).

17 Creditors: amounts falling due after more than one year

	Group 30 June 2010 £'000	Group 30 June 2009 £'000	Company 30 June 2010 £'000	Company 30 June 2009 £'000
Bank loans				
Senior debt – A1	1,509,788	1,509,788	-	-
Senior debt – A2	584,434	584,434	-	-
Senior debt - facility C	251,165	152,131	-	-
Junior debt	455,859	462,677	455,859	462,677
Accrued liability on interest rate swaps	124,349	63,151	-	-
Less: issue costs	(52,067)	(64,248)	(7,240)	(8,674)
	2,873,528	2,707,933	448,619	454,003
Finance lease obligations	15,392	15,799	-	-
Other creditors	4,187	-	-	-
Amounts owed to group undertakings	6,818	-	6,818	-
Accruals and deferred income	77,067	93,015	-	-
Total creditors: amounts falling due after more than one year	2,976,992	2,816,747	455,437	454,003

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	Group 30 June 2010 £'000	Group 30 June 2009 £'000	Company 30 June 2010 £'000	Company 30 June 2009 £'000
Maturity of loans				
Within one year	54,818	20,563	-	-
In more than one year, but not more than five years	2,471,354	1,759	-	-
In more than five years	476,451	2,786,221	462,677	462,677
Total loans	3,002,623	2,808,543	462,677	462,677

* Prior year restated to exclude issue costs

Finance leases

Future minimum payments under finance leases are as follows:

	30 June 2010 £'000	30 June 2009 £'000
Within one year	1,591	1,991
In more than one year, but not more than five years	6,019	6,307
After five years	23,519	24,807
Total gross payments	31,129	33,105
Less finance charges included above	(15,345)	(16,556)
Total finance leases	15,784	16,549

All senior debt represents amounts borrowed by MUKBV under a Senior Facility Agreement with Barclays Capital, Commerzbank AG, HSBC Bank plc and the Royal Bank of Scotland Plc as arrangers, for a facility of £2,925,000,000, further to a Senior Facility Agreement dated 3 April 2007. The working capital facility of £75,000,000 is a component of this senior debt facility.

All junior debt represents amounts borrowed by the Company under a Junior Facility Agreement with Barclays Capital, Commerzbank AG, HSBC Bank plc and the Royal Bank of Scotland plc as arrangers for a facility of £475,000,000 further to a Junior Facility Agreement dated 3 April 2007.

The senior and junior debt have certain covenants attached and are secured by way of a fixed and floating charge over the Group's assets. The loans have the following interest rates and are repayable as shown below:

	Repayable by	Interest rate until April 2010	Interest rate until April 2011	Interest rate until April 2012	Interest rate until April 2013	Interest rate until maturity
Senior A1	1 July 2014	LIBOR + 1.75%	LIBOR + 1.75%	LIBOR + 2.00%	LIBOR + 2.25%	LIBOR + 2.50%
Senior A2	1 December 2014	LIBOR + 2.00%	LIBOR + 2.00%	LIBOR + 2.25%	LIBOR + 2.50%	LIBOR + 2.75%
Senior – facility C	1 July 2014	LIBOR + 1.75%	LIBOR + 1.75%	LIBOR + 2.00%	LIBOR + 2.25%	LIBOR + 2.50%
Junior	1 July 2015	LIBOR + 4.00%	LIBOR + 4.25%	LIBOR + 4.50%	LIBOR + 4.75%	LIBOR + 5.00%

MUKBV has entered into interest rate swaps and indexed swap agreements for principal value of £2,625,000,000. £1,312,500,000 has been hedged via interest rate swaps for a fixed rate of 5.239% and £1,312,500,000 has been hedged at 2.02% indexed with RPI. The swaps have been put in place until April 2027 but have a mandatory termination date of 3 April 2014.

In addition, MUKBV entered into a cash flow swap with a principal value of £2,625,000,000, to take advantage of the Group's ability to fix debt on a monthly basis. The swaps are in place until June 2011.

The fair value of swaps held at 30 June 2010, held off balance sheet in accordance with Group accounting policy, is a liability of £753,916,000 (2009: £491,955,000). Of this balance £124,349,000 (2009: £63,151,000) is included within creditors on an accruals basis, the value of which differs to the fair value attributed to this element of the swap valuation.

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18 Provisions for liabilities and charges

	Onerous contracts	Decommissioning	Remediation and maintenance	Other	Deferred tax	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 July 2009	5,168	16,368	13,385	782	21,744	57,447
Reclassification	192	(1,559)	-	-	1,367	-
Released to profit and loss account	(750)	(78)	-	(25)	(9,963)	(10,816)
Charged to profit and loss account	161	16,801	-	-	-	16,962
Changes relating to movements in the discounted amount	-	408	-	-	-	408
Utilised	(2,236)	-	-	-	-	(2,236)
At 30 June 2010	2,535	31,940	13,385	757	13,148	61,765

The onerous contract provision relates to supplier contracts where the costs are expected to exceed the benefits, and onerous lease contracts where the buildings are empty but lease costs are being incurred. The provision is expected to be utilised over the next three years.

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

The remediation and maintenance provision represents the cost of upgrading certain sites to meet safety standards and is expected to be utilised over the next four years.

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

The provision for deferred tax is analysed below:

	30 June 2010	30 June 2009
	£'000	£'000
Accelerated capital allowances	23,881	25,460
Short term timing differences	666	(518)
Tax losses	(11,399)	(3,198)
Undiscounted provision for deferred tax	13,148	21,744

The deferred tax liability of £13,148,000 has been calculated based on the UK corporation tax rate of 28% (the rate in force at the balance sheet date). Subsequent to the balance sheet date a UK corporation tax rate of 27% has been substantively enacted and the impact of this change in the UK corporation tax rate would reduce the liability to £12,678,000. There has also been a stated intention to reduce the UK corporation tax rate to 24% by April 2014 by a number of changes in the UK corporation tax rate; these changes have not been substantively enacted.

There is an unrecognised deferred tax asset of £18,291,000 (2009: £28,870,000) in respect of tax losses which are not anticipated to be utilised in the foreseeable future.

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19 Share capital and reserves

	Share capital	Merger reserve	Profit and loss reserve
	£'000	£'000	£'000
Group			
At 1 July 2009	-	(188,523)	(1,029,989)
Actuarial loss on pension scheme	-	-	(6,060)
Movement on deferred tax relating to pension liability	-	-	1,697
Loss for the financial year	-	-	(352,373)
Dividends (see note 10)	-	-	(70)
Exchange adjustments offset in reserves (translation of foreign investments)	-	-	(100)
Removal of former Associate's profits (see note 13)	-	-	(475)
At 30 June 2010	-	(188,523)	(1,387,370)
Company			
At 1 July 2009	-	-	5,951
Profit for the financial year	-	-	23,214
At 30 June 2010	-	-	29,165

The merger reserve arises as a result of the true and fair override on the acquisition of the MUKBL sub group (see note 1a).

	Company 30 June 2010 £	Company 30 June 2009 £
Authorised:		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid:		
1 ordinary shares of £1 each	1	1

20 Reconciliation of movement in shareholders' funds / (deficit)

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Group		
Loss for the financial year	(352,373)	(302,812)
Dividends	(70)	-
Other recognised gains and losses relating to the year	(4,463)	(2,794)
Removal of former Associate's profits (see note 13)	(475)	-
Net change in shareholders' deficit	(357,381)	(305,606)
Opening shareholders' deficit	(1,218,512)	(912,906)
Closing shareholders' deficit	(1,575,893)	(1,218,512)
Company		
Profit for the financial year	23,214	11,834
Opening shareholders' funds / (deficit)	5,951	(5,883)
Closing shareholders' funds	29,165	5,951

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21 Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:

	Group Year ended 30 June 2010 £'000	Group Year ended 30 June 2009 £'000
Operating profit	101,686	72,307
Exceptional items	(4,180)	(28,159)
Depreciation charge	80,496	79,629
Amortisation charge	160,492	154,385
Loss on disposal of tangible fixed assets	17	353
Increase in debtors	(641)	(4,153)
(Decrease) / Increase in creditors	(20,007)	7,047
Net increase / (decrease) in provisions	334	(14,353)
Net cash inflow from operating activities	318,197	267,056

22 Analysis of changes in net debt

	Note	At 1 July 2009 £'000	Cash flows £'000	Non-cash changes £'000	At 30 June 2010 £'000
Cash at bank and in hand	15	26,837	(1,684)	-	25,153
Amounts owed by group undertakings	14	-	(5,000)	8,849	3,849
Loans to joint ventures	14	1,607	2,388	503	4,498
Debt due within one year	16	(2,106,420)	49,087	(220,909)	(2,278,242)
Debt due after one year	17	(2,707,933)	(99,034)	(73,379)	(2,880,346)
Finance leases	16,17	(16,549)	765	-	(15,784)
Total		(4,802,458)	(53,478)	(284,936)	(5,140,872)

Major non-cash changes include £219,649,000 movement in inter-company balances representing interest charges rolled-up into loan capital, £61,198,000 increase in accrued liability on interest rate swap and £12,181,000 decrease in debt issue costs.

23 Commitments for expenditure

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 2010 £'000	30 June 2009 £'000
Within one year	50,292	50,754
Later than one year but not later than five years	13,188	11,484
Later than five years	6	11
Total capital commitments	63,486	62,249

During the year, the Group has entered into forward contracts to purchase Euros at a total value of £2,309,000. All contracts expire within one year.

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Operating leases

Annual commitments in relation to non-cancellable operating leases for land, buildings and other infrastructure locations expiring:

	30 June 2010 £'000	30 June 2009* £'000
Within one year	1,377	1,414
Later than one year but not later than five years	11,748	12,233
Later than five years	26,038	27,156
Total operating lease commitments	39,163	40,803

* June 2009 figures restated to exclude inter-company leases of £14,772,000

Other operating commitments

Other annual lease commitments expiring:

	30 June 2010 £'000	30 June 2009 £'000
Within one year	306	502
Later than one year but not later than five years	922	585
Total other lease commitments	1,228	1,087

24 Contingent liabilities

Under the terms of the Group debt facilities, the Company has entered into charges over the fixed and other assets as security under fixed and floating charges.

The Group has provided an indemnity to the two Inmedia trading companies whose assets and liabilities were acquired during the year to 30 June 2006 in respect of any actions and claims made against those companies.

The Group is the lessee for various properties occupied by companies forming part of the Virgin Media (formerly NTL) group. Arqiva Limited is in the process of assigning these leases to Virgin Media companies, but this process was incomplete at 30 June 2010. The Group remain the main tenant on two of the leases. Virgin Media companies continue to occupy the buildings concerned and to bear all costs associated with the properties, which carry an annual rental of £2,237,000 in total. The total rentals remaining on the outstanding lease terms (which expire by November 2014 at the latest) at 30 June 2010 total £9,766,000 (2009: £12,003,000). Although Virgin Media have indemnified Arqiva Limited for these costs, Arqiva Limited remains ultimately liable for the costs concerned.

25 Pension commitments

Defined benefit scheme

In the year to June 2009, Arqiva Limited operated two defined benefit pension schemes; the 'Arqiva Defined Benefit Pension Plan' ('the Plan') and the 'Arqiva Services Limited Pension Scheme' ('the Scheme'). The Scheme merged into the Plan on 31 December 2009. Therefore, as at 30 June 2010, there is now a single defined benefit pension arrangement operating, with Arqiva Limited as the sponsor. On this basis the disclosure for the schemes has been combined.

The assets of the scheme are held separately from those of Arqiva Limited in trustee administered funds.

As required by FRS 17, the value of the defined benefit liabilities has been measured using the projected unit method.

The FRS 17 assumptions used for the scheme are set out below, along with the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS 17 liabilities and the deficit of assets below the FRS 17 liabilities (which equals the gross pension liability).

Assumptions

An actuarial valuation was carried out at 30 June 2010 in consultation with an independent firm of consulting actuaries, KPMG LLP. The principal assumptions made are:

	30 June 2010	30 June 2009
Price inflation	3.50%	3.75%
Discount rate	5.55%	6.45%
Pension increases (LPI with a minimum of 3%)	3.70%	3.85%
Salary growth	4.00%	4.25%
Life expectancy of a male age 60	25.5yrs	25.5yrs

The scheme assumptions were consistent across the Plan and the Scheme for the year to June 2009. The combined assumptions for 2008 have been calculated on a weighted average basis based on the present value of the scheme liabilities for each scheme as at that date.

Asset distribution and long term rate of return expected

	30 June 2010 Expected return	30 June 2010 Fair value £'000	30 June 2009 Expected return	30 June 2009 Fair value £'000
Equities	7.00%	54,600	7.20%	39,599
Bonds	4.40%	34,300	6.25%	26,827
Cash	0.60%	600	0.50%	2,054
Total		89,500		68,480

Balance sheet

Total fair value of assets	89,500	68,480
Present value of scheme liabilities	(101,800)	(78,520)
Gross pension liability	(12,300)	(10,040)
Deferred tax asset	3,444	2,811
Net pension liability	(8,856)	(7,229)

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

A higher long term rate of return is expected on equity investments than that which is available on bonds. The extent to which equities are assumed to provide higher returns than bonds in the future is estimated based on the returns achieved above bond returns historically and market conditions at the balance sheet date.

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Arqiva Limited pays contributions of 26.3% of pensionable salaries for the majority of employed members, plus the cost of matching AVC added year payments.

The Group has agreed with the Trustees to make additional contributions of £3,000,000 in each of the following three years with a final additional contribution of £2,086,000 in the fourth year. These contributions will aid the planned elimination of the pension deficit by the next formal actuarial valuation.

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

	Year ended 30 June 2010	Year ended 30 June 2009
	£'000	£'000
1 July	78,520	72,920
Current service costs	4,300	7,050
Settlements	-	840
Contributions	1,600	1,830
Interest cost	5,200	4,890
Benefits paid	(1,500)	(1,400)
Actuarial loss / (gain)	13,680	(7,610)
30 June	101,800	78,520

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

	Year ended 30 June 2010	Year ended 30 June 2009
	£'000	£'000
1 July	68,480	66,430
Expected return on scheme assets	4,400	5,070
Actuarial gain / (loss)	7,620	(10,640)
Contributions by employers	8,900	7,190
Contributions by employees	1,600	1,830
Benefits paid	(1,500)	(1,400)
30 June	89,500	68,480

The post retirement deficit under FRS 17 moved over the year as follows:

	Year ended 30 June 2010	Year ended 30 June 2009
	£'000	£'000
Deficit at 1 July	(10,040)	(6,490)
Current service costs	(4,300)	(7,050)
Settlements	-	(840)
Contributions	8,900	7,190
Other net finance (expense)/income	(800)	180
Actuarial loss	(6,060)	(3,030)
Deficit at 30 June	(12,300)	(10,040)

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The following amounts have been included within operating profit:

	Year ended 30 June 2010	Year ended 30 June 2009
	£'000	£'000
Current service cost (employer only)	4,300	7,050
Settlement	-	840
Total operating charge	4,300	7,890

The following amounts have been included as net finance (expense)/income under FRS 17:

	Year ended 30 June 2010	Year ended 30 June 2009
	£'000	£'000
Expected return on pension scheme assets	4,400	5,070
Interest on post retirement liabilities	(5,200)	(4,890)
Net finance (expense)/income	(800)	180

The actual return on scheme assets was £12,020,000 (2009: loss of £5,570,000)

The following amounts have been recognised within the statement of group total recognised gains and losses ('STRGL') under FRS 17:

	Year ended 30 June 2010	Year ended 30 June 2009
	£'000	£'000
Actual return less expected return on scheme assets	7,620	(10,640)
Experience losses arising on scheme's liabilities	-	(959)
(Losses)/gains due to changes in assumptions underlying the FRS 17 value of scheme liabilities	(13,680)	8,569
Actuarial (loss) recognised in the STRGL	(6,060)	(3,030)

The cumulative amount of actuarial gains and losses recognised in the STRGL is a loss of £13,710,000 (2009: £7,650,000).

The history of experience gains and losses is:

	2010	2009	2008	2007	2006*
Present value of scheme liabilities	(101,800)	(78,520)	(72,920)	(60,080)	(8,100)
Fair value of scheme assets	89,500	68,480	66,430	60,090	6,100
(Deficit) / surplus on scheme	(12,300)	(10,040)	(6,490)	10	(2,000)
Actual return less expected return on scheme assets (£'000)	7,620	(10,640)	(9,960)	1,180	(200)
Percentage of Scheme's assets	9%	(16%)	(15%)	2%	(4%)
Experience (losses) and gains arising on scheme's liabilities (£'000)	-	(959)	(300)	800	400
Percentage of the FRS 17 value of the scheme's liabilities	0%	1%	0%	(1%)	5%
Total amount recognised in the STRGL (£'000)	(6,060)	(3,030)	(8,720)	4,100	100
Percentage of the FRS 17 value of the scheme's liabilities	6%	4%	12%	(7%)	1%

*Arqiva Services Limited (the original sponsors of the Scheme) was acquired by the Group on 3 April 2007, therefore the 2006 data is for the Plan only.

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The scheme is closed to new entrants and, under the method used to calculate pension costs in accordance with FRS 17, the cost as a percentage of covered pensionable payroll will tend to increase as the average age of the membership increases.

Other pension schemes

Arqiva Limited

Arqiva Limited has operated three defined contribution schemes during the year, for those employees who are not members of the Defined Benefit scheme described above. As at 1 July 2009 one scheme was operated for the legacy Arqiva employees and one for the legacy NGW employees. From 1 April 2010 these schemes were closed and a new defined contribution scheme commenced for all employees.

Legacy Arqiva Limited scheme

Contributions payable in respect of this scheme for the year were £2,677,000 (2009: £2,411,000). The assets of the scheme were held outside of Arqiva Limited.

An amount of £nil (2009: £250,000) is included in accruals being the outstanding contributions to the defined contribution scheme.

Legacy ASL scheme

Contributions payable in respect of this scheme for the year were £1,527,000 (2009: £1,987,000). The assets of the scheme were held outside of Arqiva Limited.

An amount of £nil (2009: £148,000) is included in accruals being the outstanding contributions to the defined contribution scheme.

Combined scheme

Contributions payable in respect of this scheme for the year were £1,307,000 (2009: £nil). The assets of the scheme are held outside of Arqiva Limited.

An amount of £503,000 (2009: £nil) is included in accruals being the outstanding contributions to the defined contribution scheme.

26 Related party disclosures

On a consolidated basis transactions and balances between group entities have been eliminated in full and are therefore not disclosed in accordance with FRS 8 'Related party disclosures'.

On a company basis, the Company has taken advantage of the exemptions available under FRS 8 for disclosure of transactions with entities that are part of the Group as related parties in these financial statements.

Related party transactions:

2010

	Macquarie Bank Limited*	Airwave*	Macquarie Capital Group Limited*	Broadcast Australia *
	£000's	£000's	£000's	£000's
Swaps closed out (principal value)	875,000	-	-	-
Swap interest paid	11,427	-	-	-
Sales (net)	-	12,889	-	-
Expenses	-	397	153	106
Trade debtors	-	109	-	-

* A related party by virtue of common influence.

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2009

	Macquarie Bank Limited*	Airwave*	Macquarie Capital Group Limited*
	£000's	£000's	£000's
Swaps entered into (principal value)	875,000	-	-
Swaps closed out (principal value)	1,312,500	-	-
Swap interest paid	14,389	-	-
Advisory fees - Acquisitions	-	-	500
Sales (net)	-	3,313	-
Expenses	-	3	311
Trade debtors	-	861	-

* A part of the Macquarie group and a related party by virtue of common control (as at 30 June 2009).

The Group received a dividend of £1,652,000 (2009: £nil) from its former associate Digital One Limited and a dividend of £126,000 was declared on 24 June 2010 by MXR Holdings Limited (see note 11).

During the year to 30 June 2010, the Group advanced a further loan of £2,388,000 (2009: £1,600,000) to Arts Alliance Media Investment Limited, a joint venture company, at a fixed interest rate of 15%. The amount outstanding at 30 June 2010, including accrued interest, was £4,498,000 (2009: £1,607,000).

The Group paid subscriptions of £2,516,000 (2009: £1,954,000) to DTV Services Limited, an associate undertaking.

27 Immediate parent company and ultimate UK parent undertaking

The Company's immediate parent undertaking is MUKBS. The ultimate UK parent undertaking and the smallest group to consolidate these financial statements is MUKBHL.

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

28 Controlling parties

MUKBHL is owned by a consortium of eight shareholders including Canada Pension Plan Investment Board, Macquarie European Infrastructure Fund, other Macquarie funds and minorities. There is no ultimate controlling party of the Company, as defined by FRS8.

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

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Offering Memorandum dated 28 February 2013