IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (I) QUALIFIED INSTITUTIONAL BUYERS (QIBs) WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT) OR (2) NON-U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (REGULATION S)) WHO ARE OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S.

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SECURITIES OF THE ISSUER (AS DEFINED IN THIS PROSPECTUS) IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your representation: In order to be eligible to view the Prospectus or make an investment decision with respect to the securities, investors must be either (1) QIBs or (2) non-U.S. persons (as defined in Regulation S) who are purchasing the securities in an offshore transaction outside the United States in reliance on Regulation S. The Prospectus is being sent at your request. By accepting the e-mail and accessing the Prospectus, you shall be deemed to have represented to the Group that:

(1) you consent to delivery of such Prospectus by electronic transmission; and

(2) either you and any customers you represent are:

(a) QIBs; or

(b) outside the United States and the e-mail address that you provided and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samao, Wake Island and the Northern Mariana Islands), any state of the United States or the District of Columbia; and

(3) if you are a person in the United Kingdom, then you are a person who is an investment professional within the meaning of article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the FPO) or a high net worth entity falling within Article 49(2)(a) to (d) of the FPO.

Prospective purchasers that are QIBs are hereby notified that the seller of the securities will be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act pursuant to Rule 144A.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the Prospectus to any other person.

The materials relating to the offering (including the Prospectus) do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law.

Under no circumstances shall the Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Borrower, the Arranger, the Dealers (each as defined in the Prospectus) or any person who controls it nor any director, officer, employee nor agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Arranger.

ARQIVA FINANCING PLC

(incorporated with limited liability in England and Wales with registered number 8336354)

£5,000,000,000 Multicurrency programme for the issuance of Notes

Arqiva Financing plc (the **Issuer**) has established a multicurrency programme for the issuance of notes (the **Notes**) from time to time denominated in any currency agreed between the Issuer and the relevant Dealer (the **Programme**).

This prospectus (the **Prospectus**) constitutes a base prospectus for the purposes of Directive 2003/71/EC (the **Prospectus Directive**). Application has been made to the Financial Services Authority in its capacity as competent authority under the FSMA (the **UK Listing Authority** or **UKLA**) for Notes issued under the Programme during the period of 12 months after the date hereof to be admitted to the Official List and to the London Stock Exchange plc (the **London Stock Exchange**) for such Notes to be admitted to trading on the London Stock Exchange's regulated market (the **Market**).

References in this Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC (the **Markets in Financial Instruments Directive**).

Notes may be issued in bearer or registered form (respectively **Bearer Notes** and **Registered Notes**). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £5,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

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 Prospectus and any suggestion otherwise, express or implied, is expressly excluded.

The Notes may be issued, on a continuing basis, to one or more of the Dealers specified under "*Some Characteristics of the Note Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer, which appointment may be for a specific issue or on an ongoing basis. References in this Prospectus to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer or in respect of which subscriptions will be procured by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes or to procure subscriptions for such Notes, as the case may be.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined herein) of Notes will be set out in a final terms document (the **Final Terms**) which, with respect to Notes to be listed on the London Stock Exchange, will be delivered to the UK Listing Authority and the London Stock Exchange.

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on the Market.

Notes issued under the Programme 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 and may include Bearer Notes that are subject to U.S. tax law requirements. Subject to certain exemptions, the Notes may not be offered, sold or, in the case of the Bearer Notes, delivered 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) 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 "*Subscription and Sale*" and "*Transfer Restrictions*" in this Prospectus.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a new prospectus, in the case of listed Notes only, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The Notes will be issued in book-entry form only and will be eligible for clearance through the facilities of The Depository Trust Company (**DTC**) and/or Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**).

An investment in Notes issued under the Programme involves certain risks. Please see "*Risk Factors*" beginning on page 31.

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 Prospectus. The Notes do not constitute, and have not been marketed as, contracts of sale of a commodity for future delivery (or options thereon) subject to the U.S. Commodity Exchange Act), as amended, (**CEA**) and trading in the Notes has not been approved by the Commodity Futures Trading Commission (the **CFTC**) pursuant to the CEA.

Any representation to the contrary is a criminal offence in the United States.

The Notes to be issued under the Programme are expected on issue to be assigned a "BBB" rating by Standard and Poor's Rating Services, a division of Standard and Poor's Credit Market Services Europe Limited (**S&P**) and a "BBB" rating by Fitch Ratings Ltd (**Fitch** and, at the Closing Date together with S&P, the **Rating Agencies**). Each Rating Agency is established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such each of Fitch and S&P is included in the list of credit agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at www.esma.europa.eu/page/list-registered-and-certified-CRAs) in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated by any one or more of the Rating Agencies. Where a Tranche of Notes is rated, such rating will be disclosed in the applicable Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Please also refer to "*Credit ratings may not reflect all risks relating to the Notes*" in the *Risk Factors* section of this Prospectus.

Arranger

HSBC

Dealers

Barclays
BofA Merrill Lynch
Commerzbank
Deutsche Bank
HSBC
ING Commercial Banking
J.P. Morgan
Lloyds Bank
Mitsubishi UFJ Securities International plc
National Australia Bank Limited
Santander
Scotiabank
Société Générale Corporate & Investment Banking
The Royal Bank of Scotland

The date of this Prospectus is 21 February 2013

Under the Programme the Issuer may, subject to all applicable legal and regulatory requirements, from time to time issue Bearer Notes and Registered Notes. The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £5,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement), subject to increase as described therein. Copies of each Final Terms will be available (in the case of all Notes) from the specified office set out on the back cover of this Prospectus of Deutsche Trustee Company Limited as the Note Trustee, (in the case of Bearer Notes) from the specified office set out below of each of the Paying Agents and (in the case of Registered Notes) from the specified office set out below of each of the Registrar and the Transfer Agent, provided that, in the case of Notes which are not listed on any stock exchange, copies of the relevant Final Terms will only be available for inspection by the relevant Noteholders.

Details of the aggregate principal amount, interest (if any) payable, the issue price and any other terms and conditions not contained herein, which are applicable to each Tranche of Notes will be set forth in the relevant Final Terms or in a Drawdown Prospectus (see "*Final Terms and Drawdown Prospectuses*" below). In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus, unless the context requires otherwise. In the case of Notes to be admitted to the Official List and to trading on the Market, the Final Terms will be delivered to the UKLA and the London Stock Exchange on or before the relevant date of issue of the Notes of such Tranche. The Issuer may also issue unlisted Notes. The Issuer may agree with any Dealer and the Note Trustee that Notes may be issued in a form not contemplated by the Conditions herein, in which event (in the case of Notes admitted to the Official List only) a supplementary prospectus or further prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Notes issued under the Programme will be issued in one or more series (each a **Series**) on each Issue Date. Each Series of Notes will pertain to, among other things, the currency, interest rate and maturity date of the relevant Notes and can be issued in one or more tranches (each a **Tranche**), the specific terms of each Tranche being identical in all respects, save for the issue dates, interest commencement dates and/or issue prices, to the terms of the other Tranches of such Series. Each Note may be zero-coupon, fixed rate, floating rate or index-linked and may be denominated in sterling, euro or U.S. dollars (or in other currencies subject to compliance with applicable laws).

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, without the Issuer being obliged to pay any additional amounts as a consequence.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a member state of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum denomination shall be €100,000 or not less than the equivalent of €100,000 in any other currency as at the date of issue of the Notes. Notes may be issued in such denomination and higher integral multiples of a smaller amount specified in the relevant Final Terms.

Bearer Notes are subject to U.S. tax law requirements. Subject to certain exceptions, the Bearer Notes may not be offered, sold or delivered within the United States or to U.S. persons. Notes that are Bearer Notes may be represented initially by one or more Temporary Global Notes, without interest coupons, which will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg on or about the Issue Date of the Notes. Each such Temporary Global Note will be exchangeable for a Permanent Global Note or definitive securities in bearer form as specified in the relevant Final Terms following the expiration of 40 days after the later of the commencement of the offering and the relevant Issue Date, upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations, as described in "*Forms of the Notes*" in this Prospectus.

The Programme contemplates the potential issue of Notes for sale in the United States pursuant to Rule 144A or another exemption from the registration requirements of the Securities Act and the Issuer may issue such Notes in the future. If issued under the relevant Final Terms, Notes that are Registered Notes will be represented on issue by beneficial interests in one or more Global Notes, in fully

registered form, without interest coupons attached, which, in the case of the Regulation S Global Notes, will be deposited with, and be registered in the name of, a nominee of a common depositary for Euroclear and Clearstream, Luxembourg and, in the case of the Rule 144A Global Notes, will be registered in the name of a nominee for DTC and deposited with a custodian for DTC. Ownership interests in the Global Notes will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear, Clearstream, Luxembourg or DTC (as applicable) 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*" and "*Subscription and Sale*" in this Prospectus.

IMPORTANT NOTICES

This Prospectus is being distributed only to, and is directed only at, relevant persons. This Prospectus, 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 Prospectus 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 Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer or the Obligors is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct 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 Arranger, the Dealers, the Note Trustee, the Issuer Security Trustee, the Obligor Security Trustee or the Other Parties undertakes to review the financial condition or affairs of any of the Issuer or the Obligors during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

This Prospectus 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 of the Obligors or other members of the Senior Financing Group, the Arranger, any Dealer, the Note Trustee, the Issuer Security Trustee, the Obligor Security Trustee or any of the Other Parties that any recipient of this Prospectus should purchase any of the Notes.

This Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented 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 Prospectus as completed by Final Terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus 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 Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

Each person contemplating making an investment in the Notes must 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 Obligors 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 Prospectus, any supplemental prospectus or any applicable Final Terms;
- have access to, knowledge of and appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

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

The distribution of this Prospectus and the offering, sale or delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. This Prospectus 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 any Tranche of Notes, the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) 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(s) (or persons acting on behalf of a Stabilising Manager) 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 relevant Tranche of 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 issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

If you are in any doubt about the contents of this Prospectus 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.

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 all 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.

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

RESPONSIBILITY STATEMENTS

This Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive as amended (which includes the amendments made by Directive 2010/73/EU (the **2010 PD Amending Directive**) to the extent such amendments have been implemented in a relevant Member State of the European Economic Area and for the purpose of giving information with regard to the Issuer and the Obligors which, according to the particular nature of the Issuer, the Obligors and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Obligors.

The Issuer accepts responsibility for the information contained in this Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Prospectus in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealers, as the case may be.

No person has been authorised to give any information or to make representations other than the information or the representations contained in this Prospectus in connection with the Issuer, the Obligors, the other members of the Senior Financing 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 Obligors, the other members of the Senior Financing Group, the Arranger, the Dealers, the Note Trustee, the Issuer Security Trustee, the Obligor Security Trustee or any Other Party. Neither the delivery of this Prospectus 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 Obligors or any other members of the Senior Financing Group since the date hereof. Unless otherwise indicated herein, all information in this Prospectus is given as of the date of this Prospectus. This Prospectus does not constitute an offer of, or an invitation by, or on behalf of, the Issuer or any Dealer 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 Prospectus 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 Prospectus. Each person receiving this Prospectus acknowledges that such person has not relied on the Arranger, any Dealer, the Note Trustee, the Issuer Security Trustee, the Obligor 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.

None of the Issuer, the Obligors, any other members of the Senior Financing Group, the Arranger, the Dealers, the Note Trustee, the Issuer Security Trustee, the Obligor Security Trustee or the Other Parties accepts responsibility to investors for the regulatory treatment of their investment in the Notes (including (but not limited to) whether any transaction or transactions pursuant to which Notes are issued from time to time is or will be regarded as constituting a "securitisation" for the purposes of the CRD and the application of Article 122a to any such transaction) in any jurisdiction or by any regulatory authority. If the regulatory treatment of an investment in the Notes is relevant to an investor's decision whether or not to invest, the investor should make its own determination as to such treatment and for this purpose seek professional advice and consult its regulator. Prospective investors are referred to

the "*Risk factors — Issuer and Note Considerations — Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Notes*" section of this Prospectus for further information on Article 122a.

N M Rothschild & Sons Limited, which is authorised and regulated by the Financial Services Authority in the United Kingdom, is acting for the Issuer and the Arqiva Group and no one else in relation to the Programme and will not be responsible to anyone other than the Issuer and the Arqiva Group for providing the protections afforded to clients of N M Rothschild & Sons Limited nor for providing advice in relation to the Programme.

N M Rothschild & Sons Limited is not acting as a Dealer, 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.

SUPPLEMENTARY PROSPECTUS

The Issuer has undertaken, in connection with the admission of the Notes to the Official List and to trading on the Market, that, if there shall occur any significant new factor, mistake or material inaccuracy relating to information contained in this Prospectus which is capable of affecting the assessment of any Notes whose inclusion would reasonably be required by investors and their professional advisers, and would reasonably be expected by them to be found in this Prospectus, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Obligors, and the rights attaching to the Notes, the Issuer shall prepare a supplement to this Prospectus or publish a replacement prospectus for use in connection with any subsequent issue by the Issuer of Notes and will supply to the Arranger, each Dealer and the Note Trustee a copy or, in the case of the Note Trustee, two copies of such supplement hereto or replacement prospectus. The Issuer will also supply to the UKLA such number of copies of such supplement hereto or replacement prospectus as may be required by the UKLA and will make copies available, free of charge, upon oral or written request, at the specified offices of the Paying Agents and (in respect of Registered Notes) the Registrar and the Transfer Agent.

The Issuer and each of the Obligors have undertaken to the Dealers in the Programme Agreement to comply with section 87G of the FSMA (as set out in "*Subscription and Sale*").

If the terms of the Programme are modified or amended in a manner which would make this Prospectus, as so modified or amended, inaccurate or misleading in any material respect, a new prospectus will be prepared.

If at any time the Issuer shall be required to prepare a supplementary prospectus pursuant to section 87G of the FSMA, the Issuer shall prepare and make available an appropriate supplement to this Prospectus or a further prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Market, shall constitute a supplementary prospectus as required by the UKLA and section 87G of the FSMA.

FINAL TERMS AND DRAWDOWN PROSPECTUSES

In relation to the different types of Notes which may be issued under the Programme, the Issuer has endeavoured to include in this Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus. For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, supplement this Prospectus and must be read in conjunction with this Prospectus.

The Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus are the terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus. Each Drawdown Prospectus will be constituted by a single document containing the necessary information relating to the Issuer and the Obligors and the relevant Notes.

ADDITIONAL INFORMATION FOR U.S. INVESTORS

This Prospectus is being submitted on a confidential basis in the United States to a limited number of QIBs (as defined under "*Forms of the Notes*") for informational use solely in connection with the consideration of the purchase of certain Notes issued under the Programme. 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.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 (the **Code**) and the U.S. Treasury regulations promulgated thereunder.

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.

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

Each purchaser or holder of Notes represented by a Rule 144A Note, or any Note issued in registered form in exchange or substitution therefore, 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 "*Subscription and Sale*" and "*Transfer Restrictions*" in this Prospectus. Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Pro Forma Final Terms*" in this Prospectus.

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.

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.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a corporation organised under the laws of England and Wales. All of the officers and directors named herein reside outside the United States and all or a substantial portion of the assets of the Issuer and of such officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside England and Wales upon the Issuer or such persons, or to enforce judgments against them obtained in courts outside England and Wales predicated upon civil liabilities of the Issuer or such directors and officers under laws other than English law, including any judgment predicated upon United States federal securities laws. The Issuer has been advised by Allen & Overy LLP, its counsel, that there is doubt as to the enforceability in England and Wales in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

FORWARD LOOKING STATEMENTS

This Prospectus 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 and the other members of the Senior Financing Group to differ materially from the information presented herein. When used in this Prospectus, the words “estimate”, “project”, “intend”, “anticipate”, “believe”, “expect”, “should” and similar expressions, as they relate to the Issuer, the Obligors and/or the other members of the Senior Financing Group 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 Obligors 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 Prospectus speak only as at the date of this Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Issuer and the Obligors expressly disclaim any obligation or undertaking to disseminate after the date of this Prospectus 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 Prospectus 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 Prospectus 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 Prospectus have been modified solely for the convenience of the reader.

Certain financial information for the year ended 30 June 2010 included in this Prospectus 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 Prospectus, (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 Prospectus 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 Prospectus 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 Prospectus, together with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

Non-UK GAAP Financial Measures

This Prospectus contains certain non-UK GAAP measures and ratios, including EBITDA, EBITDA margin, non-Group debt interest expense, senior cashflow before maintenance capital expenditure,

maintenance capital expenditure 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, non-Group debt interest expense, senior cashflow before maintenance capital expenditure, maintenance capital expenditure 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, non-Group debt interest expense, senior cashflow before maintenance capital expenditure, maintenance capital expenditure 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, non-Group debt interest expense, senior cashflow before maintenance capital expenditure, maintenance capital expenditure 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, non-Group debt interest expense, senior cashflow before maintenance capital expenditure, maintenance capital expenditure and senior cashflow differently from the manner that the Group does, limiting its usefulness as a comparative measure.

Certain Definitions

In this Prospectus, **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 1 and its consolidated subsidiaries, in each case unless the context otherwise requires or unless otherwise indicated.

In this Prospectus, 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 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 Prospectus.

Historical and Current Market and Industry Data

This Prospectus 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 Prospectus, 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 Prospectus, 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 Prospectus 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 Prospectus 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.

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Appendix 1

Financial Statements F-1

- Unaudited Interim Condensed Consolidated Financial Statements for the six months ended 31 December 2012 of Arqiva Financing No 1 Limited
- Annual Report and Consolidated Financial Statements for the year ended 30 June 2012 of Arqiva Financing No 1 Limited, incorporating the Independent Auditors' Report
- Annual Report and Consolidated Financial Statements for the year ended 30 June 2011 of Arqiva Financing No 1 Limited (formerly Macquarie UK Broadcast Ventures Limited), incorporating the Independent Auditors' Report
- Annual Report and Consolidated Financial Statements for the year ended 30 June 2010 of Arqiva Financing No 1 Limited (formerly Macquarie UK Broadcast Ventures Limited), incorporating the Independent Auditors' Report
- Annual Report and Financial Statements of Arqiva Limited for the year ended 30 June 2012, incorporating the Independent Auditors' Report
- Annual Report and Financial Statements of Arqiva Limited for the year ended 30 June 2011, incorporating the Independent Auditors' Report
- Annual Report and Financial Statements of Arqiva Services Limited for the year ended 30 June 2012, incorporating the Independent Auditors' Report
- Annual Report and Financial Statements of Arqiva Services Limited for the year ended 30 June 2011, incorporating the Independent Auditors' Report

OVERVIEW OF THE BUSINESS AND THE TRANSACTION

The following does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the Conditions of any particular Tranche of Notes, the applicable Final Terms. The overview should be read in conjunction with, and is qualified in its entirety by, the more detailed information included elsewhere in this Prospectus, including the consolidated financial statements. The Prospectus 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 overview 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.

The Group includes the operating companies, their holding companies (including AF No 1 (as defined below)) and special purpose vehicles (including the Issuer) for the purposes of its financing arrangements.

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.

TRANSACTION OVERVIEW

This Prospectus relates to the issue of the Notes by the Issuer under the Programme on the Closing Date and from time to time as part of the Senior Financing described below involving the Senior Financing Group, the Issuer and FinCo.

Concurrently with the issue of the Notes on the Closing Date as part of the Senior Financing other companies in the Group outside the Senior Financing Group will enter into the Junior Financing and the Shareholder Loan Notes referred to below. A separate offering document will be prepared in relation to the Junior Notes to be offered as part of the Junior Financing.

The Senior Financing, the Junior Financing and the Shareholder Loan Notes will together refinance the Existing Bank Facilities (the **Refinancing**).

Senior Financing

The entry into by the Borrower (as defined below) of the Issuer/Borrower Facilities, the FinCo/Borrower Facilities and the other Borrower 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 Arqiva Financing No 2 Limited (formerly Macquarie UK Broadcast Enterprises Ltd) (**AF No 2**) respectively (the **Existing Bank Facilities**) and for AF No 1 to novate all or part of the associated interest rate hedges (the **Existing Interest Rate Hedges**) to FinCo (as defined below) and to retain all or part of the associated inflation linked hedges (the **Existing Inflation Linked Hedges** and together with the Existing Interest Rate Hedges, the **Existing Hedges**) provided to AF No 1 by the existing hedge counterparties (the **Existing Hedge Counterparties**) under certain agreements (the **Existing Hedging Agreements**).

Senior Financing Group

The relevant group companies for the purposes of the Senior Financing (the **Senior Financing Group**) will, as at the Closing Date, comprise a ring-fenced group consisting of a newly incorporated holding company of AF No 1 named Arqiva Group Intermediate Limited (the **Intermediate Parent**), a newly incorporated holding company of the Intermediate Parent named Arqiva Group Parent Limited (the **Parent**), AF No 1 (the **Borrower**) and all of the 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, Arqiva Aerial Sites Limited and Aerial UK Limited (together the **Principal Subsidiaries** and together with the Borrower, the Intermediate Parent and the Parent, the **Obligors** and each an **Obligor**). A number of dormant subsidiaries of the Group will be wound up prior to the Senior Financing. The Senior Financing Group, FinCo and the Issuer (together the **Senior Group**) are ring-fenced from (a) a newly incorporated subsidiary of AF No 2 named Arqiva Broadcast Intermediate Limited (**Intermediate HoldCo**), AF No 2, a newly incorporated holding company of AF No 2 named Arqiva Broadcast Parent Limited (the **Junior Parent**), Arqiva Financing No 3 plc (formerly Macquarie UK Broadcast Services plc) (**AF No 3**) and Arqiva Broadcast Holdings Limited (formerly Macquarie UK Broadcast Holdings Limited) (**ABHL** and together with Intermediate HoldCo, AF No 2, the Junior Parent and AF No 3, the **Senior Holding Companies** and each a **Senior Holding Company**) and (b) other Non-Senior Group Companies.

Each of the Parent and Intermediate HoldCo will be required to maintain the appointment of at least one director (either executive or non-executive), such director(s) to be independent of the other Holding Companies.

Issuer and Notes

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

The Issuer will be required to maintain the appointment of at least one non-executive director, such non-executive director(s) to be independent of the Borrower and each of the Holding Companies. The independent director(s) of the Issuer shall be provided by a corporate officer provider.

The Issuer will issue secured notes (the **Notes**) on the Closing Date and from time to time thereafter. The proceeds of the Notes will be on-lent by the Issuer to the Borrower under facilities (the **Issuer/Borrower Facilities** and the loans made under such facilities, the **Issuer/Borrower Loans** and the

agreement under which such facilities are provided, the **Issuer/Borrower Facilities Agreement**) to be applied towards: (a) in the case of the first Issuer/Borrower Loans to be made on the Closing Date, (i) repaying the Existing Bank Facilities, (ii) funding break costs (if any) under any Existing Hedges which are to be terminated and not retained by the Borrower or novated to FinCo and amended on the Closing Date, (iii) paying down accretion under the Existing Hedging Agreements, (iv) funding any fees and expenses incurred in respect of the Refinancing and (v) if there is any surplus, for general corporate purposes; and (b) in the case of subsequent Issuer/Borrower Loans, (i) whilst FinCo/Borrower Loan A and FinCo/Borrower Loan B remain outstanding, repaying such FinCo/Borrower Loan A and FinCo/Borrower Loan B and paying any related termination amounts under the related FinCo/Borrower Hedges and (ii) if there is any surplus, for general corporate purposes.

Term Loans and FinCo/Borrower Loans

Arqiva Senior Finance Limited (**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 FinCo will, as at the Closing Date, be held by the Intermediate Parent.

FinCo will be required to maintain the appointment of at least one non-executive director, such non-executive director(s) to be independent of the Borrower and each of the Holding Companies. The independent director(s) of FinCo shall be provided by a corporate officer provider.

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

Borrower Bank Loans

The Capex Facility, the Working Capital Facility, the Liquidity Facility, any Ancillary Facilities, any Permitted Facilities and any other Authorised Facilities (each a **Borrower Bank Facility** and together the **Borrower Bank Facilities** and the loans made thereunder, each a **Borrower Bank Loan** and together the **Borrower Bank Loans** and together with the Term Loans, the **Loans** and each a **Loan** and the agreements under which such facilities are provided, each a **Borrower Bank Facility Agreement** and together the **Borrower Bank Facility Agreements** and together with the Term Facilities Agreement, the **Facility Agreements** and each a **Facility Agreement** and the providers thereof, each a **Borrower Bank Facility Provider** and together the **Borrower Bank Facility Providers** and together with the Term Facilities Providers, the **Facility Providers** and each a **Facility Provider**) will be made available to the Borrower and (in the case of the Liquidity Facility) also the Issuer on the Closing Date (in the case of the Capex Facility, the Working Capital Facility and the Liquidity Facility) and may be made available to the Borrower from time to time (in the case of any Ancillary Facilities, Permitted Facilities and other Authorised Facilities).

Hedges

The Existing Hedges that are not terminated will be retained by the Borrower (in the case of the Existing Inflation Linked Hedges) or novated to FinCo (in the case of the Existing Interest Rate Hedges) and each amended on the Closing Date to comply with the Hedging Policy and may continue to be with Existing Hedge Counterparties or may be novated to new hedge counterparties (the **New Hedge Counterparties** and together with the remaining Existing Hedge Counterparties, the **Hedge Counterparties**). New interest rate hedges (together with the Existing Interest Rate Hedges, the **Interest Rate Hedges** and such hedging together, the **Interest Rate Hedging**), currency hedges (**Currency Hedges** and such hedging together, the **Currency Hedging**) and inflation linked hedges

(together with the Existing Inflation Linked Hedges, the **Inflation Linked Hedges** and such hedging together, the **Inflation Linked Hedging**) which rank either *pari passu* or super senior to the Existing Hedges (together, the **New Hedges** and together with the remaining Existing Hedges, the **Hedges** and each, a **Hedge** and together, the **Hedging**) may be entered into by the Borrower and/or the Issuer and/ or FinCo with New Hedge Counterparties under new hedging agreements (the **New Hedging Agreements**). Back to back hedges shall be entered into between the Borrower and FinCo 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**), including the FinCo/Borrower Hedges to be entered into on the Closing Date in respect of the Existing Interest Rate Swaps to be novated to FinCo and amended on the Closing Date. After the Closing Date, back to back hedges may also be entered into between the Borrower and the Issuer which match the terms of any Issuer Hedges entered into after the Closing Date (the **Issuer/Borrower Hedges** and the agreements under which such Issuer/Borrower Hedges are entered into, the **Issuer/Borrower Hedging Agreements**).

Liquidity Facility

The Liquidity Facility Providers, provided that on the Closing Date each have the Liquidity Facility Provider Requisite Ratings, will agree to provide a renewable 364 day debt service reserve liquidity facility (including any replacement or additional facility, the **Liquidity Facility**) on a renewable basis for 25 years from the Closing Date to the Borrower and the Issuer for the making of revolving loans (the **Liquidity Loans**) under a liquidity facility agreement (including any replacement or additional agreement, the **Liquidity Facility Agreement**) in an initial amount of £200,000,000 million, such initial amount being an amount as at the Closing Date at least equal to interest and scheduled principal and other scheduled amounts (as applicable) payable by the Borrower on the Borrower Facilities (other than the Issuer/Borrower Facilities) and by the Issuer on the Notes during each 12 month period occurring during the period commencing on the Closing Date and ending 7 years after the Closing Date (but excluding any principal payment due on the Final Maturity Date of the Borrower Facilities (other than the Issuer/Borrower Facilities) or of the Notes (other than any final scheduled payment of fully amortising debt)) (as increased or decreased by agreement between the Liquidity Facility Providers and the Issuer and the Borrower from time to time, the **Liquidity Facility Amount**) to ultimately cover any shortfall in cash required to cover interest and scheduled principal and other scheduled amounts (as applicable) payable by the Borrower on the Borrower Facilities (other than the Issuer/Borrower Facilities) and by the Issuer on the Notes and amounts ranking *pari passu* or senior thereto in accordance with the applicable Borrower Payment Priorities and Issuer Payment Priorities.

Capex Facility and Working Capital Facility

The Capex Facility Providers will agree to provide the Borrower with a capex facility (the **Capex Facility**) for the making of term loans (**Capex Loans**) in an aggregate amount of £400 million under a facility agreement (the **Capex and Working Capital Facilities Agreement**).

The Working Capital Facility Providers will agree to provide the Borrower with a working capital facility (the **Working Capital Facility**) for the making of revolving credit loans (**Working Capital Loans**) in an aggregate amount of £100 million under the Capex and Working Capital Facilities Agreement.

Capex Loans will be applied to fund up to 75% of the Senior Financing Group's growth capital expenditure, as well as other acquisitions permitted in accordance with the CTA.

Working Capital Loans will be applied towards the working capital requirements of the Senior Financing Group.

Obligor Guarantees and Obligor Security

The liabilities of the Borrower under the Borrower Bank Facilities, the FinCo/Borrower Facilities and the Issuer/Borrower Facilities (each a **Borrower Facility** and together the **Borrower Facilities** and the loans made under such facilities, each a **Borrower Loan** and together the **Borrower Loans** and the agreements under which such facilities are provided, each a **Borrower Facility Agreement** and together the **Borrower Facility Agreements** and the providers thereof (including the Borrower Bank Facility Providers, FinCo and the Issuer), each a **Borrower Facility Provider** and together the

Borrower Facility Providers) and the other Obligor Transaction Documents (including the Borrower Hedging Agreements, the FinCo/Borrower Hedging Agreements and any Issuer/Borrower Hedging Agreements) will be cross-guaranteed by the Obligors (the **Obligor Guarantees**). Each Obligor will grant in favour of a security trustee (the **Obligor Security Trustee**) first ranking fixed and floating security over all (or substantially all) of its assets (including, in the case of the Parent, the share capital of the Intermediate Parent and, in the case of the Intermediate Parent, the share capital of the Borrower, FinCo and the Issuer) in support of its financial obligations under the Obligor Guarantees (the **Obligor Security**).

The Obligor Guarantees and the Obligor Security will be held by the Obligor Security Trustee on trust for the Issuer, FinCo, the Capex Facility Providers, the Working Capital Facility Providers, the Liquidity Facility Providers (in their capacity as lenders to the Borrower), any Ancillary Facility Providers, any Permitted Facility Providers, any other Authorised Facility Providers, the Borrower Hedge Counterparties (including the Hedge Counterparties under the Existing Inflation Linked Hedges) and the other secured creditors of the Obligors (together, the **Obligor Secured Creditors**) under the terms of a security trust and intercreditor deed (the **STID** and together with the CTA, the Security Deed, the other Security Documents, the MDA, 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, the **Common Documents**) which will also set out the voting and intercreditor arrangements amongst the Secured Creditors.

Common Documents

Each of the Borrower Bank Loans, the FinCo/Borrower Loans and the Issuer/Borrower Loans 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 **CTA**) and a master definitions agreement setting out the terms used therein (the **MDA**). These will, among other things, ring-fence the Senior Financing Group from the other Group companies.

Issuer Security

The Issuer will create security over its assets (including its rights under the Issuer/Borrower Facilities Agreement, the Issuer/Borrower Hedges, the CTA and the STID) (the **Issuer Security**) in favour of a security trustee (the **Issuer Security Trustee**) to be appointed by and act on behalf of the holders of the Notes (the **Noteholders**), the Liquidity Facility Providers (in their capacity as lenders to the Issuer), the Issuer Hedge Counterparties and other secured creditors of the Issuer (together, the **Issuer Secured Creditors**).

FinCo Security

FinCo will create security over its assets (including its rights under the FinCo/Borrower Facilities Agreement, the FinCo Hedges, the CTA and the STID) (the **FinCo Security**) in favour of a security trustee (the **FinCo Security Trustee**) to be appointed by and act on behalf of the Term Facilities Providers, the TF Agent and the FinCo Hedge Counterparties and the other secured creditors of FinCo (together, the **FinCo Secured Creditors** and together with the Obligor Secured Creditors and the Issuer Secured Creditors, the **Secured Creditors**).

Junior Financing

Outside of the Senior Group, a newly formed sister company (**Junior FinCo**) of AF No 2 named Arqiva Broadcast Finance plc will raise financing by the issue of secured notes by Junior FinCo (the **Junior Notes** and the holders thereof, the **Junior Noteholders** and the **Junior Financing**), which will be structurally subordinated to the Senior Financing. The obligations of Junior FinCo under the Junior Notes (in such capacity, the **Junior Issuer**) will be guaranteed by AF No 2 and the Junior Parent (together the **Junior Guarantors**).

The proceeds from the Junior Financing (together, the **Junior Financing Proceeds**) will be made available by Junior FinCo (in its capacity as the **Junior Intercompany Lender**) to AF No 2 (in its capacity as the **Junior Intercompany Borrower**) by way of loans (the **Junior Intercompany Loans** and the agreement under which such loans are made, the **Junior Intercompany Loan Agreement**),

initially to (i) repay the Existing Bank Facilities, (ii) fund break costs (if any) under any Existing Hedges which are to be terminated and not retained by the Borrower or novated to FinCo and amended on the Closing Date, (iii) to pay down accretion under the Existing Hedging Agreements (in each case) (iv) fund any fees and expenses incurred in respect of the Refinancing, if not fully funded by the Senior Financing and (v) if any surplus, for general corporate purposes. The balance will be lent by AF No 2 to Intermediate HoldCo to be on-lent by Intermediate HoldCo (in such capacity, the **Subordinated Lender** and such loans (including the FinCo/Borrower Capitalisation Loan), the **Subordinated Loans** and the agreements under which such loans are made, the **Subordinated Loan Agreements**) to the Parent to be on-lent by the Parent to the Intermediate Parent and to be on-lent by the Intermediate Parent to the Borrower (which it may on-lend through the chain of subsidiaries to the other Senior Financing Group Companies).

Intermediate HoldCo Guarantees and Intermediate HoldCo Security

Intermediate HoldCo will guarantee all liabilities of FinCo under the Term Facilities at their Final Maturity Date or on an earlier date for prepayment of the Term Facilities and at the scheduled breaks under the FinCo Hedges or on an early termination of the FinCo Hedges (the **Intermediate HoldCo Senior Guarantee**). Intermediate HoldCo will also guarantee all liabilities of Junior FinCo under the Junior Notes, 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 (the **Intermediate HoldCo Subordinated Guarantee** and together with the Intermediate HoldCo Senior Guarantee, the **Intermediate HoldCo Guarantees**). A demand may only be made under the Intermediate HoldCo Subordinated Guarantee following a demand under the Intermediate HoldCo Senior Guarantee or following payment in full of all amounts outstanding under the Term Facilities and the FinCo Hedges.

Intermediate HoldCo will grant in favour of a security trustee (the **Intermediate HoldCo Security Trustee**) for the benefit of the Term Facilities Providers, the FinCo Hedge Counterparties and the Junior Noteholders (as applicable) (together, the **Intermediate HoldCo Secured Creditors**) first ranking fixed security over the share capital of the Parent and any subordinated loans owing from the Parent to Intermediate HoldCo and a first ranking floating charge over the assets of Intermediate HoldCo each in support of its financial obligations under the Intermediate HoldCo Guarantee and the Intermediate HoldCo Subordinated Guarantee (the **Intermediate HoldCo Security** and the documents under which such security is provided, the **Intermediate HoldCo Security Documents**). The Intermediate HoldCo Security will be enforceable by the Intermediate HoldCo Security Trustee on a payment default by Intermediate HoldCo under the Intermediate HoldCo Senior Guarantee (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; and (ii) a period from the date on which a demand was made under the Intermediate HoldCo Senior Guarantee to the date on which an Insolvency Event occurs in respect of Intermediate HoldCo), and provided that there is no continuing Obligor Event of Default, except that a FinCo Event of Default falling under paragraph 18 (FinCo Event of Default) of Schedule 4 (Obligor Events of Default) of the Common Terms Agreement may have occurred (briefly, these are non payment: (i) of the Term Facilities on their final maturity date; (ii) at an earlier date for prepayment of the Term Facilities for which there is no corresponding earlier termination date under the FinCo/Borrower Facilities Agreement; (iii) at a scheduled break under the FinCo Hedges; or (iv) at an earlier termination date under the FinCo Hedges for which no corresponding earlier termination date under the FinCo Hedges arises, provided in each case that FinCo has not been put in funds to make such payment but has failed to do so), on the instructions of the Term Facilities Providers and the FinCo Hedge Counterparties or, after payment in full of all amounts outstanding under the Term Facilities and the FinCo Hedges and following a payment default by Intermediate HoldCo under the Intermediate HoldCo Subordinated Guarantee, on the instructions of the Junior Noteholders. Any proceeds of enforcement of the Intermediate HoldCo Security after payment of remuneration, costs and expenses of the Intermediate HoldCo Security Trustee and any receiver appointed by the HoldCo Security Trustee will be applied towards payments due to the Term Facilities Providers and the FinCo Hedge Counterparties under the Intermediate HoldCo Senior Guarantee *pro rata* and *pari passu* and then towards payments due to the Junior Noteholders under the Intermediate HoldCo Subordinated Guarantee.

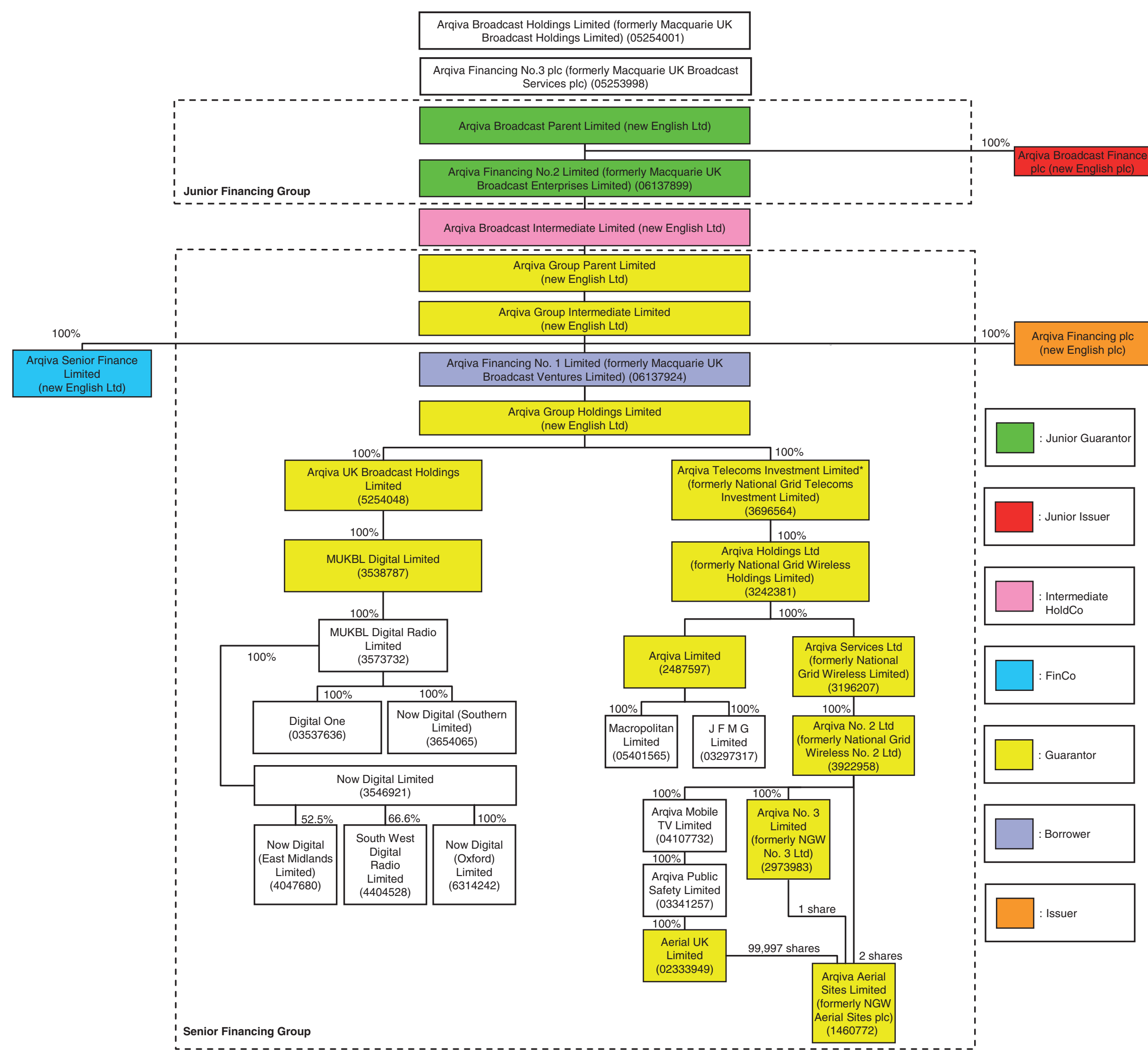
Shareholder Loan Notes

In addition to the Senior Financing and the Junior Financing, the Current Shareholders will provide AF No 3 with funding in the form of shareholder loan notes for an amount of approximately £400 million (the **Shareholder Loan Notes**) outside of the arrangements for the Senior Financing and the Junior Financing. The proceeds of the Shareholder Loan Notes will be on-lent by AF No 3 to the Parent Guarantor on a subordinated basis by way of intercompany loan. Repayment by the Parent Guarantor of such intercompany loan will be structurally subordinated to repayment of indebtedness of the Group under the Senior Financing and the Junior Financing.

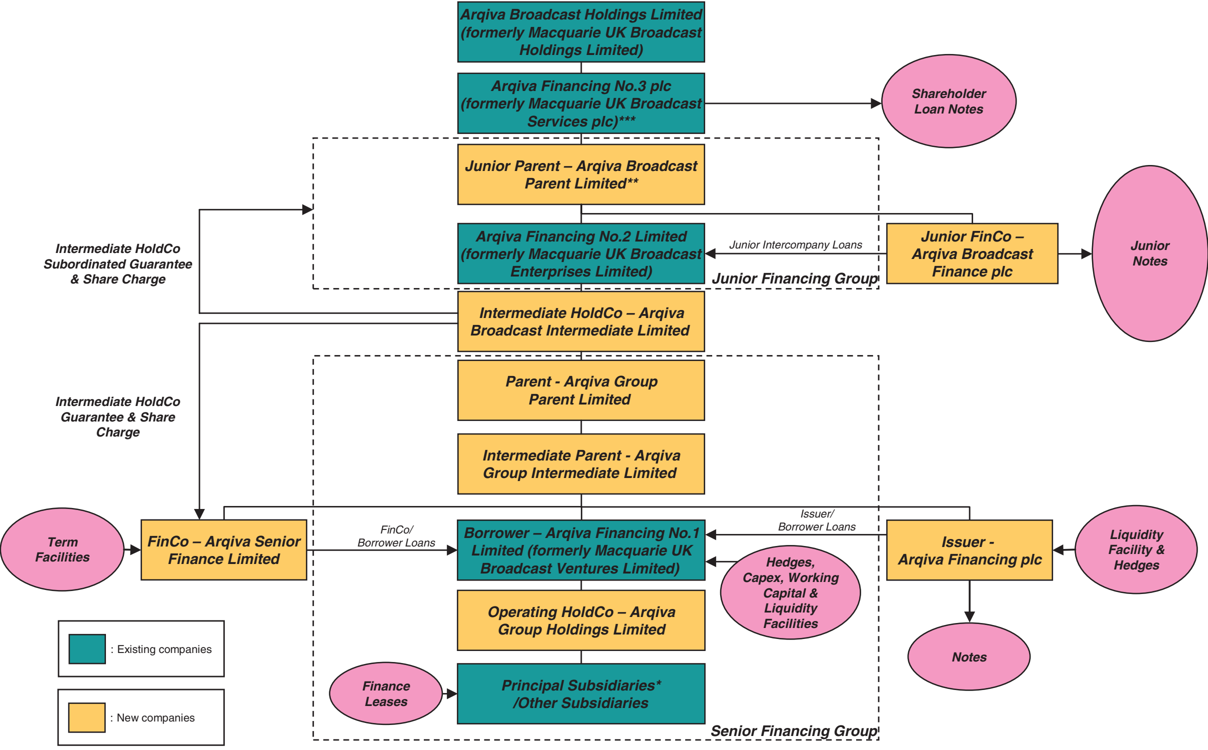
Closing Date Reorganisation

Immediately prior to the issue of the Notes on the Closing Date, ABHL will transfer the entire issued share capital of the Junior Parent to AF No 3, AF No 3 will transfer the entire issued share capital of AF No 2 to the Junior Parent, the Junior Parent will transfer the entire issued share capital of Intermediate HoldCo to AF No 2, AF No 2 will transfer the entire issued share capital of the Borrower to Intermediate HoldCo, Intermediate HoldCo will transfer the entire issued share capital of the Borrower to the Parent, the Parent will transfer the entire issued share capital of the Borrower to Intermediate Parent, the 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.

CORPORATE STRUCTURE DIAGRAM FOR THE GROUP

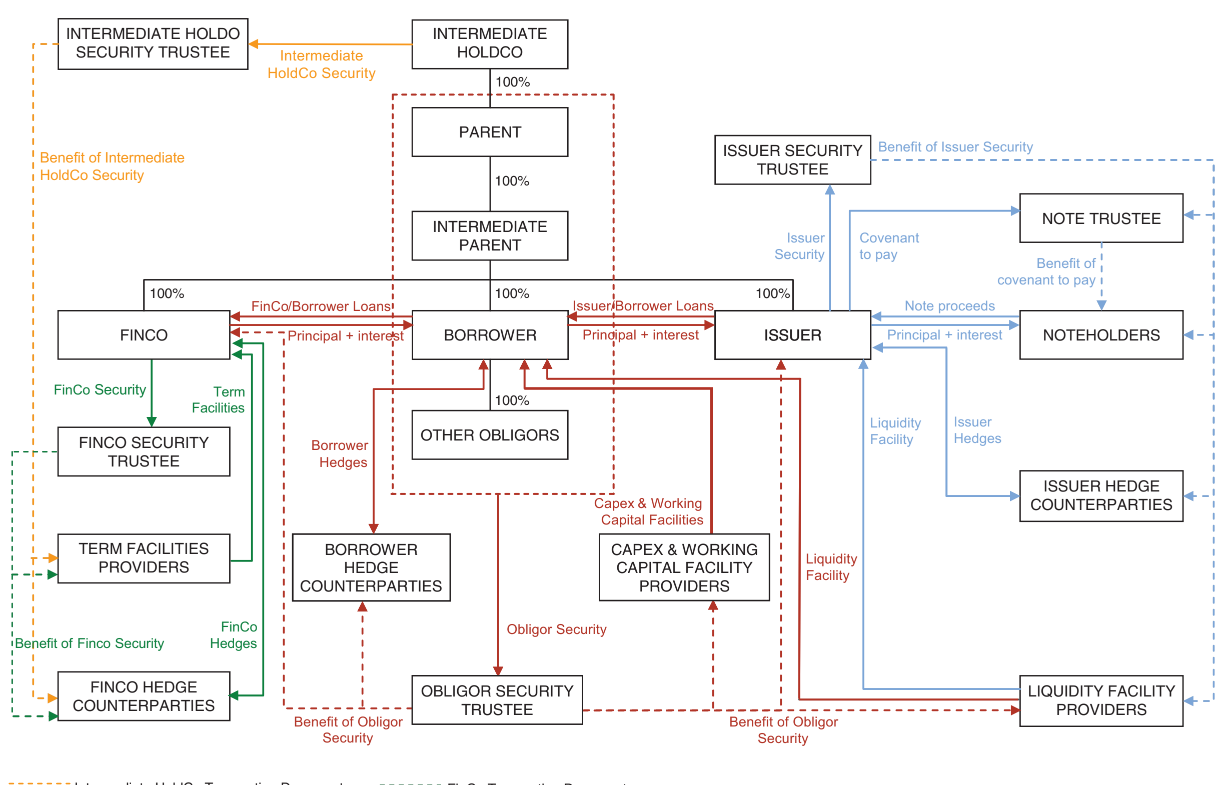


OVERVIEW STRUCTURE DIAGRAM FOR REFINANCING



* Includes Arqiva UK Broadcast Holdings Limited, MUKBL Digital Limited, Arqiva Telecoms Investment Limited, Arqiva Holdings Ltd, Arqiva Limited, Arqiva Services Ltd., Arqiva No. 2 Ltd., Arqiva No. 3 Limited, Arqiva Aerial Sites Limited and Aerial UK Limited.

TRANSACTION STRUCTURE DIAGRAM FOR SENIOR FINANCING



PARTIES AND SOME CHARACTERISTICS OF THE PROGRAMME

LIST OF PARTIES

1. ISSUER RELATED PARTIES

Issuer:	Arqiva Financing plc, a company with limited liability incorporated under the laws of England and Wales. The Issuer is a wholly owned subsidiary of the Intermediate Parent that has been incorporated as a special purpose vehicle to issue the Notes and on-lend the proceeds to the Borrower by way of corresponding Issuer/Borrower Loans under the Issuer/Borrower Facilities Agreement.
Arranger:	HSBC Bank plc has been appointed by the Issuer as arranger under the Programme (the **Arranger**).
Dealers:	Banco Santander, S.A., Barclays Bank PLC, Commerzbank Aktiengesellschaft, Deutsche Bank AG, London Branch, HSBC Bank plc, ING Bank N.V., J.P. Morgan Securities plc, Lloyds TSB Bank plc, Merrill Lynch International, Mitsubishi UFJ Securities International plc, National Australia Bank Limited, Scotiabank Europe plc, Société Générale and The Royal Bank of Scotland plc have been appointed by the Issuer as dealers under the Programme (together with any additional dealers appointed by the Issuer under the Programme from time to time, the **Dealers**).
Note Trustee:	Deutsche Trustee Company Limited will act as trustee for the Noteholders (in such capacity, the **Note Trustee**).
Issuer Security Trustee:	Deutsche Trustee Company Limited will act as security trustee for the Noteholders and the other Issuer Secured Creditors (in such capacity, the **Issuer Security Trustee**).
Issuer Hedge Counterparties:	Any future hedge counterparties to the Issuer (but excluding, for the avoidance of doubt, the Borrower) in respect of any New Hedges that will be entered into by the Issuer after the Closing Date (but excluding, for the avoidance of doubt, any Issuer/Borrower Hedges) (the **Issuer Hedge Counterparties** and such Hedges, the **Issuer Hedges** and together, the **Issuer Hedging** and the agreements under which such Issuer Hedges are entered into, the **Issuer Hedging Agreements**).
Principal Paying Agent:	Deutsche Bank AG, London Branch will act as the principal paying agent to the Issuer (in such capacity, the **Principal Paying Agent** and together with Deutsche Bank Trust Company Americas and any future paying agents appointed to the Issuer, the **Paying Agents**) under an agency agreement (the **Agency Agreement**).
Agent Bank:	Deutsche Bank AG, London Branch will act as the agent bank to the Issuer (the **Agent Bank**) under the Agency Agreement.
Registrar:	Deutsche Bank Trust Company Americas will act as the registrar to the Issuer (in such capacity, the **Registrar**) under the Agency Agreement.
Transfer Agent:	Deutsche Bank Trust Company Americas will act as the transfer agent to the Issuer (in such capacity, the **Transfer Agent**) under the Agency Agreement.

Exchange Agent:	Deutsche Bank AG, London Branch will act as the exchange agent to the Issuer (in such capacity, the **Exchange Agent**) under the Agency Agreement.
Issuer Cash Manager:	Arqiva Limited will be the cash manager of the Issuer (in such capacity, the **Issuer Cash Manager**) under a cash management agreement (the **Issuer Cash Management Agreement**).
Issuer Account Bank:	National Westminster Bank Plc will act as the account bank to the Issuer (in such capacity, the **Issuer Account Bank**) under a bank account agreement (the **Issuer Account Bank Agreement**).
Issuer Corporate Officer Provider:	Structured Finance Management Limited will act as corporate officer provider to the Issuer (in such capacity, the **Issuer Corporate Officer Provider**) under a corporate officer agreement (the **Issuer Corporate Officer Agreement**).
Issuer Secured Creditors:	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), the LF Agent, the Principal Paying Agent, the Paying Agent, the Agent Bank, the Calculation Agent, the Registrar, the Transfer Agent, the Exchange Agent, the Issuer Cash Manager, the Issuer Account Bank, the Borrower and the Issuer Corporate Officer Provider and any other creditors of the Issuer which accede as such to the Issuer Deed of Charge are together referred to as the **Issuer Secured Creditors**.
Rating Agencies:	The relevant rating agencies appointed by the Issuer from time to time to rate the Notes (together, the **Rating Agencies**), being (as at the date of this Prospectus) Fitch and S&P.

2. OBLIGOR RELATED PARTIES

Parent:	Arqiva Group Parent Limited, a company with limited liability incorporated under the laws of England and Wales. The Parent is a wholly owned subsidiary of Intermediate HoldCo.
Intermediate Parent:	Arqiva Group Intermediate Limited, a company with limited liability incorporated under the laws of England and Wales. The Intermediate Parent is a wholly owned subsidiary of the Parent.
Borrower:	Arqiva Financing No 1 Limited (formerly Macquarie UK Broadcast Ventures Ltd) (**AF No 1**), a company with limited liability incorporated under the laws of England and Wales. On the Closing Date, the Borrower will be a wholly owned subsidiary of the Intermediate Parent.
Operating HoldCo:	Arqiva Group Holdings Limited, a company with limited liability incorporated under the laws of England and Wales. On the Closing Date, Operating HoldCo will be a wholly owned subsidiary of the Borrower on or prior to the Closing Date.
Principal Subsidiaries:	Each of Arqiva UK Broadcast Holdings Limited, MUKBL Digital Limited, Arqiva Telecoms Investment Limited, Arqiva Holdings Ltd, Arqiva Limited, Arqiva Services Ltd, Arqiva No 2 Ltd, Arqiva No 3 Limited, Arqiva Aerial Sites Limited and Aerial UK Limited as at the date of this Prospectus and from time to time any other direct or indirect subsidiaries of the Operating HoldCo which have acceded to the Common Documents as an Obligor.

Obligors:	The Parent, the Intermediate Parent, the Borrower, Operating HoldCo and each Principal Subsidiary (but excluding, for the avoidance of doubt, the Issuer and FinCo).
Senior Financing Group:	The Parent, the Intermediate Parent, the Borrower and all of the Borrower's direct and indirect subsidiaries.
Senior Financing Group Company:	Each member of the Senior Financing Group.
Senior Group:	The Senior Financing Group, the Issuer and FinCo.
Senior Group Company:	Each member of the Senior Group.
Obligor Security Trustee:	Deutsche Trustee Company Limited will act as security trustee for the Obligor Secured Creditors (in such capacity, the **Obligor Security Trustee**).
Liquidity Facility Providers:	Abbey National Treasury Services plc (trading as Santander Global Banking and Markets), Bank of America, N.A., Barclays Bank PLC, Commerzbank AG, London Branch, Deutsche Bank AG, London Branch, HSBC Bank plc, ING Bank N.V., London Branch, JPMorgan Chase Bank N.A., Lloyds TSB Bank plc, National Australia Bank Limited, Société Générale, London Branch, The Bank of Nova Scotia, London Branch, The Bank of Tokyo Mitsubishi UFJ Ltd and The Royal Bank of Scotland plc will form a syndicate of banks (the **Liquidity Facility Providers**, which expression includes any future syndicate members), that on the Closing Date will each have the Liquidity Facility Provider Requisite Ratings, that will provide to the Borrower and the Issuer on the Closing Date the Liquidity Facility for the making of the Liquidity Loans on the terms of the Liquidity Facility Agreement and in an initial amount of £200,000,000 million.
LF Arrangers:	Abbey National Treasury Services plc (trading as Santander Global Banking and Markets), Banc of America Securities Limited, Barclays Bank PLC, Commerzbank AG, Deutsche Bank AG, London Branch, HSBC Bank plc, ING Bank N.V., London Branch, J.P.Morgan Limited, Lloyds TSB Bank plc, National Australia Branch Limited, Société Générale, London Branch, The Bank of Nova Scotia, London Branch, The Bank of Tokyo Mitsubishi UFJ Ltd and The Royal Bank of Scotland plc will be appointed as arrangers for the initial Liquidity Facility (in such capacity, the **LF Arrangers**).
LF Agent:	Commerzbank AG, Luxembourg Branch will be facility agent for the Liquidity Facility Providers (in such capacity, the **LF Agent**).
Capex Facility Providers:	Abbey National Treasury Services plc (trading as Santander Global Banking and Markets), Banca IMI S.p.A., London Branch, Bank of America, N.A., Barclays Bank PLC, Canadian Imperial Bank of Commerce, London Branch, Commerzbank AG, London Branch, Deutsche Bank AG, London Branch, Export Development Canada, HSBC Bank plc, ING Bank N.V., London Branch, JPMorgan Chase Bank, N.A., 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 and UBS AG, London Branch will form a syndicate of banks (the **Capex Facility Providers**, which expression includes any future syndicate members) that will provide the Borrower on the Closing Date the Capex Facility for the making of Capex Loans in an aggregate amount of £400 million on the terms of the Capex and Working Capital Facilities Agreement.

CF&WCF Arrangers: Abbey National Treasury Services plc (trading as Santander Global Banking and Markets), Banc of America Securities Limited, Banca IMI S.p.A., London Branch, Barclays Bank PLC, Canadian Imperial Bank of Commerce, London Branch, Commerzbank Aktiengesellschaft, Deutsche Bank AG, London Branch, Export Development Canada, HSBC Bank plc, ING Bank N.V., London Branch, J.P.Morgan Limited, Lloyds TSB Bank plc, National Australia Branch Limited, Scotiabank Europe Plc, Société Générale, London Branch, The Bank of Tokyo Mitsubishi UFJ Ltd., The Royal Bank of Scotland plc and UBS Limited will be arrangers for the Capex Facility and the Working Capital Facility (in such capacity, the **CF&WCF Arrangers**).

CF&WCF Agent: Commerzbank AG, Luxembourg Branch will be facility agent for the Capex Facility Providers and the Working Capital Facility Providers (in such capacity, the **CF&WCF Agent**).

Working Capital Facility Providers: Abbey National Treasury Services plc (trading as Santander Global Banking and Markets), Banca IMI S.p.A., London Branch, Bank of America, N.A., Barclays Bank PLC, Canadian Imperial Bank of Commerce, London Branch, Commerzbank AG, London Branch, Deutsche Bank AG, London Branch, Export Development Canada, HSBC Bank plc, ING Bank N.V., London Branch, JPMorgan Chase Bank, N.A., 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 and UBS AG, London Branch will form a syndicate of banks (the **Working Capital Facility Providers**, which expression includes any future syndicate members) to provide the Borrower on the Closing Date the Working Capital Facility for the making of Working Capital Loans in an aggregate amount of £100 million on the terms of the Capex and Working Capital Facilities Agreement.

Borrower Bank Facility Providers: The Capex Facility Providers, the Working Capital Facility Providers and the Liquidity Facility Providers (in their capacity as lenders to the Borrower) as at the Closing Date and from time to time together with any Ancillary Facility Providers, any Permitted Facility Providers and any other Authorised Facility Providers (as applicable) are referred to as the **Borrower Bank Facility Providers**.

BBF Arrangers: The CF&WCF Arrangers and the LF Arrangers as at the Closing Date and from time to time together with any arrangers for any Ancillary Facilities, Permitted Facilities and other Authorised Facilities (as applicable) are referred to as the **BBF Arrangers**.

BBF Agents: The CF&WCF Agent and the LF Agent as at the Closing Date and from time to time together with any facility agents for any Ancillary Facilities, Permitted Facilities and other Authorised Facilities (as applicable) are referred to as the **BBF Agents**.

Borrower Hedge Counterparties: Abbey National Treasury Services plc (trading as Santander Global Banking and Markets), Bank of America, N.A., Barclays Bank PLC, Commerzbank AG, Deutsche Bank AG, London

Branch, HSBC Bank plc, ING Bank N.V., JPMorgan Chase Bank, N.A., Lloyds TSB Bank plc, Mitsubishi UFJ Securities International plc, National Australia Bank Limited, Société Générale, The Royal Bank of Scotland plc and UBS AG, London Branch will be Hedge Counterparties in respect of the Existing Inflation Linked Hedges which will be retained by the Borrower and amended on the Closing Date (together with any future hedge counterparties to the Borrower (but excluding, for the avoidance of doubt, the Issuer and FinCo) in respect of any New Hedges that will be entered into by the Borrower after the Closing Date (but excluding, for the avoidance of doubt, any Issuer/Borrower Hedges and FinCo/Borrower Hedges), the **Borrower Hedge Counterparties** and such Hedges, the **Borrower Hedges** and together the **Borrower Hedging** and the agreements under which such Borrower Hedges are entered into, the **Borrower Hedging Agreements** and each a **Borrower Hedging Agreement**).

Borrower Account Bank: National Westminster Bank Plc will act as the account bank to the Borrower (in such capacity, the **Borrower Account Bank**) under a bank account agreement (the **Borrower Account Bank Agreement**).

Obligor Secured Creditors: 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), any Ancillary Facility Providers, any Permitted Facility Providers, any other Authorised Facility Providers, the BBF Agents, the Borrower Hedge Counterparties, the Borrower Account Bank and any other creditors of the Obligors which accede as such to the Common Documents are together referred to as the **Obligor Secured Creditors**.

3. FINCO RELATED PARTIES

FinCo: Arqiva Senior Finance Limited, a company with limited liability incorporated under the laws of England and Wales. FinCo is a wholly owned subsidiary of the Intermediate Parent that has been incorporated as a special purpose vehicle to borrow under the Term Facilities and on-lend the proceeds of the Term Loans to the Borrower by way of corresponding FinCo/Borrower Loans made available under the FinCo/Borrower Facilities Agreement.

FinCo Security Trustee: Deutsche Trustee Company Limited will act as security trustee for the FinCo Secured Creditors (in such capacity, the **FinCo Security Trustee**).

Term Facilities Providers: Abbey National Treasury Services plc (trading as Santander Global Banking and Markets), Banca IMI S.p.A., Bank of America , N.A., Barclays Bank PLC, Canadian Imperial Bank Of Commerce, London Branch, Commerzbank AG, London Branch, Deutsche Bank AG, London Branch, Export Development Canada, HSBC Bank plc, ING Bank N.V., London Branch, JPMorgan Chase Bank N.A., Lloyds TSB Bank plc, M&G European Loan Fund Limited, M&G Active European Loan Fund Limited, M&G Conservative European Loan Fund Limited, M&G Focused European Loan Fund Limited, M&G Broad European Loan Fund Limited, M&G Dynamic European Loan Fund Limited, M&G Independent European Loan Fund

Limited, M&G Progressive European Loan Fund Limited, M&G SLK European Loan Fund Limited, M&G Tactical European Loan Fund Limited, National Australia Bank Limited, Prudential Capital Plc, Shell Pensions Trust Limited as Trustee of the Shell Contributory Pension Fund, Société Générale, London Branch, Stichting Shell Pensioenfonds, The Bank of Tokyo Mitsubishi UFJ Ltd., The Prudential Assurance Company Limited, The Royal Bank of Scotland plc, London Branch and UBS AG, London Branch (together with any future term facilities providers to FinCo, the **Term Facilities Providers**) will form a syndicate of banks that have agreed to provide senior term loan facilities of up to £800,000,000 (comprising **Facility A**) and up to £786,000,000 (comprising **Facility B**) to FinCo (together with any further facilities made available to FinCo (the **New Term Facilities**), the **Term Facilities**).

TF Arrangers: Abbey National Treasury Services plc (trading as Santander Global Banking and Markets), Banc of America Securities Limited, 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 Branch Limited, 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 will be arrangers for the initial Term Facilities (in such capacity, the **TF Arrangers** and together with the BBF Arrangers, the **Facility Arrangers**).

TF Agent: Commerzbank AG, Luxembourg Branch will be facility agent for the Term Facilities Providers (in such capacity, the **TF Agent** and together with the BBF Agents, the **Facility Agents**).

FinCo Hedge Counterparties: Abbey National Treasury Services plc (trading as Santander Global Banking and Markets), Banc of America, N.A., Barclays Bank PLC, Canadian Imperial Bank of Commerce, London Branch, Commerzbank AG, Deutsche Bank AG, London Branch, HSBC Bank plc, ING Bank N.V., JPMorgan Chase Bank, N.A., Lloyds TSB Bank plc, Mitsubishi UFJ Securities International plc, National Australia Branch Limited, Société Générale, The Bank of Nova Scotia, The Royal Bank of Scotland plc and UBS AG, London Branch will be Hedge Counterparties in respect of the Existing Interest Rate Hedges which will be novated by the Borrower to FinCo and amended on the Closing Date (together with any future hedge counterparties to FinCo (but excluding, for the avoidance of doubt, the Borrower) in respect of any New Hedges that will be entered into by the FinCo after the Closing Date (but excluding, for the avoidance of doubt, any FinCo/Borrower Hedges), the **FinCo Hedge Counterparties** and such Hedges, the **FinCo Hedges** and together the **FinCo Hedging** and each ISDA Master Agreement, including each Treasury Transaction forming part thereof and subject thereto, between FinCo and a FinCo Hedge Counterparty, the **FinCo Hedging Agreements**).

FinCo Account Bank: National Westminster Bank Plc will be the account bank of FinCo (in such capacity, the **FinCo Account Bank**).

FinCo Corporate Officer Provider:	Structured Finance Management Limited will act as corporate officer provider to the FinCo (in such capacity, the **FinCo Corporate Officer Provider**) under a corporate officer agreement (the **FinCo Corporate Officer Agreement**).
FinCo Secured Creditors:	The FinCo Security Trustee, the Term Facilities Providers, the TF Agent, the FinCo Corporate Officer Provider and the FinCo Hedge Counterparties and any Additional FinCo Secured Creditor.

4. INTERMEDIATE HOLDCO RELATED PARTIES

Intermediate HoldCo:	Arqiva Broadcast Intermediate Limited, a company with limited liability incorporated under the laws of England and Wales. Intermediate HoldCo, as at the Closing Date will be a wholly owned subsidiary of Arqiva Financing No 2 Limited (formerly Macquarie UK Broadcast Enterprises Ltd) (**AF No 2**).
Intermediate HoldCo Security Trustee:	Deutsche Trustee Company Limited will act as security trustee for the Intermediate HoldCo Secured Creditors (in such capacity, the **Intermediate HoldCo Security Trustee**).
Intermediate HoldCo Secured Creditors:	The Intermediate HoldCo Security Trustee, the Term Facilities Providers, the FinCo Hedge Counterparties and the Junior Noteholders (as applicable) are together referred to as the **Intermediate HoldCo Secured Creditors**.

5. HOLDING COMPANIES

Senior Holding Companies:	Intermediate HoldCo, AF No 2, the Junior Parent, AF No 3 and ABHL.
Non-Senior Group Companies:	The Senior Holding Companies and any other subsidiaries of ABHL (excluding any Senior Group Companies).
Subordinated Lender:	Intermediate HoldCo (in such capacity, the **Subordinated Lender**) will provide 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 (which may be on-lent by the Borrower through the chain of subsidiaries to the other Senior Financing Group Companies).

CHARACTERISTICS OF THE PROGRAMME

Description:	Programme for the issuance of Notes by the Issuer and on-loan of the proceeds to the Borrower (the **Programme**).
Closing Date:	The date of issue of the first Series of Notes under the Programme.
Issue Date:	The date of issue of each Series or Tranche of Notes under the Programme as specified in the relevant final terms applicable to such Series or Tranche of Notes (the **Final Terms**).
Notes:	Notes issued under the Programme will be issued in Series, each Series pertaining to, among other things, the Currency, Interest Rate and Maturity Date.

Each Series can be issued in one or more Tranches, the specific terms of each Tranche being identical in all respects, save for the Issue Dates, Interest Commencement Dates and/or Issue Prices, to the terms of the other Tranches of such Series.

Programme size: Up to £5,000,000,000 billion (or its equivalent in other Currencies) aggregate nominal amount of the Notes outstanding at any time.

Certain restrictions: Each issue of Notes denominated in a Currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time including the restrictions applicable at the date of this Prospectus. See "*Subscription and Sale*".

Risk Factors: There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "*Risk Factors*". In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Risk Factors*" and include the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of particular Notes and certain market risks.

Rating: The ratings assigned to the Notes by the Rating Agencies reflect only the views of the Rating Agencies. Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the relevant Final Terms and will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning Rating Agency.

Each Rating Agency will be a rating agency established in the European Union and registered under Regulation (EU) No 1060/2009 (the **CRA Regulation**) (as amended). As such, each Rating Agency is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation.

Distribution: Notes may be distributed by way of a private or public placement and, in each case, on a syndicated or non-syndicated basis, as specified in the applicable Final Terms, and subject to the restrictions set forth in "*Subscription and Sale*" and "*Transfer Restrictions*" below.

Currencies: 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.

Final Terms or Drawdown Prospectus: Notes issued under the Programme may be issued either (a) pursuant to this Prospectus and associated Final Terms or (b) pursuant to a Drawdown Prospectus.

Maturities: Such legal maturities (the **Final Maturity Date**) and, where applicable, expected maturities (the **Expected Maturity Date**) 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 Specified Currency, as specified in the applicable Final Terms; and (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.

Issue Price: Notes may be issued on a fully-paid or a partly-paid basis and at an Issue Price which is at par or at a discount to, or premium over, par as specified in the applicable Final Terms.

Interest: The Notes (save as otherwise provided below in relation to Zero Coupon Notes) will be interest-bearing and interest will be calculated on their Principal Amount Outstanding. Interest will accrue at a fixed or floating rate (plus, in the case of Index Linked Notes, amounts in respect of indexation), as specified in the applicable Final Terms. Interest will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer, as specified in the applicable Final Terms.

Form of Notes: The Notes will be unconditional obligations of the Issuer and issued in bearer or registered form (**Bearer Notes** and **Registered Notes** respectively) and deposited with a common depositary for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) or a nominee for the Depository Trust Company (**DTC**). Bearer Notes will be issued in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note relating to the same Series, not earlier than 40 days after the relevant Issue Date, upon certification as to non-U.S. beneficial ownership. Registered Notes will be issued in the form of one or more Registered Global Notes.

Fixed Rate Notes: Fixed Rate Notes will bear interest at a fixed rate of interest, as specified in the applicable Final Terms.

Floating Rate Notes: Floating Rate Notes will bear interest at a floating rate determined on the basis of a reference rate appearing on an agreed screen page of a commercial quotation service as indicated in the applicable Final Terms. The margin (if any) relating to such Floating Rate Notes will be agreed between the Issuer and the relevant Dealer, as specified in the applicable Final Terms.

Index Linked Notes: Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Index Linked Notes will be calculated subject to adjustment for indexation in accordance with Condition 5.3 (*Interest on Floating Rate Notes and Index Linked Notes*) and the applicable Final Terms.

Dual Currency Notes: Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such Currencies, and based on such Rates of Exchange, as the Issuer and the relevant Dealer may agree, as specified in the applicable Final Terms.

Partly Paid Notes: Partly Paid Notes will be issued in the amount, as specified in the applicable Final Terms, and further instalments will be payable in the amounts and on the dates, as specified in the applicable Final Terms.

Instalment Notes: The Notes may be redeemable in two or more Instalment Amounts of and on such Instalment Dates, as specified in the applicable Final Terms.

Zero Coupon Notes: Zero Coupon Notes will be offered and sold at a discount to their nominal amount, as specified in the applicable Final Terms, and will not bear interest.

Interest Payment Dates: Interest in respect of Fixed Rate Notes and Index Linked Notes will be payable semi-annually in arrear and in respect of Floating Rate Notes will be payable quarterly in arrear, unless otherwise specified in the applicable Final Terms.

Optional redemption: The applicable Final Terms will indicate if the relevant Series of Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders and/or the Issuer respectively on a date or dates prior to such stated maturity and at prices and on such other terms as may be agreed between the Issuer and the relevant Dealer, in each case as specified in the applicable Final Terms

Mandatory redemption: The Issuer will be required to apply any voluntary or mandatory prepayments of the Issuer/Borrower Loans (together with any additional amounts received by it under the corresponding Issuer/Borrower Facilities in respect of the redemption of any corresponding Series of Fixed Rate Notes or Index Linked Notes) in redeeming the corresponding Series of Notes.

Redemption for tax reasons, illegality or other reasons: If at any time the Issuer satisfies the Note Trustee:

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

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

(c) that the 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 Issuer/Borrower Facilities;

(d) that the Issuer, the Borrower or a Hedge Counterparty would be required to make any withholding or deduction for or on account of taxes from payments in respect of any Borrower Hedges corresponding to any Notes or any Issuer Hedges;

(e) that the Issuer or the Borrower would be required to make any withholding or deduction for or on account of taxes from payments in respect of any Issuer/Borrower Hedges; or

(f) that by reason of any change in law (or the application or interpretation thereof) which becomes effective on or after the Closing Date, it has or will become unlawful for the Issuer to perform any of its obligations under the Issuer/ Borrower Facilities Agreement or to fund or maintain its participation in any Issuer/Borrower Loan,

then the Issuer may, upon giving not more than 10 days and not less than 5 days notice in writing to the Note Trustee and the Noteholders in accordance with the Conditions, redeem all (but not some only) of the relevant Notes on any Interest Payment Date (or, in the case of (f) above, any date on or following that it becomes unlawful for the Issuer to perform such obligations or fund or maintain such participation) at par plus accrued but unpaid interest thereon.

Withholding tax on the Notes: All payments in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes, levies, duties, imposts, assessments or charges of whatsoever nature unless the Issuer or any Paying Agent is required by applicable law to make any payment in respect of the Notes subject to any such withholding or deduction. Neither the Issuer nor any Paying Agent nor any other person will be obliged to pay additional amounts in respect of any such withholding or deduction.

Denomination of the Notes: Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer, save that (i) in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum denomination shall be €100,000 (or its equivalent in any other Currency as at the date of issue of the Notes) and (ii) in any other case, the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or the laws or regulations applicable to the relevant specified Currency. The minimum and multiple denominations will be specified in the applicable Final Terms.

Notes having a maturity of less than one year from the date of issue will be subject to restrictions on their denomination and distribution.

Redenomination The applicable Final Terms may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination will be contained in Condition 17 (*European Economic and Monetary Union*).

Status of the Notes:	The Notes will constitute secured obligations of the Issuer and will rank *pari passu* without preference or priority in right of payment and point of security amongst themselves. The Notes represent the right of the holders of such Notes to receive interest and principal payments from the Issuer in accordance with the terms and conditions of the Notes (the **Conditions**), coupons attached to the Notes in definitive form (the **Coupons**) and the trust deed constituting the Notes (the **Note Trust Deed**) entered into by the Issuer and the Note Trustee on the Signing Date in connection with the Programme.
Listing:	Application will be made to admit Notes issued under the Programme to the official list of the UKLA and to admit them to trading on the LSE. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. Unlisted Notes may also be issued. The applicable Final Terms will specify whether or not the relevant Series is to be listed and, if so, on which stock exchange(s).
Purchase of the Notes:	Provided that no Issuer Event of Default or (in the case of the Borrower or any other Senior Financing Group Company) Trigger Event has occurred and is continuing and that FinCo/Borrower Facility A and FinCo/Borrower Facility B have been repaid in full, the Issuer, the Borrower or any other Senior Financing Group Company may at any time purchase Notes in the open market or otherwise and at any price. Any such Notes that have been purchased by the Borrower or any other Senior Financing Group Company will be surrendered to the Issuer. 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 or surrendered by the Borrower or any other Senior Financing Group Company to the Issuer must be surrendered by the Issuer to any Paying Agent and/or the Registrar for cancellation (together with, in the case of Bearer Notes, all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). 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 Issuer/Borrower Loan. For the avoidance of doubt, the Issuer, the Borrower or any Senior Financing Group Company that purchases any Notes will be unable to vote on such Notes prior to their surrender and cancellation. Group entities outside the Senior Financing Group may purchase Notes without such surrender and cancellation, but would also be unable to vote on such Notes.
Use of Proceeds	An amount equal to the gross proceeds from the issue of each Series of Notes will be on-lent by the Issuer to the Borrower under the Issuer/Borrower Facilities Agreement.

Issuer representations and warranties:

Representations and warranties will be given by the Issuer on the Signing Date and on each Issue Date, including in relation to:

(a) status, power and authority of the Issuer;

(b) the Issuer Transaction Documents being legal, valid, binding and enforceable;

(c) the Issuer Transaction Documents being duly executed and entered into in good faith by the Issuer;

(d) compliance by the Issuer with the Issuer Transaction Documents;

(e) no indebtedness of the Issuer other than under the Issuer Transaction Documents;

(f) no conflict with loans applicable to the Issuer;

(g) no insolvency or insolvency proceedings with respect to the Issuer;

(h) no Issuer Event of Default; and

(i) no litigation proceedings against the Issuer.

Issuer covenants:

The following covenants, amongst others, will be given by the Issuer:

(a) negative pledge;

(b) no subsidiaries, employees or offices;

(c) no activities other than those contemplated in the Issuer Transaction Documents;

(d) no disposal of assets other than pursuant to the terms of the Issuer Transaction Documents;

(e) that it will maintain the appointment of at least one independent non-executive director (subject to a reasonable period to appoint any replacement); and

(f) no borrowings other than pursuant to the terms of the Issuer Transaction Documents.

Issuer separateness covenants:

Save with the prior written consent of the Note Trustee, or unless otherwise permitted under any Issuer Transaction Document, the Issuer shall, so long as the Notes remain outstanding:

(a) maintain its books and records, accounts and financial statements separate from any other person or entity and use separate stationary, invoices and cheques;

(b) hold itself out as a separate entity, conduct business in its own name and maintain an arm's length relationship with its affiliates;

(c) pay its own liabilities out of its funds;

(d) not commingle its assets with those of any other entity; and

(e) observe all formalities required by its memorandum and articles of association.

Issuer Events of Default:	The following events of default (**Issuer Events of Default** and each an **Issuer Event of Default**) (subject to grace periods and materiality thresholds customary for insolvency remote issuers) will apply to the Notes: (a) non-payment of interest or principal unless due to a technical error and such payment is made within 5 Business Days of the payment falling due; (b) default or misrepresentation by the Issuer in the performance of any other material obligation, representation or warranty under any Issuer Transaction Document incapable of remedy or not remedied within 20 Business Days and materially prejudicial to the interests of the Noteholders in the opinion of the Note Trustee; and (c) insolvency and insolvency proceedings in relation to the Issuer. For avoidance of doubt, the occurrence of an Obligor Event of Default will not constitute an Issuer Event of Default. However, an Issuer Event of Default will constitute an Obligor Event of Default.
Governing law:	The Notes and the Note Trust Deed (and any non-contractual obligations arising out of or in connection therewith) are governed by, and construed in accordance with, English law.
Jurisdiction:	The English courts have exclusive jurisdiction in relation to any dispute relating to the Notes and the Note Trust Deed and all related documents (and any non-contractual obligations arising out of or in connection therewith).
Investor Information	The Borrower is required to produce an Investor Report semi-annually which shall be published on the designated website of the Borrower, being www.arqiva.com and which will also be made available (in the case of Bearer Notes) at the specified office of the Principal Paying Agent, (in the case of Registered Notes) at the specified office of the Registrar and the Transfer Agent and (in all cases) at the principal office of the Note Trustee. No other reports in respect of the Issuer/Borrower Facilities Agreement and the Issuer/Borrower Loans corresponding to the Notes will be prepared.
Selling restrictions:	There will be restrictions on the offer, sale and transfer of the Notes in the United States, the United Kingdom and such other restrictions as may be required by law in the relevant jurisdictions in connection with the offering and sale of a particular Series of Notes. See "*Subscription and Sale*".

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 Prospectus 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 Prospectus, (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 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)		(unaudited)
	(£ millions)					
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	1.5	0.4	1.7	0.2	0.2	1.7
Net bank loan interest[(6)]	(194.9)	(212.0)	(197.0)	(105.2)	(97.5)	(189.2)
Other interest[(8)]	(22.5)	(28.0)	(30.0)	(13.9)	(17.1)	(33.2)
Share of joint venture interest payable	—	—	(2.3)	(1.4)	(1.2)	(2.0)
Net third party interest payable	**(215.9)**	**(239.6)**	**(227.5)**	**(120.3)**	**(115.4)**	**(222.6)**
Interest payable to parent undertakings[(9)]	(266.1)	(281.3)	(293.6)	(148.5)	(147.6)	(292.7)
Loss on ordinary activities before taxation	**(385.1)**	**(416.0)**	**(393.1)**	**(202.9)**	**(202.3)**	**(392.5)**
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	**(375.4)**	**(406.7)**	**(376.5)**	**(194.4)**	**(192.3)**	**(374.4)**
Equity minority interests	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Loss for the financial year/period	**(375.6)**	**(406.9)**	**(376.6)**	**(194.5)**	**(192.4)**	**(374.5)**

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

(2) Represents the Group's percentage share of operating (loss)/profit 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 exceptionals.

(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) Interest payable to parent undertakings is the interest payable on loans from parent companies on intra-group funding arrangements.
(8) Includes the amortisation of debt issue costs, finance lease interest payable and imputed interest on advance payments from customers.
(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
		(£ 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				
Investments in joint venture				
– 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	203.1	190.2	211.9	251.9
Cash at bank and in hand	25.0	32.1	78.4	28.4
Total current assets	**228.1**	**222.3**	**290.3**	**280.4**
Creditors: falling due within one year to non group undertakings	(449.2)	(366.1)	(348.4)	(352.1)
Creditors: falling due within one year to group undertakings	(1,317.1)	(1,462.0)	(1,502.3)	(1,575.5)
Net current liabilities	**(1,538.3)**	**(1,605.9)**	**(1,560.5)**	**(1,647.2)**
Total assets less current liabilities	**2,407.2**	**2,268.3**	**2,228.2**	**2,088.7**
Creditors: falling due after more than one year to non group undertakings	(2,521.6)	(2,793.7)	(3,132.8)	(3,185.8)
Creditors: falling due after more than one year to group undertakings	(1,419.9)	(1,422.5)	(1,422.5)	(1,422.5)
Provisions for liabilities and charges	(61.8)	(57.4)	(60.5)	(60.0)
Net liabilities excluding pension (deficit) / asset	**(1,596.0)**	**(2,005.4)**	**(2,387.6)**	**(2,579.6)**
Pension (deficit)/asset	(8.9)	2.7	(2.3)	(2.8)
Net liabilities including pension (deficit) / asset	**(1,604.9)**	**(2,002.7)**	**(2,389.9)**	**(2,582.4)**
Capital and reserves				
Called up share capital	—	—	—	—
Merger Reserve	(188.5)	(188.5)	(188.5)	(188.5)
Profit and loss reserve	(1,416.5)	(1,814.5)	(2,201.6)	(2,394.2)
Total shareholders' deficit	**(1,605.1)**	**(2,003.0)**	**(2,390.2)**	**(2,582.8)**
Minority interest	0.2	0.3	0.3	0.3
Capital employed	**(1,604.9)**	**(2,002.7)**	**(2,389.9)**	**(2,582.4)**

Summary 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)		(unaudited)
	(£ millions)					
Consolidated cash flow data						
Net cash inflow from operating activities	318.2	315.9	378.5	103.3	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	(141.6)	(142.2)	(147.2)	(72.5)	(76.3)	(151.0)
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	30.4	10.5	(21.0)	51.3	17.0	(55.3)
(Decrease)/Increase in net cash	**(1.7)**	**7.0**	**46.3**	**(0.6)**	**(49.9)**	**(3.0)**

(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)		(unaudited)
	(£ millions)					
EBITDA(1)	342.7	366.7	402.6	192.0	203.6	414.3
EBITDA Margin(2)	42%	44%	48%	47%	50%	50%

(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 Prospectus 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)		(unaudited)
	(£ millions)					
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)		(unaudited)
	(£ millions)					
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 teleport 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 teleport 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) EBITDA margin is defined as EBITDA divided by group turnover.

Other Senior Financial Data

	Twelve Months Ended 31 December
	2012
	(unaudited) (£ millions)
EBITDA[1]	414.3
Net corporate taxation paid[2]	(0.4)
Dividends received[3]	0.1
Other[4]	—
Senior cashflow before maintenance capital expenditure[5]	414.0
Maintenance capital expenditure[6]	(35.3)
Senior cashflow[7]	378.7

(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 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.
(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 Senior Net Cash Flow.
(5) 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.
(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) Senior cashflow is calculated as Senior cashflow before maintenance capital expenditure less maintenance capital expenditure.

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)		(unaudited)
	(£ millions)					
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

The following sets out certain aspects of the Programme documentation and the activities of the Issuer and the Senior Financing Group 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 Obligors and could lead to, among other things, Trigger Events, Issuer Events of Default, Obligor Events of Default and/or non-payment of amounts under the Issuer/ Borrower Facilities Agreement and the Notes.

This section of the Prospectus describes all material risks that are known to the Issuer and the Obligors as at the date of this Prospectus. This section of the Prospectus is not intended to be exhaustive and prospective Noteholders should read the detailed information set out elsewhere in this Prospectus prior to making any investment decision. Further, prospective Noteholders should take their own legal, financial, accounting, tax and other relevant advice as to the structure and viability of an investment in the Notes. Noteholders may lose the value of their entire investment in certain circumstances.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer 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 based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

In addition, while the various structural elements described in this Prospectus are intended to lessen some of the risks discussed below for holders of the Notes, there can be no assurance that these measures will ensure that the holders of any Notes receive payment of interest or repayment of principal from the Issuer in respect of such Notes on a timely basis or at all.

ISSUER AND NOTE CONSIDERATIONS

The Notes will not be guaranteed

None of the Notes will be obligations of, nor will they be guaranteed by, any of the other parties or any company in the Senior Financing Group. Furthermore, the Notes are limited recourse obligations of the Issuer and no person other than the Issuer will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amount due under the Notes.

The Issuer and the Intermediate Parent 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 pursuant to the Issuer/Borrower Facilities Agreement and funds available to it pursuant to the Liquidity Facility and the Issuer Hedging Agreements.

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

Similarly, the Intermediate Parent is a non-operating holding company. Other than by virtue of the shares it owns in the Borrower, FinCo and Issuer, the Intermediate Parent will not have any other income or assets. The Intermediate Parent guarantees the payment obligations of the Borrower under the Issuer/Borrower Facilities Agreement and the FinCo/Borrower Facilities and has provided security in favour of the Obligor Secured Creditors, including the Issuer and FinCo. Therefore, the Issuer is subject to the risk that the Intermediate Parent will not have sufficient income to make payments under the guarantee provided by it or that upon the enforcement of the security provided by it, including over its shares in the Borrower, FinCo and the Issuer, there are insufficient proceeds to discharge its payment obligations.

The Issuer relies on certain third parties and Issuer Hedge Counterparties 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. In particular, but without limitation, the Issuer Cash Manager has been appointed to provide cash management services to the Issuer, the Issuer Account Bank has been appointed to provide banking services to the Issuer and the Issuer Corporate Officer Provider has been appointed to provide corporate services to the Issuer. 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 Issuer may also be reliant on Issuer Hedge Counterparties to provide a hedge against interest rate, currency, inflation and/or other risks in respect of amounts received by the Issuer from the Borrower under the Issuer/Borrower Facilities Agreement and the amounts payable by the Issuer under the Notes.

If the Issuer fails to make timely payments of amounts due under any Issuer Hedging Agreement, then it will have defaulted under that Issuer Hedging Agreement and such Issuer Hedging Agreement may be terminated by the relevant Issuer Hedge Counterparty. An Issuer Hedge Counterparty is only obliged to make payments to the Issuer as long as the Issuer complies with its payment obligations under the relevant Issuer Hedging Agreement. If an Issuer Hedging Agreement terminates or the Issuer Hedge Counterparty is not obliged to make payments or if the Issuer Hedge Counterparty defaults on its obligations to make payments of amounts in the relevant currency equal to the full amount to be paid to the Issuer on the due date for payment under the relevant Issuer Hedging Agreement, the Issuer will be exposed to changes in the relevant currency exchange rates and to any changes in the relevant rates of interest, where such hedges are put in place. Unless a replacement hedge is entered into, the Issuer may have insufficient funds to make payments due under the relevant Notes.

If an Issuer Hedging Agreement terminates, then the Issuer may be obliged to make a termination payment to the relevant Issuer Hedge Counterparty. There can be no assurance that the Issuer will have sufficient funds available to make a termination payment under the relevant Issuer Hedging Agreement, nor can there be any assurance that the Issuer will be able to enter into a replacement hedging agreement, or if one is entered into, that the credit rating of the replacement hedge counterparty will be sufficiently high to prevent a downgrade of the then current ratings of the Notes by the Rating Agencies.

If the Issuer is obliged to pay a termination payment under any Issuer Hedging Agreement, such termination payment will except for Excluded Hedge Counterparty Amounts rank ahead of amounts due on the Notes. The obligation on the Issuer to make a termination payment may adversely affect the ability of the Issuer to meet its obligations under the Notes.

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

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depository for Euroclear and Clearstream, Luxembourg or may be deposited with a nominee for DTC. Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of DTC, 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 during the life of the Programme as a result of various factors involving certain transaction parties. For example, such potential conflicts may arise because one or more lenders to the Issuer or the Borrower (including under the Liquidity Facility Agreement) 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.

Certain Issuer Secured Creditors and Obligor Secured Creditors will rank ahead of Noteholders in respect of the Issuer Security and Obligor Security, respectively

Although the Issuer Security Trustee will hold the benefit of the Issuer Security on trust for the Noteholders and the Obligor Security Trustee will hold the benefit of the Obligor Security on trust for the Obligor Secured Creditors, such security interests will also be held on trust Issuer Secured Creditors and Obligor Secured Creditors. Certain of the Issuer's obligations to Certain Issuer Secured Creditors rank ahead of the Noteholders. Such persons include, among others, the Note Trustee (in its individual capacity), the Issuer Security Trustee (in its individual capacity), the Issuer Hedge Counterparties (in respect of certain payments payable to them), the Liquidity Facility Providers, the Registrar, the Transfer Agent, the Paying Agents and the Issuer Account Bank in respect of certain amounts owed to them (see *"Summary of the Transaction Documents — Issuer Cash Management Agreement"* and *"Summary of the Transaction Documents — Issuer Account Bank Agreement"* and *"Cashflows — Issuer Pre-Enforcement Payment Priorities*", *"— Issuer Post Enforcement Pre-Acceleration Payment Priorities"* and *"— Issuer Post-Acceleration Payment Priorities")*. To the extent that significant amounts are owing to any such persons, the amounts available to Noteholders will be reduced. Likewise, certain of the Obligor's obligations to certain Obligor Secured Creditors will rank ahead of its obligations to the Issuer. Such persons include, among others, the Obligor Security Trustee (in its individual capacity), the Borrower Hedge Counterparties (in respect of certain payments payable to them) and the Liquidity Facility Providers (see *"Cashflows — Borrower Pre-Enforcement Payment Priorities"*, *"— Borrower Post-Enforcement (Pre-Acceleration) Payment Priorities"* and *"Borrower Post-Enforcement (Post-Acceleration) Payment Priorities")*. In addition, it should be noted that unsecured creditors of the Obligors, such as trade creditors and suppliers, while subordinate to the Obligor Secured Creditors, are not bound into the financing structure as they are not parties to the LTA and so will be able to petition for a winding up or administration of the Obligors where they fail to pay their unsecured debts as they fall due.

The timing of payment on Notes may not coincide with payments for the Group's Senior Debt

Payment dates for the various different types of Senior Debt will not necessarily coincide, and there is no obligation to ensure that a payment made in respect of one type of Senior Debt will not lead to a deficiency of funds to make payments in respect of the other types of Senior Debt that falls due on a later date.

There may be conflicts of interest between the holders of different Series of Notes

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).

The Notes may have limited liquidity

There can be no assurance that a secondary market for the Notes will develop, or, if a secondary market does develop for any of the Notes issued after the date of this Prospectus, that it will provide any holder of Notes with liquidity or that any such liquidity will continue for the life of the Notes. Consequently, any purchaser of the Notes must be prepared to hold such Notes for an indefinite period of time or until final redemption or maturity of the Notes.

The liquidity and market value at any time of the Notes are affected by, among other things, the market view of the credit risk of such Notes and will generally fluctuate with general interest rate fluctuations, general economic conditions, the condition of certain financial markets, international political events and the performance and financial condition of the Senior Financing Group.

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 are redeemed. This also may be true prior to any redemption period.

The Issuer may, if such option is specified in the relevant Final Terms, 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 circumstances relating to the industry in which the Senior Financing 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 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 Issuer Secured Creditors (including the Noteholders) and the Note Trustee or the Issuer (as applicable) are entitled to have regard to the fact that the Rating Agencies have confirmed that the then current rating of the Notes would not be adversely affected, the above does not impose or extend any actual or contingent liability on the Rating Agencies to the Issuer Secured Creditors (including the Noteholders and the Note Trustee) or the Issuer or any other person or create any legal relationship between the Rating Agencies and the Issuer Secured Creditors (including the Noteholders and the Note Trustee), the Issuer 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 since the Closing Date. 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 may 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 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 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.

Potential Noteholders may lose all or part of their investment in any Index-linked Notes issued

The Issuer may issue Notes with principal or interest determined by reference to RPI.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index-Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risks entailed in an investment in any such Index-Linked Notes and the suitability of such Index-Linked Notes in the light of its particular circumstances.

Failure by a Noteholder to pay a subsequent instalment of partly-paid Notes may result in a Noteholder losing all or part of its investment

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

The market price of variable rate Notes with a multiplier or other leverage factor may be volatile

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes are typically more volatile than conventional floating rate debt securities

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Notes, the interest rate of which may be converted from fixed to floating interest rates and vice-versa may have lower market values than other Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities

The market value of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The market value of Fixed Rate Notes may fluctuate

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

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.

The draft CRD IV proposals published substantially reflect the Basel III capital and liquidity standards and the applicable implementation timeframes. However, certain key terms are not defined and various related issues remain under discussion, particularly on the detail of the financial instruments that will be eligible to meet the new capital and liquidity requirements. The proposals also make provision for (among other things) new requirement to reduce reliance by credit institutions on external credit ratings, by requiring that all banks' investment decisions are based not only on ratings but also on their own internal credit opinion, and that banks with a material number of exposures in a given portfolio develop internal ratings for that portfolio instead of relying on external ratings for the calculation of their capital requirements. The proposals are likely to be subject to change during the EU legislative process, and certain details remain to be clarified in further delegated acts and implementing acts to be issued by the European Commission, based on draft technical standards developed by the European Banking Authority.

In general, investors should consult their own advisers as to the regulatory capital and liquidity treatment of the Notes and the consequences to an individual investor of the implementation of the Basel II framework and/or the Basel III amendments, the CRD amendments and the relevant local implementing measures. No predictions can be made as to the precise nature of such treatment or consequences.

If definitive Notes are issued, Noteholders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade

In relation to any issue of Notes in bearer form which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in bearer form in respect of such holding (should such Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes in bearer form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

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 the Currency specified in the relevant Final Terms. 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.

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 any Notes denominated in sterling may become payable in euro, (b) applicable provisions of law may allow or require the Issuer to re-denominate such Notes into euro and take additional measures in respect of such Notes and (iii) the introduction of the euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in sterling used to determine the rates of interest on such Notes or changes in the way those rates are calculated, quoted and published or displayed. 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 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 Arqiva Financing plc, 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 Obligors 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 Obligors or any of their directors in a court of competent jurisdiction in England or other countries. See "*Service of Process and Enforcement of Civil Liabilities*".

Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Notes

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in a raft of measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in securitisation exposures and/or the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities.

In particular, the CRD has been amended by CRD2 which, among other things, inserts a new Article 122a into the CRD.

Article 122a provides that an EU credit institution shall only be exposed to the credit risk of a securitisation position if (a) the originator, sponsor or original lender has represented that it will retain, on an ongoing basis, a material net economic interest in the securitisation of not less than 5 per cent. and (b) it is able to demonstrate to its regulator on an ongoing basis that it has a comprehensive and thorough understanding of the key terms, risks and performance of each securitisation position in which it is invested. Failure by an EU credit institution investor to comply with the requirements of Article 122a in relation to any applicable investment will result in an increased capital charge to or increased risk-weighting applying to such investor in respect of that investment.

No retention representation of the sort referred to in the preceding paragraph has been made in relation to this transaction.

The Issuer has considered, and obtained legal advice as to, the applicability of Article 122a to this transaction and is of the opinion that the Notes do not constitute an exposure to a "securitisation position" for the purposes of Article 122a. The Issuer is therefore of the opinion that the requirements of Article 122a should not apply to investments in the Notes.

However, investors should be aware that the regulatory capital treatment of any investment in the Notes will be determined by the interpretation which an investor's regulator places on the provisions of CRD (as amended by CRD2) and the provisions of national law which implement it. Prospective investors should therefore be aware that should the relevant investor's regulator interpret the regulations such that Article 122a does apply to an investment in the Notes, significantly higher capital charges may be applied to that investor's holding. Although market participants have, in consultations relating to these regulatory reforms, requested guidance on the structures captured by the definitions, no definitive guidance has been forthcoming. Therefore some uncertainty remains as to which transactions are subject to Article 122a.

Similar requirements to those set out in Article 122a are expected to be implemented for other EU regulated investors, including investment firms, insurance or reinsurance undertakings, UCITS and/or certain hedge fund managers.

Investors in the Notes are responsible for analysing their own regulatory position and none of the Issuer or the Arranger or any of the Transaction parties makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory capital treatment of their investment in the Notes on the Closing Date or at any time in the future.

Article 122(a) of the CRD and any other changes to the regulation or regulatory treatment of the Notes for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Notes in the secondary market.

OBLIGOR AND ISSUER/BORROWER FACILITIES AGREEMENT CONSIDERATIONS

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 Senior Financing 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 and other debt.

There can be no assurance that the Senior Financing 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 significantly restricted the supply of credit.

The Obligor Security Trustee will not monitor the Obligors' compliance with warranties and covenants or the occurrence of Trigger Events, Obligor Events of Default or Potential Obligor Events of Default

The STID provides that the Obligor Security Trustee will be entitled to assume, unless the Obligor Security Trustee is expressly informed otherwise, that no Trigger Event, Obligor Event of Default or Potential Obligor Event of Default has occurred or is continuing. The Obligor Security Trustee will not itself monitor whether any such event has occurred. As the Issuer is a special purpose company, it will fall to the Obligors themselves to make these determinations as well as the determinations of the financial and operational positions underlying them, which may be subjective.

Although the Issuer and the Borrower has funds available to it under the Liquidity Facility, it may not be sufficient or it may be unavailable to cover shortfalls in the Group's ability to make payments under its Borrower Facilities or the Notes

The Liquidity Facility and any amounts credited to the Liquidity DSR Accounts are intended to cover certain shortfalls in the ability of Borrower to service payments under its Borrower Facilities (excluding the Issuer/Borrower Facilities Agreement and Issuer/Borrower Hedging Agreements) and to enable the Issuer to make payments in relation to the Notes and payments on the Issuer Hedging Agreements on any Interest Payment Date (excluding the repayment of principal under the Notes and early termination payments under the Issuer Hedging Agreements). However, on any such Interest Payment Date, there are no assurances that any such shortfalls will be met in whole or in part by amounts standing to the credit of the Liquidity DSR Accounts or by the Liquidity Facility.

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

The STID provides that the Obligor Security Trustee shall seek the approval of the Noteholders on certain matters, along with all other Affected Secured Creditors, as a condition to concurring in making modifications to or granting consents or waivers or to the enforcement of the Obligor Security. The votes of the Noteholders may not constitute a majority in respect of any such matter, owing to the relative size of Qualifying Debt which is capable of being voted by Qualifying Secured Creditors other than the Issuer (in respect of Qualifying Debt outstanding under the Issuer/Borrower Facilities Agreement) and it is possible that the interests of certain Affected Secured Creditors will not be aligned with the interests of the Noteholders and there can be no assurance that any modification, consent or waiver or the enforcement action taken will be favourable to all Noteholders. Such risk is increased due to the fact that (a) the votes of the Noteholders entitled to vote on a matter (except in relation to an Entrenched Right) will be treated as a single class on a pound for pound basis with the other Qualifying

Secured Creditors, whereas a vote in respect of the entire Outstanding Principal Amount under certain other Borrower Facilities will be taken in respect of such decisions and (b) only the votes of those Noteholders who participate within the Decision Period specified in the STID will be taken into account. Therefore, Noteholders alone may not be able to control the outcome of any particular approval or enforcement process and it is possible that the Obligor Security Trustee may be given an instruction which is not in the interests of Noteholders. Furthermore, 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.

The Conditions and the Note Trust Deed contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally (other than matters which concern the enforcement of the Obligor Security or modifications to the Common Documents, which matters may only be addressed in accordance with the procedures set out in the STID as described above). These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions and the Note Trust Deed also provide that the Note Trustee, subject to the provisions of the STID, 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 any Issuer Event of Default or Potential Issuer 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.

FinCo may fail to refinance Term Facilities at maturity or on an earlier date for repayment

If the Issuer is unable to issue Notes and make a corresponding Issuer/Borrower Loan to the Borrower, the Borrower may not have other funds to use to prepay the FinCo/Borrower Loan corresponding to a Term Facility which has become repayable in full on its maturity date or an earlier date for repayment. In such event and if FinCo is unable to raise sufficient funds to make such repayment by borrowing under new Term Facilities or otherwise, there will be a FinCo default entitling the Term Facilities Providers to make a demand under the Intermediate HoldCo Senior Guarantee and following the Standstill Period to enforce the Intermediate HoldCo Security and dispose of the Senior Financing Group.

BUSINESS RISK FACTORS

Risks related to the Group's business and industry

The Group is subject to UK government and other regulations that govern the way it conducts its businesses, and 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 first Closing 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 government, mobile and enterprise (**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 Prospectus, 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.

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

The Obligor Transaction Documents limit the Obligors' ability, among other things, with respect to:

(a) the incurrence or guarantee of additional indebtedness;

(b) the merger or consolidation with other entities;

(c) the acquisition, or the disposal of, certain assets, except in limited circumstances; or

(d) the changing of the nature of the business carried out by any Obligor.

These restrictive covenants may constrain the operations of the Obligors to that possible in the absence of such covenants.

FINANCING RISKS

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

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

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

The Group is highly leveraged and has significant debt service obligations. As of 31 December 2012, after giving *pro forma* effect to the issue of the Notes and the Junior Financing, the Group's *pro forma* net senior borrowings would have been £2,324.2 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 Prospectus. 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'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 Prospectus). 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 details see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Off Balance Sheet Arrangements*".

LEGAL RISKS

The Obligor Security Trustee has absolute discretion to refrain from taking action under the Transaction Documents unless, among other things, it receives an indemnity against mortgagee in possession liability

Should the Obligor Security Trustee take enforcement proceedings under the Obligor Security Documents and if there is a physical entry into possession of a property owned by an Obligor or an act of control or influence that may amount to possession, such as receiving rental income directly from a relevant tenant, the Obligor Security Trustee may be deemed to be a mortgagee in possession. A mortgagee in possession may incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation), can incur the liabilities of a property owner. The Obligor Security Trustee has the absolute discretion at any time to refrain from taking any action under

the Transaction Documents, including becoming a mortgagee in possession in respect of a property owned by an Obligor, unless it is satisfied at the time that it is adequately indemnified and/or secured and/or prefunded by the Obligor Secured Creditors (including the Noteholders on behalf of the Issuer).

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 Prospectus. 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 Prospectus. It is possible that changes in law or regulations, or their interpretation or application, after the date of the Prospectus 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"). Such provisions are similar in effect to the terms which will be included in the Transaction Documents relating to the subordination of Excluded Hedge Counterparty Amounts.

The English Supreme Court has held in *Belmont Park Investments v BNY Corporate Trustee and Lehman Brothers Special Financing* [2011] UKSC 38 (the *Belmont* decision) 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. However, there remains a stayed action in the U.S. commenced by the Lehman Brothers Chapter 11 debtors concerning the enforceability of flip clauses and, in addition, in February 2012 a complaint was filed by certain parties seeking recognition and enforcement of the Belmont decision (and corresponding lower court decisions) and other declaratory relief with respect to the flip clause in question in the case described above. At the same time as filing the complaint, the relevant parties also filed a motion seeking the withdrawal of the reference from the U.S. Bankruptcy Court, requesting that the compliant be heard instead by the U.S. District Court. It has not yet been determined whether the complaint will be addressed by the U.S. Bankruptcy Court or the U.S. District Court, nor is it known when the complaint will be addressed.

If a creditor of the Issuer or the Borrower (such as an Issuer Hedge Counterparty or a Borrower Hedge Counterparty respectively) 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 or the Borrower, 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 (such as a provision of the Priorities of Payments which refers to the ranking of the Hedging Counterparties' payment rights in respect of Excluded Hedge Counterparty Amounts). 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 the subordination of Excluded Hedge Counterparty Amounts, 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 Note. 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 Prospectus are based on current law and the practice of the relevant authorities in force or applied at the date of this Prospectus. Any changes in such law or practice might have an adverse effect on the financial position of the Issuer or the Obligors.

The Issuer's inability to qualify as a "securitisation company" under UK tax law could have a material adverse effect on its business, financial condition and results of operations

The Issuer has been advised that it should be a "securitisation company" for the purposes of the UK Taxation of Securitisation Companies Regulations 2006. Accordingly, the Issuer should be subject to corporation tax in the UK on its "retained profit" only in accordance with the special regime for securitisation companies as provided for by these regulations.

If the Issuer were to cease to qualify as a securitisation company, this may have an adverse effect on the Issuer's UK tax position, which could adversely affect the Issuer's ability to make timely payment of interest and principal under the Notes.

There are potential secondary tax liabilities of the members of the Senior Financing Group and the Issuer

Where a company fails to discharge certain tax liabilities due and payable by it within a specified time period, UK tax law imposes, in certain circumstances (including where that company has been sold so that it becomes controlled by another person), secondary liability for those overdue taxes on other companies that are or have been members of the same group of companies, or are or have been under common control for tax purposes with the company that has not discharged its tax liabilities.

Intermediate HoldCo, the Parent, the Intermediate Parent and the Borrower on behalf of themselves and each other company which any of them controls (other than the Issuer and FinCo) have undertaken in the Tax Deed of Covenant that no steps have been or will be taken by any person which could be expected to give rise to a secondary liability for the Issuer or the Borrower. If any secondary tax liabilities arise in the Issuer or the Borrower (whether in respect of a primary tax liability of a member of the Senior Group or of another company with which the Borrower or the Issuer is or has been grouped or is under common control for UK tax purposes), and those secondary tax liabilities are not discharged by Intermediate HoldCo or any other member of the Senior Group and are of significant amounts, the Issuer or the Borrower could be adversely affected.

The Issuer and the Borrower and other members of the Senior Group have been and are members of a VAT group that also includes members of the wider corporate group. Although Arqiva Limited, as the representative member of that VAT group, accounts for VAT on behalf of the whole VAT group, each member of that VAT group (including the Issuer and the Borrower) is jointly and severally liable for VAT liabilities incurred by another company in the VAT group. As a result, if the Issuer was required by HMRC to pay VAT liabilities of another company in the VAT group, this could affect the Issuer's ability to meet its payment obligations under the Notes.

Noteholders will not be entitled to compensation for any withholding tax in respect of the Notes

All payments under the Notes can be made without deduction or withholding for or on account of any United Kingdom tax provided that they are and continue to be included in the Official List and admitted to trading on the London Stock Exchange (see "*Tax Considerations*" below).

In the event that any withholding or deduction for or on account of tax is required to be made from payments due under the Notes, neither the Issuer nor any Paying Agent nor any other person will be obliged to pay any additional amounts to Noteholders or otherwise to compensate Noteholders for the reduction in the amounts they will receive as a result of such withholding or deduction.

If, as a result of a change in tax law, such a withholding or deduction is required to be made, the Issuer will have the option (but not the obligation) of redeeming all (but not some only) of the Notes in full (as adjusted, in the case of the Index Linked Notes, in accordance with their terms), provided that the Issuer may first (i) 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 Issuer/Borrower Facilities Agreement and as obligor under the Obligor Transaction Documents or (ii) convert any Bearer Notes into Registered Notes, in each case if such substitution or conversion (as applicable) would be effective to avoid the relevant withholding or deduction. For the avoidance of doubt, neither the Note Trustee nor the Noteholders will have the right to require the Issuer to redeem the Notes in these circumstances.

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

All payments made under the Issuer/Borrower Facilities 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 Issuer/Borrower Facilities 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 Borrower is obliged to increase any sum payable by it to the Issuer as a result of the Borrower being required to make a withholding or deduction from that payment, the Borrower will have the option (but not the obligation) to prepay all relevant outstanding Issuer/Borrower Loans in full. If the Borrower chooses to prepay an Issuer/Borrower Loan, the Issuer will then be required to redeem the corresponding Notes. Such redemption would be for the Principal Amount Outstanding (as adjusted, in the case of the Index-Linked Notes, in accordance with their terms), together with accrued but unpaid interest. If the Borrower does not have sufficient funds to enable it to either repay Issuer/Borrower Loans 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 Group's Hedging Counterparties may terminate their respective Hedging Agreements in the event such Hedging Counterparties must pay withholding tax in respect of their respective Hedging Agreements

It should be possible to ensure that all payments under the Hedging Agreements can be made without withholding or deduction for or on account of any United Kingdom tax. If any withholding or deduction for or on account of any tax is required to be made from any payment due from the Issuer or the Borrower (as applicable) under the Hedging Agreements, the Issuer or the Borrower (as applicable) will not be obliged to pay any additional amounts to the relevant Hedging Counterparty in respect of the amounts so required to be withheld or deducted.

If any withholding or deduction for or on account of any tax is required to be made from any payment due under the Hedging Agreements by a Hedging Counterparty, that Hedging Counterparty shall be obliged to pay an additional amount to the Issuer or the Borrower (as applicable), in a sufficient amount so that the amount received by the Issuer or the Borrower (as applicable) shall be equal to the amount due and payable had such withholding or deduction not been required, but in the event of a requirement to withhold or deduct for or on account of any tax by either party to the Hedging Agreement as a result of a change in law (or the application or official interpretation thereof), the Hedging Counterparty will have the right to terminate the Hedging Agreement (subject to the condition that the Hedging Counterparty shall first have used reasonable efforts to transfer its rights and obligations under the Hedging Agreement to another of its offices or affiliates such that payments made by or to that office or affiliate under the Hedging Agreement can be made without any withholding or deduction for or on account of tax). In such circumstances, the Issuer may be unable to meet its obligations under the Notes in full.

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" (or **FATCA**) 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 terms and 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 "*Taxation — Foreign Account Tax Compliance Act*".

INSOLVENCY CONSIDERATIONS

The floating charge given by each Obligor (other than the Borrower) 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 an Obligor within a period of two years (the **relevant time**) commencing upon the date on which such Obligor grants a floating charge, the floating charge granted by the Obligor will be invalid pursuant to section 245 of the Insolvency Act 1986. After the relevant time it will not be possible for the floating charges granted by the Obligors to be invalidated under section 245 of the Insolvency Act 1986.

The Obligor Security Trustee may be unable to appoint an administrative receiver 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, the Issuer has been advised that subject to certain factual assumptions being true, it would be applicable to the floating charges created by the Obligors and assignments by way of security to the Obligor Security Trustee under the Security Deed. However, this issue is partly a question of fact as to whether the Obligor Security is over all or substantially all of their assets. In respect of certain of the Obligors, restrictions contained in some of their material customer contracts, satellite supply contracts, regulatory licences and property leases, licences and agreements in respect of which a consent to charge has not been sought by the relevant Obligor exclude these from the fixed and floating charges granted by such Obligors. Such Obligors are therefore unable to provide security over all of their assets, but are of the view and will represent and warrant in the CTA that notwithstanding such restrictions they are still able to charge all assets which are significant in terms of their value or strategic importance to their businesses. In addition, each Obligor will covenant in the CTA that the Obligor Security will secure the whole or substantially the whole of such Obligor's assets. If this was not the case when any one or more of such Obligors became insolvent, it would not be possible for the Obligor Security Trustee to appoint an administrative receiver in respect of such Obligors and it would be likely that such Obligors would be subject to administration.

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 Prospectus, will not be detrimental to the interests of the Noteholders.

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 certain fixed security interests expressed to be created by the Obligor Security Documents instead take effect as floating charges. Whether the fixed security interests will be upheld will depend, among other things, on whether the Obligor Security Trustee or, as the case may be, the Issuer Security Trustee has the requisite degree of control over the relevant assets and exercises that control in practice.

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 claims against the Obligors (including certain employee claims in respect of contributions to pension schemes and wages and the costs and expenses of an administration and/or a liquidation) may have priority over the rights of the Obligor Security Trustee or the Issuer Security Trustee (as applicable) 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 Obligor Security Documents 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 redeem the 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 the Obligor Secured Creditors (including the Issuer) will be reduced by at least a significant proportion of any liquidation expenses.

USE OF PROCEEDS

The Group estimates that net proceeds (net of Dealers' and Joint Bookrunners' fees and expenses) from the issuance of the first Series of the Notes will be approximately £746.6 million.

The Borrower intends to apply the proceeds of the on-loan of the first Series of the Notes under the initial Issuer/Borrower Loans to refinance directly or indirectly the Existing Bank Facilities, to pay issue expenses (including to the Issuer) and for general corporate purposes.

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 the amount estimated to be raised by the Term Facilities and the corresponding FinCo/Borrower Loans, the Junior Notes and the first Series of the Notes. 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 Junior Notes and the first Series of the Notes depending on several factors, including differences from the estimation of fees and expenses.

Sources	Amount (£ millions)	Uses	Amount (£ millions)
New senior term facilities[1]	1,585.7	Existing senior bank facilities[4]	2,843.3
New notes[2]	750.0	Inflation hedging accretion	277.3
Shareholder contribution[3]	956.6	Hedge break costs[5]	106.0
Cash at bank and in hand from balance sheet	28.4	Cash[6]	29.5
		Fees and expenses[7]	64.6
Total sources	**3,320.7**	**Total uses**	**3,320.7**

(1) Represents the estimated gross proceeds from utilisation of the Term Facilities. See "*Summary of the Transaction Documents — Term Facilities Agreement*".

(2) Represents the estimated gross proceeds from the issuance of the first Series of the Notes, net of original issue discount, if any.

(3) This was funded by £400 million Shareholder Loan Note into AF No 3, £466.0 million cash at ABHL plus £0.7 million cash held by a subsidiary of ABHL, Primrose No. 1 Limited, £118.4 million in estimated net proceeds for the offering of the Junior Notes by the Junior Issuer, less cash required to be maintained at the Junior Issuer to cover six months' interest on the Junior Notes.

(4) Represents amounts due under the Existing Bank Facilities, including an amount of £2.6 million representing Senior Debt held by a subsidiary of ABHL, Primrose No.1 Limited.

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

(6) Amount of cash at bank and in hand expected to remain in the Group following the refinancing and the issue of the first Series of the Notes.

(7) Represents the estimated fees and expenses associated with the Refinancing, the issue and sale of first Series of the Notes and the Junior Notes, including Dealers' and Joint Bookrunners' fees and commissions, financing fees, advisory fees and other transaction costs and professional fees. The Group estimates that the Dealers' and Joint Bookrunners' fees and expenses associated with the issue of the first Series of the Notes will be £3.4 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 an actual basis based on the Group's unaudited condensed consolidated interim financial statements at 31 December 2012.

This table should be read in conjunction with "*Transaction Overview*", "*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 Prospectus.

	As at 31 December 2012
	Actual
	Unaudited (£ millions)
Cash at bank and in hand	**28.4**
Borrowings excluding deeply subordinated amounts due to parent undertakings	
Senior Borrowings	
Existing senior bank facility[1]	2,843.3
Accrued liability on inflation rate swap[2]	277.3
Less: Issue costs	(5.7)
Finance lease obligations	14.8
Senior borrowings	3,129.7
Amounts due to parent undertakings[3]	2,995.4
Deeply subordinated amounts due to parent undertakings	**2,995.4**
Capital employed[4]	**(2,582.4)**
Total capitalisation[5]	**3,542.7**

(1) Amounts reflect the total outstanding indebtedness (current and non current) under the Group's existing senior facility, including an amount of £2.6 million representing senior debt held by Primrose No. 1 Limited. As part of the refinancing, the Group expects all outstanding indebtedness under its existing senior debt facility to be repaid (and existing revolving credit facilities to be repaid and cancelled).

(2) 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 Prospectus). 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).

(3) Amounts due to parent undertakings represent intercompany loans which are deeply subordinated to the Group's senior and junior borrowings, and exclude an amount of £2.6 million representing senior debt held by a subsidiary of ABHL, Primrose No. 1 Limited.

(4) Relates to the Group's called up share capital, merger reserve, profit and loss reserve and minority interest.

(5) 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 Prospectus 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 Prospectus, (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)		(unaudited)
	(£ millions)					
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	—	—	(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	0.2
Fundamental reorganisation	(4.2)	(8.8)	—	—	—	—
Loss on disposal of assets	—	(2.1)	—	—	—	—
Non-operating profit exceptional items	(4.2)	(10.9)	—	—	—	—

	Year Ended 30 June			Six Months Ended 31 December		Twelve Months Ended 31 December
	2010	2011	2012	2011	2012	2012
				(unaudited)		(unaudited)
	(£ millions)					
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	1.5	0.4	1.7	0.2	0.2	1.7
Net bank loan interest	(194.9)	(212.0)	(197.0)	(105.2)	(97.5)	(189.1)
Other interest	(22.5)	(28.0)	(30.0)	(13.9)	(17.1)	(33.2)
Share of joint venture interest payable	—	—	(2.3)	(1.4)	(1.2)	(2.0)
Net third party interest payable	**(215.9)**	**(239.6)**	**(227.5)**	**(120.3)**	**(115.4)**	**(222.6)**
Interest payable to parent undertakings[1]	(266.1)	(281.3)	(293.6)	(148.5)	(147.6)	(292.7)
Loss on ordinary activities before taxation	**(385.1)**	**(416.0)**	**(393.1)**	**(202.9)**	**(202.3)**	**(392.5)**
Tax on loss on ordinary activities	9.6	9.2	16.5	8.5	10.0	18.0
Loss on ordinary activities after taxation	**(375.4)**	**(406.7)**	**(376.5)**	**(194.4)**	**(192.3)**	**(374.4)**
Equity minority interests	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Loss for the financial year/period	**(375.6)**	**(406.9)**	**(376.6)**	**(194.5)**	**(192.4)**	**(374.6)**

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				
Investments in joint venture				
– 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	203.1	190.2	211.9	251.9
Cash at bank and in hand	25.0	32.1	78.4	28.4
Total current assets	**228.1**	**222.3**	**290.3**	**280.4**
Creditors: falling due within one year to non group undertakings	(449.2)	(366.1)	(348.4)	(352.1)
Creditors: falling due within one year to group undertakings	(1,317.1)	(1,462.0)	(1,502.3)	(1,575.5)
Net current liabilities	**(1,538.3)**	**(1,605.9)**	**(1,560.5)**	**(1,647.2)**
Total assets less current liabilities	**2,407.2**	**2,268.3**	**2,228.2**	**2,088.7**
Creditors: falling due after more than one year to non Group undertakings	(2,521.6)	(2,793.7)	(3,132.8)	(3,185.8)
Creditors: falling due after more than one year to Group undertakings	(1,419.9)	(1,422.5)	(1,422.5)	(1,422.5)
Provisions for liabilities and charges	(61.8)	(57.4)	(60.5)	(60.0)
Net liabilities excluding pension (deficit) / asset	**(1,596.0)**	**(2,005.4)**	**(2,387.6)**	**(2,579.6)**
Pension (deficit)/asset	(8.9)	2.7	(2.3)	(2.8)
Net liabilities including pension (deficit) / asset	**(1,604.9)**	**(2,002.7)**	**(2,389.9)**	**(2,582.4)**
Capital and reserves				
Called up share capital	—	—	—	—
Merger Reserve	(188.5)	(188.5)	(188.5)	(188.5)
Profit and loss reserve	(1,416.5)	(1,814.5)	(2,201.6)	(2,394.2)
Total shareholders' deficit	**(1,605.1)**	**(2,003.0)**	**(2,390.2)**	**(2,582.8)**
Minority interest	0.2	0.3	0.3	0.3
Capital employed	**(1,604.9)**	**(2,002.7)**	**(2,389.9)**	**(2,582.4)**

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)		(unaudited)
	(£ millions)					
Consolidated cash flow data						
Net cash inflow from operating activities	318.2	315.9	378.5	103.3	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	(141.6)	(142.2)	(147.2)	(72.5)	(76.3)	(151.0)
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	30.4	10.5	(21.0)	51.3	17.0	(55.3)
(Decrease)/Increase in net cash	**(1.7)**	**7.0**	**46.3**	**(0.6)**	**(49.9)**	**(3.0)**

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

The following discussion should be read in conjunction with the sections entitled "Presentation of Financial and Other Information" and "Selected Historical Consolidated Financial and Other Information" as well as with the consolidated financial statements and notes thereto contained in this Prospectus. 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 Prospectus.

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 approximately four times the active licensed macrocell sites of 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 Prospectus. 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 £2,465.6 million, £2,665.8 million and £2,925.6 million as at 30 June 2010, 2011 and 2012 respectively, with interest payable of £217.4 million, £240.0 million and £227.0 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 £3,098.7 million as at 31 December 2012, with non-group debt interest expense of £119.1 million and £114.5 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 Prospectus 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 ILS).

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

AF No 1 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 AF No 1 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
			(£ millions)	(unaudited)	
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	1.5	0.4	1.7	0.2	0.2
Net bank loan interest	(194.9)	(212.0)	(197.0)	(105.2)	(97.5)
Other interest	(22.5)	(28.0)	(30.0)	(13.9)	(17.1)
Share of joint venture interest payable	—	—	(2.3)	(1.4)	(1.2)
Net third party interest payable	**(215.9)**	**(239.6)**	**(227.5)**	**(120.3)**	**(115.4)**
Interest payable to parent undertakings	(266.1)	(281.3)	(293.6)	(148.5)	(147.6)
Loss on ordinary activities before taxation	**(385.1)**	**(416.0)**	**(393.1)**	**(202.9)**	**(202.3)**
Tax on loss on ordinary activities	9.6	9.2	16.5	8.5	10.0
Loss on ordinary activities after taxation	**(375.4)**	**(406.7)**	**(376.5)**	**(194.4)**	**(192.3)**
Equity minority interests	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Loss for the financial year	**(375.6)**	**(406.9)**	**(376.6)**	**(194.5)**	**(192.4)**

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 £97.5 million, representing a 7.3% decrease from £105.2 million during the six months ended 31 December 2011, due primarily to a reduction in the accretion element of the inflation linked swaps (ILS) 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 £147.6 million, representing a 0.6% decrease from £148.5 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 £17.1 million, representing a 23.0% increase from £13.9 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 4.9%. This was higher than the Group's effective tax rate of 4.2% 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 £192.4 million, representing a 1.1% decrease from a £194.5 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 £197.0 million, representing a 7.1% decrease from £212.0 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 £293.6 million, representing a 4.4% increase from £281.3 million during the year ended 30 June 2011, due primarily to increase in the principal balance owed due to the capitalisation of unpaid interest.

Other interest

Other interest for the Group during the year ended 30 June 2012 was £30.0 million, representing a 7.0% increase from £28.0 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 £376.6 million, representing a 7.4% decrease from a £406.9 million loss during the year ended 30 June 2011. This was due primarily to the 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 73.3% decrease from £1.5 million during the year ended 30 June 2010, due primarily to lower interest rates and lower cash balances.

Net bank loan interest

Bank loan interest for the Group during the year ended 30 June 2011 was £212.0 million, representing an 8.7% increase from £194.9 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 £281.3 million, representing a 5.7% increase from £266.1 million during the year ended 30 June 2010, due primarily to an increase in the principal balance owed due to the capitalisation of unpaid interest.

Other interest

Other interest for the Group during the year ended 30 June 2011 was £28.0 million, representing a 24.6% increase from £22.5 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 £406.9 million, representing an 8.3% increase from a £375.6 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
				(unaudited)	
			(£ millions)		
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	(141.6)	(142.2)	(147.2)	(72.5)	(76.3)
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	30.4	10.5	(21.0)	51.3	17.0
(Decrease)/increase in net cash	**(1.7)**	**7.0**	**46.3**	**(0.6)**	**(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 £76.3 million, consisting of £0.3 million in interest received, less £76.0 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 £147.2 million, consisting of £0.5 million in interest received, less £146.6 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 £142.2 million, consisting of £0.4 million in interest received, less £141.3 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 £141.6 million, consisting of £0.5 million in interest received, less £140.9 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 £17.0 million, consisting of £74.7 million of outflow from borrowings from parent undertakings, £92.0 million increase in external borrowings and less £0.3 million in the capital element of finance lease payments.

For the year ended 30 June 2012, the Group's financing outflow was £21.0 million, consisting of £253.3 million from repayment of borrowings from parent undertakings, £232.7 million increase in external borrowings offset by £0.4 million in the capital element of finance lease payments.

For the year ended 30 June 2011, the Group's financing inflow was £10.5 million, consisting of repayment of £107.7 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 £30.4 million, consisting of repayment of £100.1 million from borrowings from parent undertakings, £133.6 million increase in external borrowings, less £2.4 million from loans to joint ventures and £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 28.8% 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 — Risks Related to the Group's Business and Industry — 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	—	—	—
Trade creditors	**43.9**	43.9	—	—	—
Accrued liability on interest rate swap	**277.3**	—	277.3	—	—
Finance lease obligations[1]	**14.8**	0.5	0.7	0.8	12.8
Capital commitments	**26.3**	26.3	0.0	—	—
Operating lease commitments	**147.8**	18.8	31.5	22.9	74.6
Other creditors	**366.9**	243.4	28.0	25.4	70.1
Total non-Group	**3,717.8**	397.2	3,114.0	49.1	157.4
Amounts owed to Group undertakings	**2,998.0**	1,575.5	1,422.5	—	—
Total	**6,715.7**	**1,972.7**	**4,536.5**	**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 inflation index linked swaps was 5.45%, 5.11%, 4.83%, 4.82% and 4.89% in the fiscal 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 interest rate swaps (**IRS**) and inflation linked swaps (**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 Prospectus). 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 ILS 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 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 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.

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	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	BBC, 4, itv	AGS, Discovery Communications	4, itv, ideal world, uktv	Vodafone, O2, MBNL, everything everywhere, AIRWAVE

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 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 "*— 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 of turnover billion 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.

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 Prospectus.

Divisions

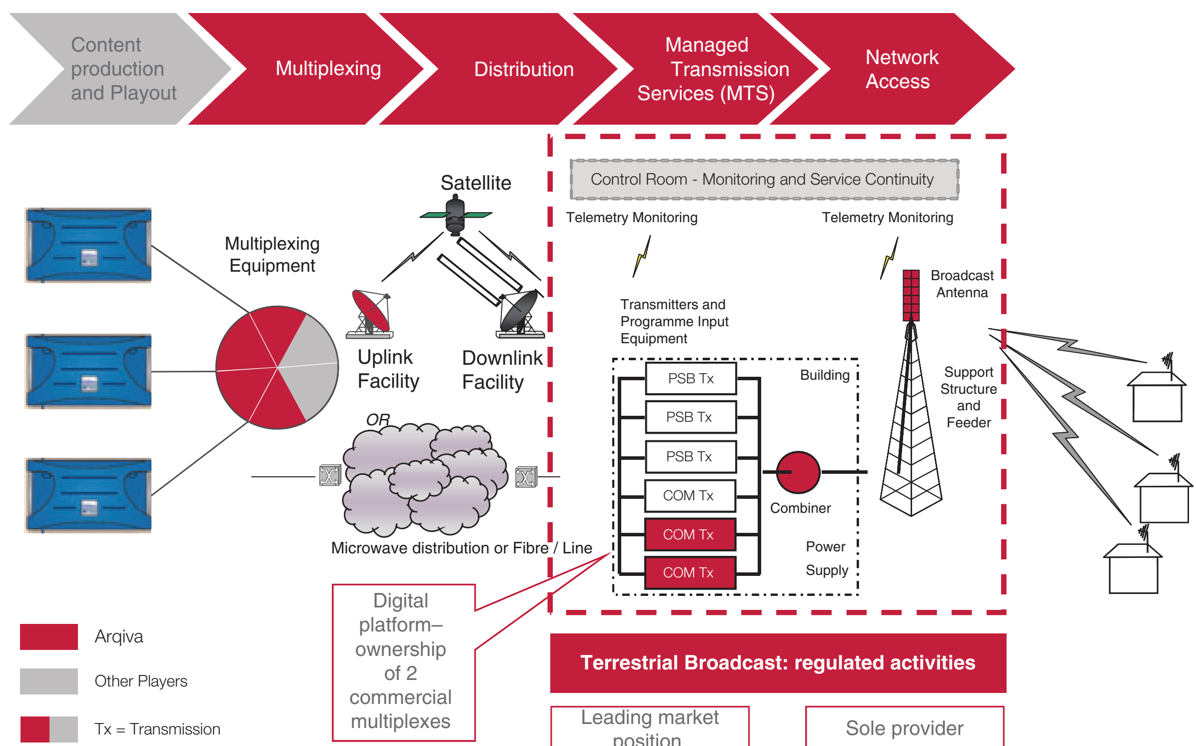
Broadcast and Media Division

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.

UK Broadcasting Infrastructure



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 Prospectus, 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 — Risks related to the Group's business and industry — The Group is subject to UK government and other regulations that govern the way it conducts its businesses, and 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 — 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 • 11radio • 1 data/ interactive	• **17 TV** • **1 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 — Risks related to the Group's business and industry — 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 — 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 Prospectus, 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.

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 receive more than one Notice of Intention to Apply they have announced they 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 closes 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.

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 2010	30 June 2011	30 June 2012	31 December 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 — 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 Prospectus.

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 — Risks related to the Group's business and industry — Environmental and health regulation imposes additional costs and may affect the Group's results of operation*".

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 Prospectus. The address for each of the directors is Crawley Court, Winchester, SO21 2QA, United Kingdom.

Name	Age	Position
Leonard Peter Shore	62	*Independent Non-Executive Chairman*
Peter Douglas	65	*Non-Executive Director*
Alain Carrier	45	*Non-Executive Director*
Dan Fetter	36	*Non-Executive Director*
Christian Seymour	48	*Non-Executive Director*
Edward Beckley	37	*Non-Executive Director*
Damian Walsh	59	*Non-Executive Director*
Marc Perusat	47	*Non-Executive Director*
Clive Ansell	55	*Independent Non-Executive Director*

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 Prospectus. The address for each of these managers is Crawley Court, Winchester, SO21 2QA, United Kingdom.

Name	Age	Position
John Cresswell	51	*Chief Executive Officer*
Phil Moses	48	*Chief Financial Officer*
Doug Umbers	47	*Managing Director – Business Operations*
Matthew Brearley	47	*Director of People and Organisation*
Michael Giles	48	*Group Commercial Director*
Steve Holebrook	47	*Managing Director – Broadcast & Media*
Nicolas Ott	47	*Managing Director – Government, Mobile and Enterprise*
Charles Constable	50	*Managing Director – Digital Platforms*
Wendy McMillan	37	*Group Strategy and Business Development Director*
Roger Burge	47	*Director of Treasury and Corporate Finance*

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 £82.3m. 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 Prospectus 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

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

Consumer options for TV services in the UK

Universal coverage obligations

	Analogue	DTT	DTH (Satellite)		Cable	IPTV	
Commercial platforms	service ceased October 2012	Freeview	sky	freesat	Virgin media	BT Vision	TalkTalk
Cost	None	£20+ for box or inbuilt	£250 - £759 p.a.	£115 - £310 for dish & box	£311 - £545 p.a.	£373 - £631 p.a.	£115 - £595 p.a.
Platform take-up	6.9%	74.0%	36.2%	8.0%	13.1%	2.0%	
Arqiva presence	Yes	Yes	Yes		No	Yes (YouView)	

Free-to-Air / Arqiva

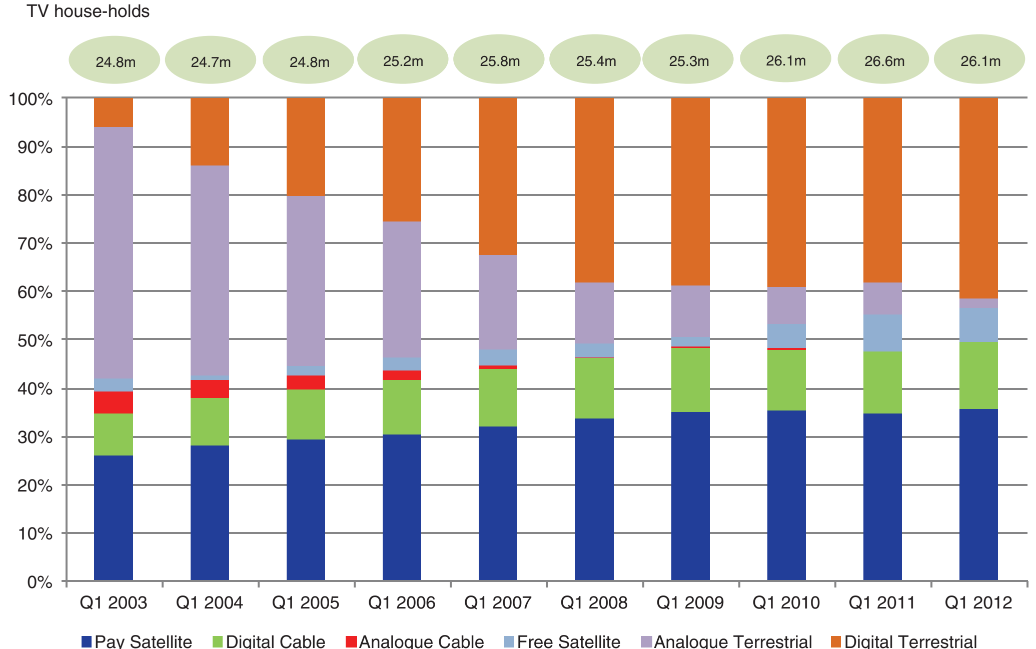
Competition and Market Share of Television Platforms

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

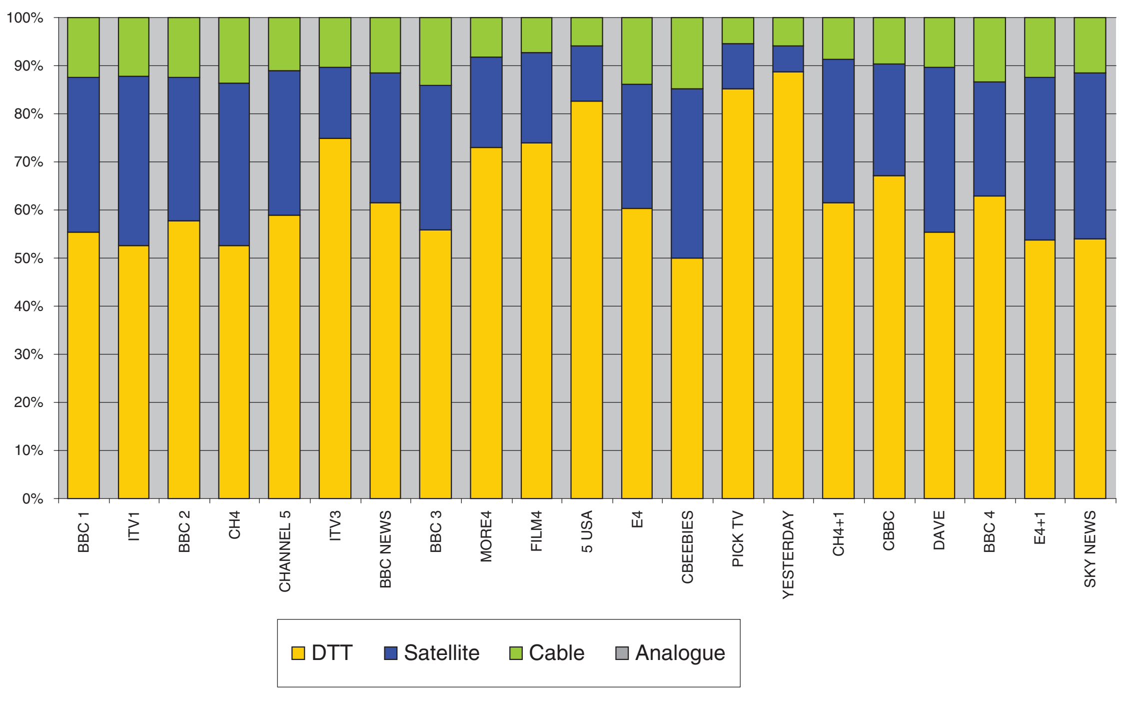
Terrestrial television represented 43% of primary television viewing as at March 2012. This market share has remained broadly stable over the past four years, but has decreased from a 58% share in 2003. As at 31 March 2011, DTT (Freeview) was used in 74% of homes for at least one television set, and 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.

Platform Share of Primary Television Sets in the UK



Source: Ofcom – Communications Market Report Q1 2012

Percentage Viewing Platform Share of Primary TV Sets by UK TV Platform (December 2012)

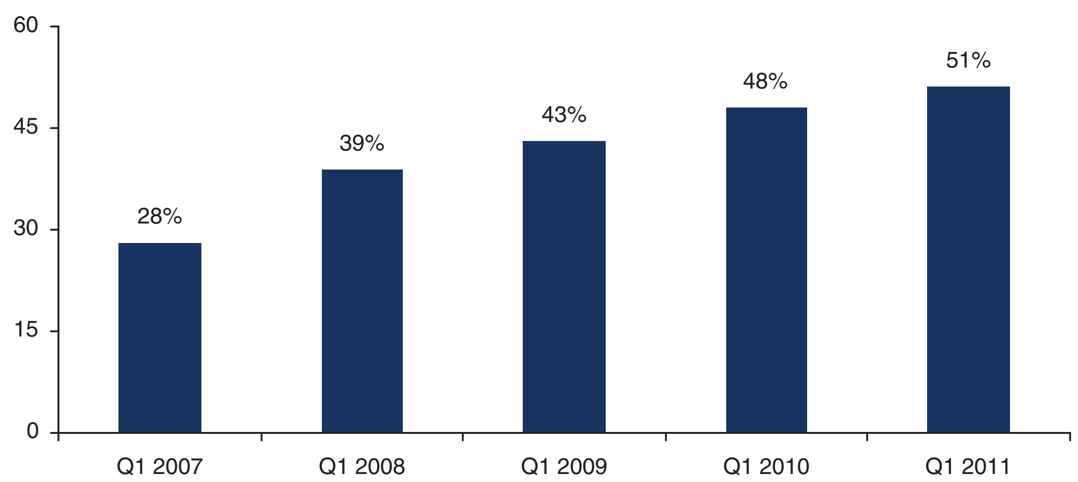


Source: BARB/Attentional December 2012

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 08, Q1 09, Q1 10, Q1 11

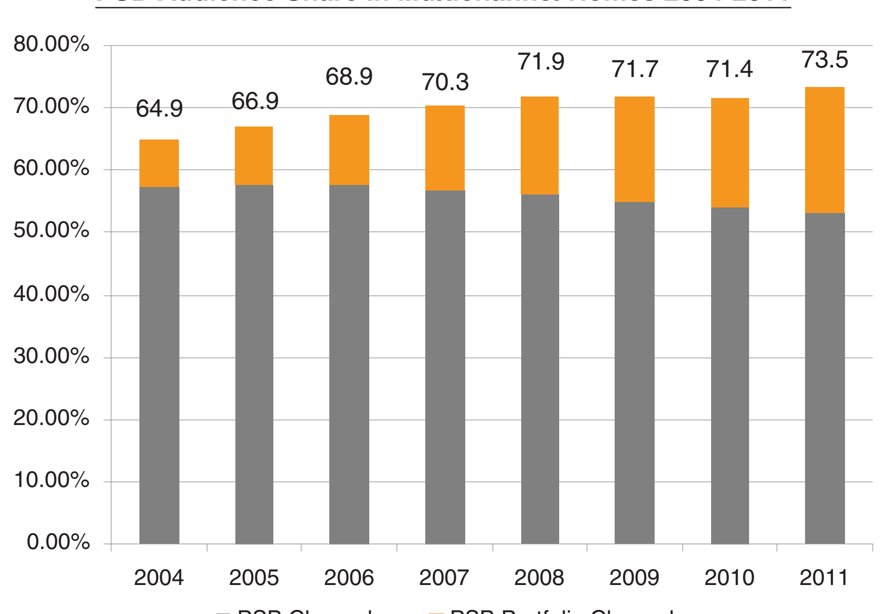
Broadcasters in the UK Television Industry

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.

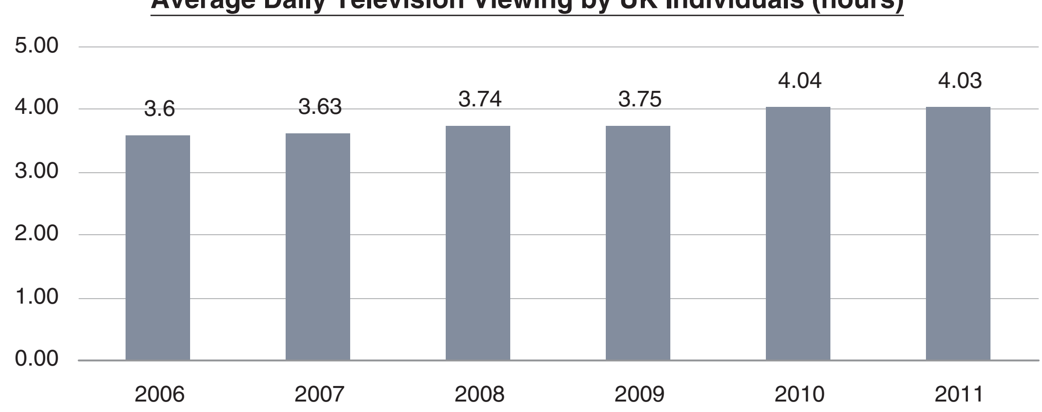
Despite a reduction during the 2009 recession that reflected general economic contraction, net advertising revenue has increased at 0.5% Compound Annual Growth Rate (**CAGR**) from 2006 to 2011. After a decline during the economic downturn, the overall market demonstrated some recovery in 2010 with a 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).

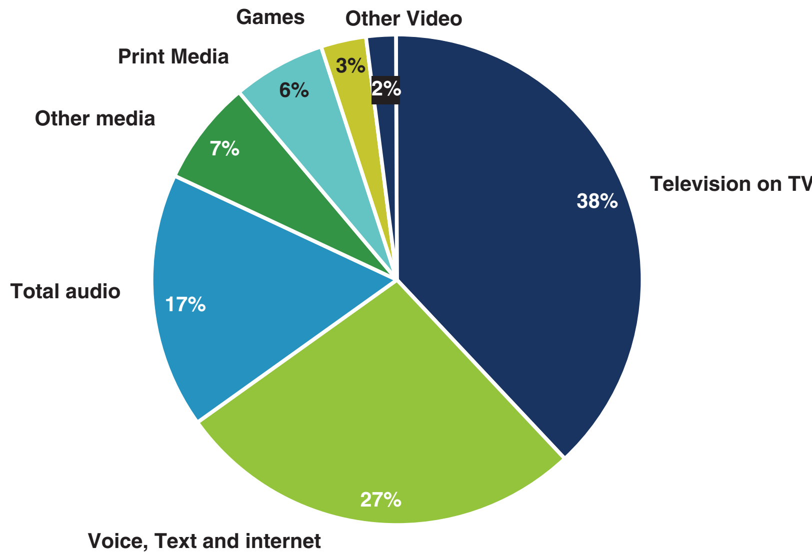
Average Daily Television Viewing by UK Individuals (hours)



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 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	
	AM	FM	DAB	Total
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**

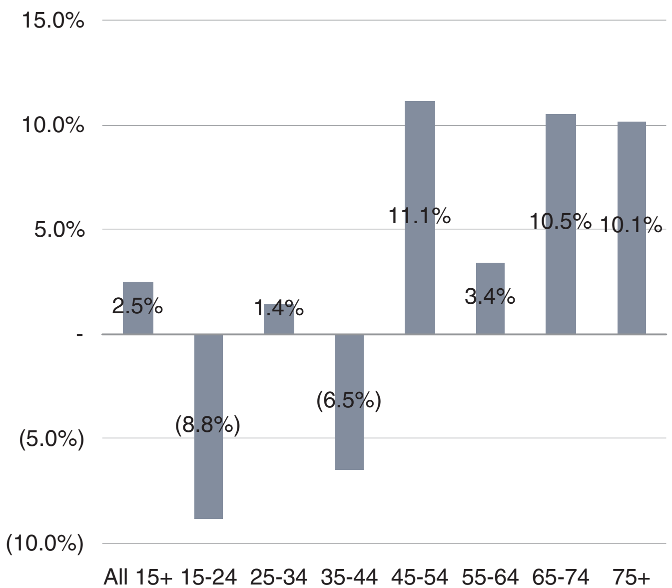
Note: Totals reflect the number of transmissions rather than the number of unique stations (some stations are simulcast across platforms)

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



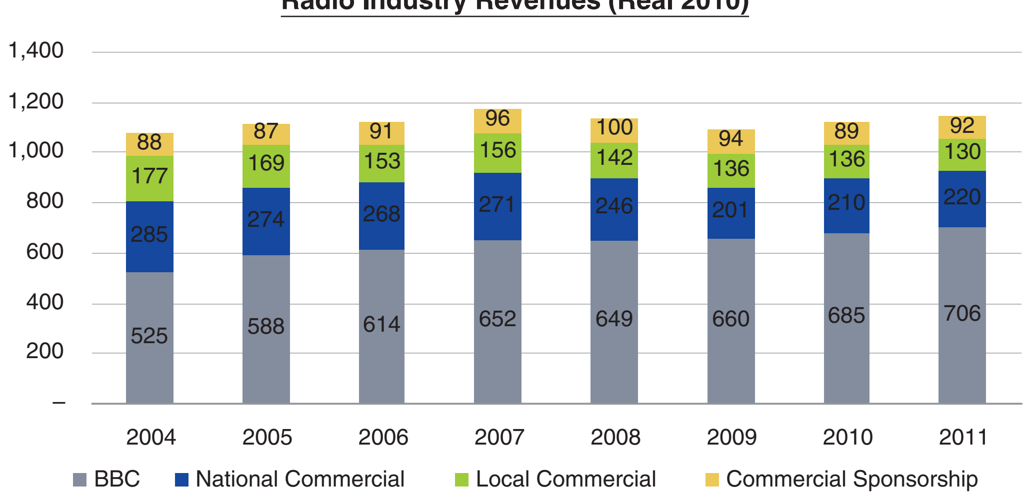
Source: Ofcom Communications Market Report July 2012

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%).

Radio Industry Revenues (Real 2010)



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%).

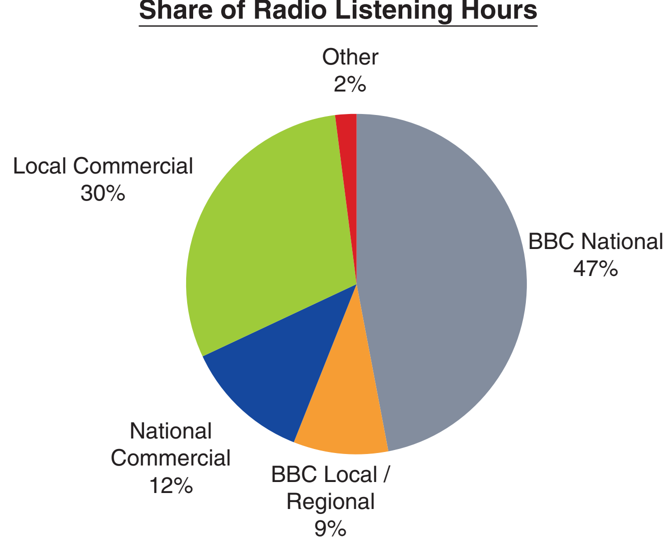
Radio Broadcasters

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.

Share of Radio Listening Hours



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.

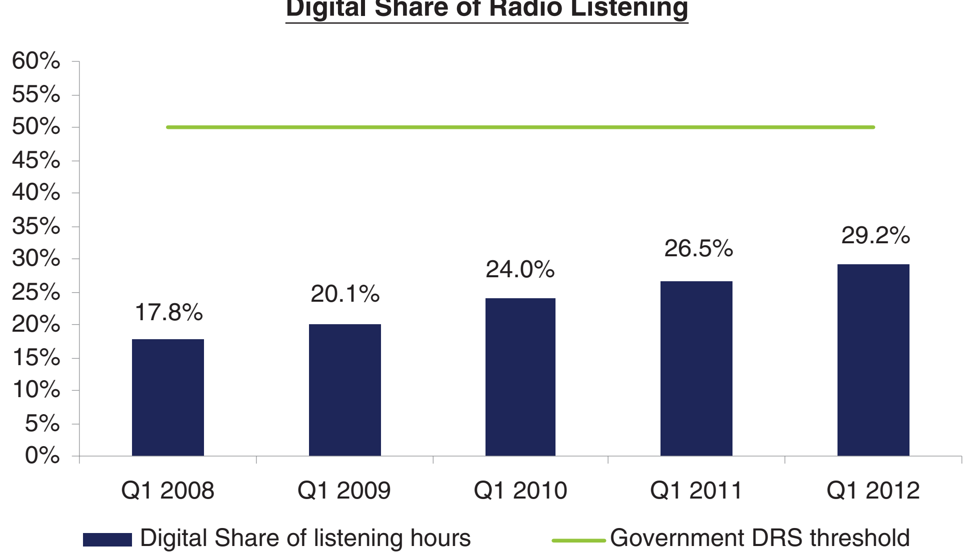
Community Radio

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

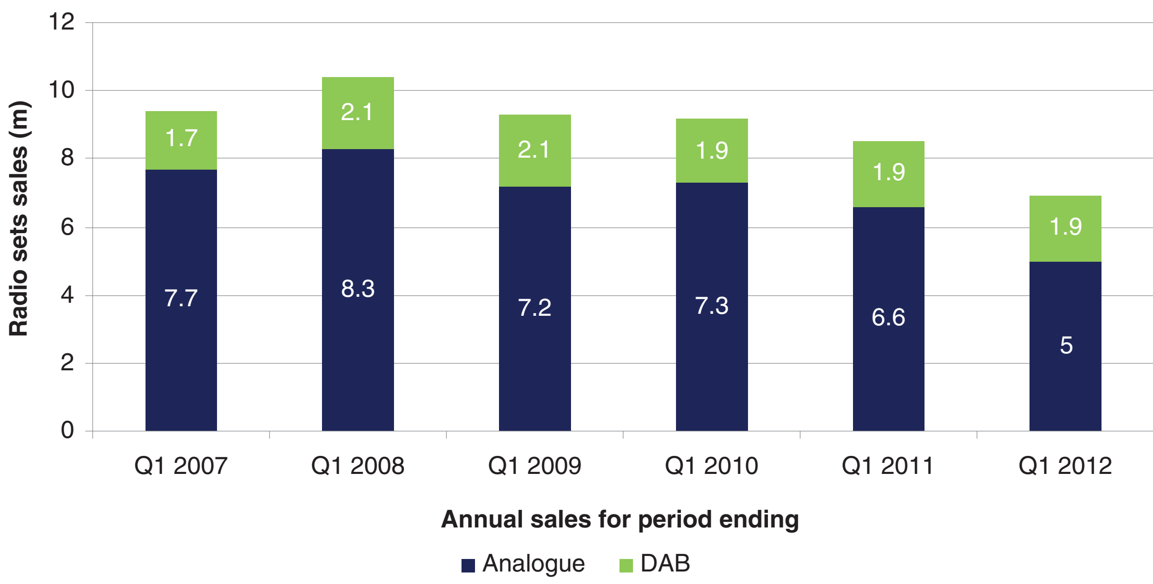
Digital radio listening has grown year-on-year, with digital accounting for 33% of total radio listening as at 31 December 2012. Of the total digital listening as at 31 December 2012, 65% was over DAB radios, while 4.9% was delivered over the internet and 5.1% over digital television platforms. As at 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.



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	• 9 TV • 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

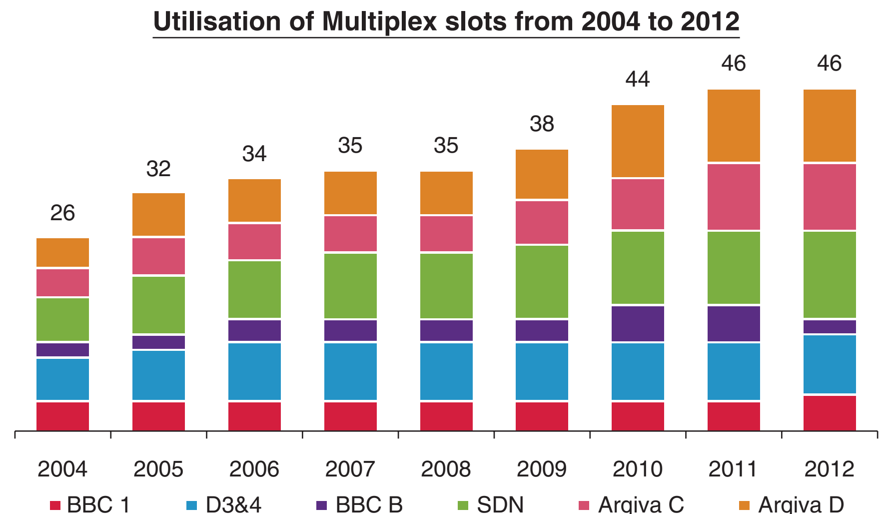
The pricing of DTT Multiplex slots is determined by:

- 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.

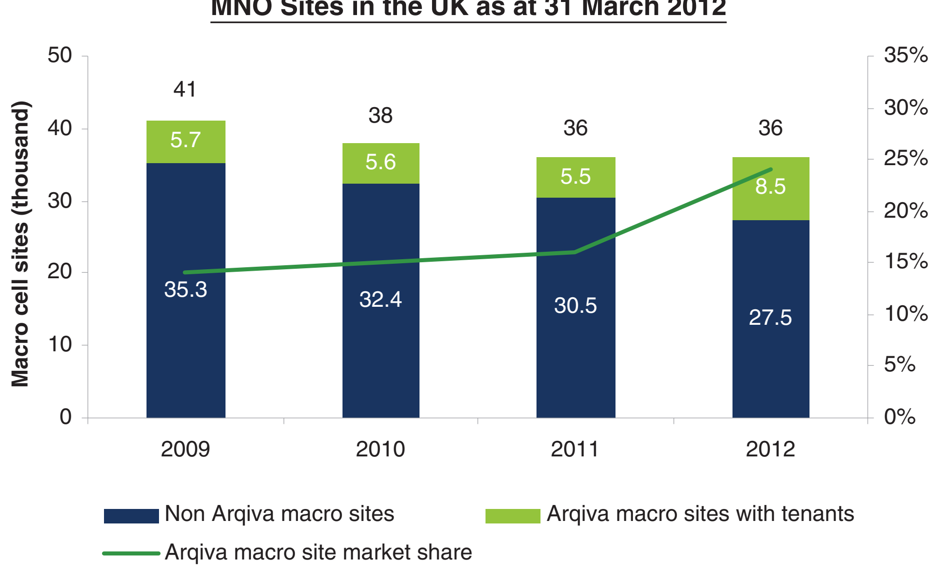
Wireless Industry in the UK

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.

MNO Sites in the UK as at 31 March 2012



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.

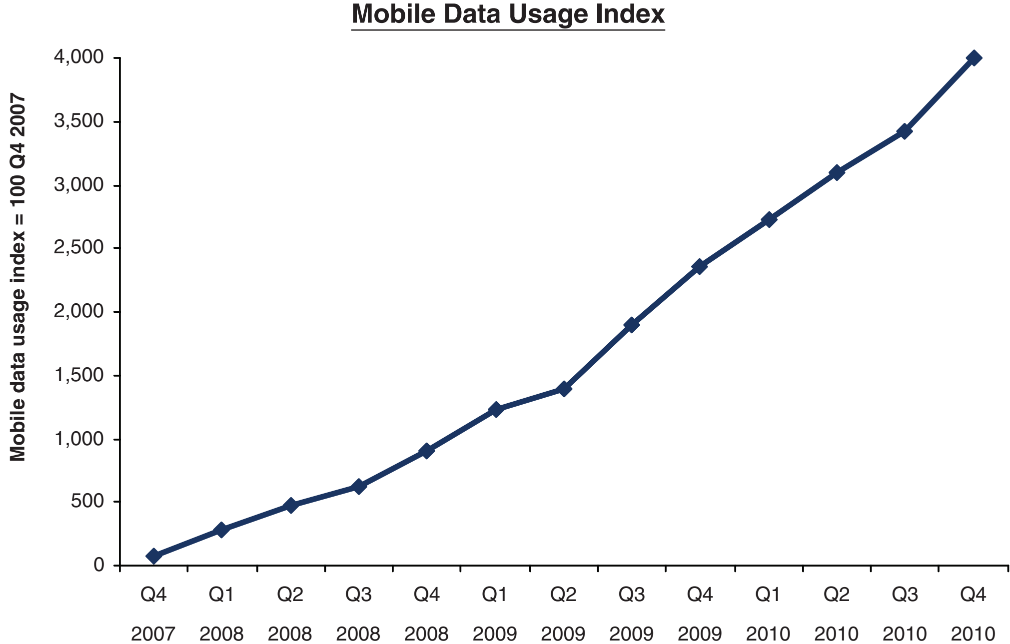
The UK Mobile Market Today: The Data Era

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.

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 (Oftel, 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, O_2 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 Directives[10] (**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.

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.

[10] Directive 2002/21/EC, Directive 2002/19/EC, Directive 2002/20/EC, Directive 2002/22/EC and Directive 2002/58/EC

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*".

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Intra-Arqiva

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	-	-
Sales (net)	-	-
Expenses	-	-
Trade creditors	-	-

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	-	0.4
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 IRS and ILS. 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.

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 "*Business — Divisions — Government, Mobile and Enterprise*".
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.

DESCRIPTION OF THE ISSUER

The Issuer, Arqiva Financing 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 limited company. Its registered number is 8336354.

The Issuer's registered office is at Crawley Court, Winchester, Hampshire SO21 2QA, where the Issuer's register of members is kept (telephone number 01962 823434). The memorandum and articles of association of the Issuer may be inspected at the registered office of the Issuer.

The Issuer is wholly owned by the Intermediate Parent, a private limited company incorporated in England and Wales (registered number 8126989) and having its registered office at Crawley Court, Winchester, Hampshire SO21 2QA. The Issuer has no subsidiaries.

Directors, Secretary and Corporate Officer Provider

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, Crawley, Winchester, Hampshire SO21 2QA	Investment Manager
Alain Carrier	Canadian/British	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Managing Director (Europe)
John Harold Cresswell	British	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	CEO/Director
Peter Gray Douglas	British	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Director
Daniel Karl Fetter	Canadian	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Private Equity
Andreas Hermann Kottering (alternate for Alain Carrier and Dan Fetter)	German	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Senior Principal
Nathan Luckey (alternate for Edward Thomas Beckley and Marc Michel Perusat)	Australian	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Investment Manager
Marc Michel Perusat	French	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Director
Christian Seymour	Australian	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Investment Manager
Leonard Peter Shore	Australian	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Director
Robert Boyd Pierre Wall (alternate for Alain Carrier and Dan Fetter)	British	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Investment Manager

Name	Nationality	Business Address	Other Principal Activities
Damian John Walsh	Australian	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Accountant
Adrianus Cornelia Wamsteker (alternate for Christian Seymour)	British	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Investment Director

The secretary of the Issuer is William Michael Giles.

The Issuer Corporate Officer Provider has agreed, pursuant to the terms of the Issuer Corporate Officer Agreement dated on or about the Signing Date, to provide certain directorial services to the Issuer. Fees are payable to the Issuer Corporate Officer Provider thereunder.

The directors receive no remuneration from the Issuer for their services. The Issuer Corporate Officer Provider does not hold any direct, indirect, beneficial or economic interest in any of the shares of the Issuer. The directorship of Jonathan Eden Keighley, who will be appointed as a director on the Closing Date, is provided as part of the Issuer Corporate Officer Provider's corporate directorial service provided to the Issuer pursuant to the Issuer Corporate Officer Agreement.

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.

None of the directors of the Issuer has any actual or potential conflict between their duties to the Issuer and their private interests or other duties as listed above.

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 Issuer/Borrower Facilities Agreement and the other Issuer Transaction Documents following an issuance of the Notes and executing and performing the Issuer Transaction Documents and all other documents to which it is expressed to be a party and exercising all related rights and powers and other activities reasonably incidental thereto.

Share Capital

The current share capital of the Issuer is £50,000, comprising 50,000 shares of £1 each. The issued and paid up share capital of the Issuer is £50,000 as at the date of this Prospectus.

Auditors

It is the intention of the Issuer to appoint as auditors PricewaterhouseCoopers LLP with its 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 BORROWER

The Borrower, Arqiva Financing No 1 Limited, was incorporated in England and Wales on 5 March 2007 as a private limited company with registered number 06137924. The Borrower operates under the Companies Act 2006.

The Borrower's registered office is at Crawley Court, Crawley, Winchester, Hampshire SO21 2QA, where the Borrower's register of members is kept (telephone number 01962 823434). The memorandum and articles of association of the Borrower may be inspected at the registered office of the Borrower.

The Borrower is currently wholly owned by AF No 2, a private limited company incorporated in England and Wales (registered number 06137899) and having its registered office at Crawley Court, Winchester, Hampshire SO21 2QA. On or prior to the Closing Date, the entire issued share capital of the Borrower will be transferred to the Intermediate Parent. Following such transfer, the Borrower will be wholly owned by the Intermediate Parent, a private limited company incorporated in England and Wales (registered number 8126989) and having its registered office at Crawley Court, Winchester, Hampshire SO21 2QA. For further details, see "*Overview of the Business and the Transaction — Transaction Overview — Closing Date Reorganisation*".

Directors and Secretary

The directors of the Borrower and their respective addresses and other principal activities are:

Name	Nationality	Business Address	Other Principal Activities/Business Occupation
Clive Ansell	British	Tribal Group Plc, 87-91 Newman Street, London W1T 3EY	CEO Systems (formerly known as Technology)
Edward Thomas Beckley	British	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Investment Manager
Alain Carrier	Canadian/British	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Managing Director (Europe)
John Harold Cresswell	British	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	CEO/Director
Peter Gray Douglas	British	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Director
Daniel Karl Fetter	Canadian	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Private Equity
Andreas Hermann Kottering (alternate for Alain Carrier and Dan Fetter)	German	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Senior Principal
Nathan Luckey (alternate for Edward Thomas Beckley and Marc Michel Perusat)	Australian	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Investment Manager
Marc Michel Perusat	French	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Director
Christian Seymour	Australian	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Investment Manager

Name	Nationality	Business Address	Other Principal Activities/Business Occupation
Leonard Peter Shore	Australian	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Director
Robert Boyd Pierre Wall (alternate for Alain Carrier and Dan Fetter)	British	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Investment Manager
Damian John Walsh	Australian	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Accountant
Adrianus Cornelia Wamsteker (alternate for Christian Seymour)	British	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Investment Director

The secretary of the Borrower is William Michael Giles.

The directors of the Borrower 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 Borrower, regardless of any other directorship he or she may hold.

None of the directors of the Borrower has any actual or potential conflict between their duties to the Borrower and their private interests or other duties as listed above.

Principal Activities

The Borrower was established as a private limited company and its principal activities are other business activities 70100 — Activities of Head Offices. For a detailed description of the principal activities of the Borrower, see "*Business*".

Management and Control

The Borrower is managed and controlled in England.

Share Capital

The current share capital of the Borrower is £100, comprising 100 shares of £1 each. The issued and paid up share capital of the Borrower is £1.00 as at the date of this Prospectus.

Auditors

The auditors of the Borrower are PricewaterhouseCoopers LLP with its 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 OTHER MATERIAL OBLIGORS

ARQIVA SERVICES LIMITED

Arqiva Services Limited was incorporated in England and Wales on 9 May 2006 as a private limited company with registered number 03196207. Arqiva Services Limited operates under the Companies Act 2006.

Arqiva Services Limited's registered office is at Crawley Court, Winchester, Hampshire SO21 2QA, where Arqiva Services Limited's register of members is kept (telephone number 01962 823434). The memorandum and articles of association of Arqiva Services Limited may be inspected at the registered office of Arqiva Services Limited.

Arqiva Services Limited is wholly owned by Arqiva Holdings Limited, a private limited company incorporated in England and Wales and having its registered office at Crawley Court, Winchester, Hampshire SO21 2QA. Its registered number is 3242381.

Directors and Secretary

The directors of Arqiva Services Limited and their respective addresses and other principal activities are:

Name	Nationality	Business Address	Other Principal Activities/Business Occupation
Clive Ansell	British	Tribal Group Plc, 87-91 Newman Street, London W1T 3EY	CEO Systems (formerly known as Technology)
Edward Thomas Beckley	British	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Investment Manager
Alain Carrier	Canadian/British	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Managing Director (Europe)
John Harold Cresswell	British	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	CEO/Director
Peter Gray Douglas	British	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Director
Daniel Karl Fetter	Canadian	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Private Equity
Andreas Hermann Kottering (alternate for Alain Carrier and Dan Fetter)	German	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Senior Principal
Nathan Luckey (alternate for Edward Thomas Beckley and Marc Michel Perusat)	Australian	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Investment Manager
Philip David Moses	British	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Accountant
Marc Michel Perusat	French	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Director

Name	Nationality	Business Address	Other Principal Activities/Business Occupation
Christian Seymour	Australian	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Investment Manager
Leonard Peter Shore	Australian	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Director
Robert Boyd Pierre Wall (alternate for Alain Carrier and Dan Fetter)	British	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Investment Manager
Damian John Walsh	Australian	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Accountant
Adrianus Cornelia Wamsteker (alternate for Christian Seymour)	British	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Investment Director

The secretary of Arqiva Services Limited is William Michael Giles.

The directors of Arqiva Services Limited 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 Arqiva Services Limited, regardless of any other directorship he or she may hold.

None of the directors of Arqiva Services Limited has any actual or potential conflict between their duties to Arqiva Services Limited and their private interests or other duties as listed above.

Principal Activities

Arqiva Services Limited was established as a private limited company and its principal activities are 82990 — Other business support service activities not elsewhere classified.

Management and Control

Arqiva Services Limited is managed and controlled in England.

Share Capital

The current share capital of Arqiva Services Limited is £500,000,000 comprising 500,000,000 shares of £1 each. The issued and paid up share capital of Arqiva Services Limited is £287,030,156 as at the date of this Prospectus.

Auditors

The auditors of Arqiva Services Limited are PricewaterhouseCoopers LLP with its 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.

ARQIVA LIMITED

Arqiva Limited was incorporated in England and Wales on 2 April 1990 as a private limited company with registered number 02487597. Arqiva Limited operates under the Companies Act 2006.

Arqiva Limited's registered office is at Crawley Court, Winchester, Hampshire SO21 2QA, where Arqiva Limited's register of members is kept (telephone number 01962 823434). The memorandum and articles of association of Arqiva Limited may be inspected at the registered office of Arqiva Limited.

Arqiva Limited is wholly owned by Arqiva Holdings Limited, a private limited company incorporated in England and Wales and having its registered office at Crawley Court, Winchester, Hampshire SO21 2QA. Its registered number is 3242381.

Directors and Secretary

The directors of Arqiva Limited and their respective addresses and other principal activities are:

Name	Nationality	Business Address	Other Principal Activities/Business Occupation
Clive Ansell	British	Tribal Group Plc, 87-91 Newman Street, London W1T 3EY	CEO Systems (formerly known as Technology)
Edward Thomas Beckley	British	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Investment Manager
Alain Carrier	Canadian/British	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Managing Director (Europe)
John Harold Cresswell	British	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	CEO/Director
Peter Gray Douglas	British	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Director
Daniel Karl Fetter	Canadian	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Private Equity
Andreas Hermann Kottering (alternate for Alain Carrier and Dan Fetter)	German	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Senior Principal
Nathan Luckey (alternate for Edward Thomas Beckley and Marc Michel Perusat)	Australian	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Investment Manager
Philip David Moses	British	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Accountant
Marc Michel Perusat	French	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Director
Christian Seymour	Australian	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Investment Manager
Leonard Peter Shore	Australian	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Director
Robert Boyd Pierre Wall (alternate for Alain Carrier and Dan Fetter)	British	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Investment Manager
Damian John Walsh	Australian	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Accountant
Adrianus Cornelia Wamsteker (alternate for Christian Seymour)	British	Crawley Court, Crawley, Winchester, Hampshire SO21 2QA	Investment Director

The secretary of Arqiva Limited is William Michael Giles.

The directors of Arqiva Limited 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 Arqiva Limited, regardless of any other directorship he or she may hold.

None of the directors of Arqiva Limited has any actual or potential conflict between their duties to Arqiva Limited and their private interests or other duties as listed above.

Principal Activities

Arqiva Limited was established as a private limited company and its principal activities are 59113 — Television programme production activities, 61900 — Other telecommunications activities, 62090 — Other information technology service activities, 93290 — Other amusement and recreation activities not elsewhere classified or owner, provider and operator of transmission and other communications infrastructure and services.

Management and Control

Arqiva Limited is managed and controlled in England.

Share Capital

The current share capital of Arqiva Limited is £30,000,300, comprising 30,000,300 shares of £1 each. The issued and paid up share capital of Arqiva Limited is £30,000,201 as at the date of this Prospectus.

Auditors

The auditors of Arqiva Limited 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.

SUMMARY OF THE TRANSACTION DOCUMENTS

The following is a summary of certain terms of the principal Transaction Documents, including the CTA, the STID, the Note Trust Deed and the Security Documents and is qualified in its entirety by reference to the detailed provisions of the Transaction Documents. Potential investors should refer to "Cashflows", for a detailed description of the various Priorities of Payments.

GENERAL OVERVIEW

The Authorised Facility Providers (which includes the Issuer and FinCo) all benefit from common terms under their relevant debt instrument and a common security package granted by the Borrower, the Parent, the Intermediate Parent and the other Obligors. It is a requirement of the CTA that any future provider of an Authorised Facility must accede to and be bound by the terms of the CTA (see "— *Common Terms Agreement*" below) and the intercreditor arrangements contained in the STID (see "— *Security Trust and Intercreditor Deed*" below). The Issuer, as provider of each Issuer/Borrower Loan to the Borrower corresponding to the proceeds of an issuance of Notes, will also be party to and be bound by the CTA and the STID. Similarly FinCo, as provider of each FinCo/Borrower Loan and each FinCo/Borrower Hedge to the Borrower corresponding to the proceeds of the Term Facilities and the terms of the FinCo Hedges, will also be party to and be bound by the CTA and the STID.

The CTA sets out the common terms applicable to the Issuer/Borrower Facilities, the FinCo/Borrower Facilities and each other Authorised Facility (which includes the Borrower Bank Facilities) into which the Borrower enters. Save for certain limited exceptions, no Finance Party can have additional representations, covenants, trigger events or events of default beyond the common terms deemed to be incorporated by reference into their Authorised Facilities through their execution of, or accession to, the CTA.

The STID regulates among other things (i) the claims of the Obligor Secured Creditors, (ii) the exercise and enforcement of rights by the Obligor Secured Creditors and (iii) the giving of instructions, consents and waivers and, in particular, the basis on which votes of the Obligor Secured Creditors will be counted.

All agreements listed below and non-contractual obligations arising out of or in connection with them are governed by English law and subject to the exclusive jurisdiction of the English courts.

Common Terms Agreement

General

As noted above, all Authorised Facility Providers not originally party thereto must accede to the CTA in respect of their Authorised Facilities (including, for the avoidance of doubt, the Issuer/Borrower Facilities, the Issuer/Borrower Hedges, the FinCo/Borrower Facilities and the FinCo/Borrower Hedges).

Other Obligor Secured Creditors which are party to the CTA include the Borrower Hedge Counterparties, the Liquidity Facility Providers (in their capacity as lenders to the Borrower), the Capex Facility Providers, the Working Capital Facility Providers, the Issuer and FinCo.

The Borrower will be able to incur additional debt under (a) Issuer/Borrower Loans corresponding to an issuance of new Notes, (b) FinCo/Borrower Loans corresponding to new Term Loans or (c) any other new Authorised Facility pursuant to which new term Financial Indebtedness is to be incurred, provided that the existing Notes will continue to be rated at least the lower of (X) the then current rating of the existing Notes or (Y) the initial rating of the first Series of Notes.

The CTA also sets out the cash management arrangements applicable to the Obligors and the hedging policy applicable to the Borrower, FinCo and the Issuer (see "— *Hedging Arrangements*" below).

Representations

Each Obligor will make certain representations and warranties severally with respect to itself (subject to detailed carve-outs, exceptions and qualifications set forth in the CTA) (which are made severally in respect of itself only) to each Finance Party to a limited extent on the Signing Date with all the representations and warranties to be given to the fullest extent on the Closing Date. These include the following representations and warranties as to:

(a) limited liability company, due incorporation and power to carry on its business as currently carried on by it;

(b) power to enter into and perform its obligations under and the transactions contemplated by the Obligor Transaction Documents to which it is a party;

(c) the Obligor Transaction Documents to which it is a party are legal, binding, valid and enforceable and the Obligor Security Documents create the intended security interests which are valid and effective, subject to reservations as to matters of law;

(d) no conflict with constitutional documents, laws, licences, regulations or other documents by entering into the Obligor Transaction Documents to which it is a party which, in the case of other documents only, would reasonably be likely to have a Material Adverse Effect;

(e) all consents, authorisations, approvals and licences in place, any absence of which would reasonably be likely to have a Material Adverse Effect;

(f) no materially overdue tax returns or overdue payments of any material amount of tax and no claim or investigation which otherwise would reasonably be likely to have a Material Adverse Effect;

(g) ownership or right to use material intellectual property;

(h) ownership of its assets;

(i) no steps taken for its winding-up, administration or liquidation;

(j) effectiveness of its insurances;

(k) no defaults under laws, regulations or licences which would reasonably be likely to have a Material Adverse Effect;

(l) (in relation to the Borrower only) from and including the first Test Date following the Closing Date, good faith assumptions will be used in respect of the Financial Covenant Ratios, the Trigger Event Financial Covenant Ratios and (for so long as Facility A and/or Facility B are outstanding) the Modified Net Debt to EBITDA Ratio calculations;

(m) pensions participations and liabilities;

(n) no litigation (excluding any frivolous or vexatious claims) which, if adversely determined, would reasonably be likely to have a Material Adverse Effect;

(o) compliance with environmental and other laws (including obtaining any necessary Environmental Permits) which otherwise would reasonably be likely to have a Material Adverse Effect; and

(p) to the best of its knowledge all necessary written information, (i) provided for the purposes of preparing the information memorandum for the Borrower Bank Facilities and the Term Facilities and (ii) to the providers of any due diligence reports, is true and accurate in all material respects and not misleading in any respect.

The CTA provides that an Authorised Facility may contain such additional representations and warranties by the Obligors with respect to U.S. law, U.S. securities law and/or U.S. tax law issues which are customary to include in agreements entered into in connection with the issue of U.S. private placement notes.

The CTA also provides that additional representations and warranties may be provided to another acceding Obligor Secured Creditor provided that such additional representations and warranties will also be provided to the existing parties to the CTA.

Certain of the representations and warranties, including as regards to status, title to assets and status of security are deemed to be repeated by the relevant Obligor (by reference to the facts and circumstances existing at such time) on (i) the date of each utilisation request and the first day of any borrowing, (ii) each Interest Payment Date, (iii) on each Issue Date, (iv) on each issue date in respect of U.S. private placement notices and (v) in the case of an Obligor acceding to an Authorised Facility, on the date of its accession.

Covenants

The CTA contains certain covenants from each of the Obligors. A summary of the covenants which are included in the CTA is set out in "— *Information Covenants*" and "— *Operating and Financial Covenants*" below. The covenants and the majority of the operative provisions in the CTA will apply from the Closing Date.

Information Covenants

The Borrower will provide to the Obligor Security Trustee, the Issuer Security Trustee, the Note Trustee, the FinCo Security Trustee, the Borrower Bank Facility Providers, the Term Facilities Providers, the Borrower Hedge Counterparties, the FinCo Hedge Counterparties, the Issuer Hedge Counterparties, the Rating Agencies and the Paying Agents:

(a) consolidated audited financial statements of the Parent, prepared as if they constituted a statutory group for consolidation purposes, and related accountants' reports, within 120 days after the end of each financial year (such financial statements to comprise profit and loss account, balance sheet and cashflow statement);

(b) consolidated unaudited financial statements of the Parent, prepared as if they constituted a statutory group for consolidation purposes, for the first financial half-year in each financial year, within 60 days after the end of such financial half-year (such financial statements to comprise profit and loss account, balance sheet and cashflow statement); and

(c) audited financial statements of each other Obligor whose contribution to EBITDA is 10% or more and related accountants' report, (i) in respect of Arqiva Services Ltd and Arqiva Limited within 120 days and (ii) in respect of each other Obligor within 180 days, after the end of each financial year (such financial statements to comprise profit and loss account, balance sheet and cashflow statement (if applicable)).

The Borrower must notify the Obligor Security Trustee, the FinCo Security Trustee, the Issuer Security Trustee and the Note Trustee of any material change to the basis on which any of the financial statements are prepared to the extent that such change is not specifically and expressly set out in the most recent financial statements.

In respect of the calculation of any Financial Covenant Ratio, if such a change to the basis on which any of the financial statements are prepared could reasonably be expected to result in a deviation of equal to or greater than 5% from the result of the calculation of such Financial Covenant Ratio, Trigger Event Financial Covenant Ratio or (for so long as Facility A and/or Facility B are outstanding) Modified Net Debt to EBITDA Ratio if such change had not occurred, the Borrower and the Obligor Security Trustee, if directed in accordance with the STID (and subject as provided in the STID), shall enter into discussions for a period of not more than 60 days with a view to agreeing any amendment required to be made to the CTA to place the Borrower, the Obligor Secured Creditors and the Obligor Security Trustee in a comparable position to that in which they would have been if such change had not happened. Any agreement between the Borrower and the Obligor Security Trustee in relation to such amendments will be subject to receipt by the Obligor Security Trustee of a direction given in accordance with the STID (and subject as provided in the STID) and will be binding on all the parties to the CTA.

If no such agreement is reached or any financial statements on the changed basis are delivered before any such agreed amendments take effect, the Borrower must ensure that each set of financial statements is accompanied by a statement signed by a director of the Borrower showing sufficient information required by 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) to enable the Obligor Secured Creditors:

(a) to make a proper comparison between the financial position shown by the set of financial statements prepared on the changed basis and its most recent audited consolidated financial statements or, if none, the base case model prepared according to the accounting principles then applicable; and

(b) to test the Financial Covenant Ratios and the Trigger Event Financial Covenant Ratios as if the set of financial statements prepared on the changed basis had been prepared according to UK GAAP.

The Borrower will (i) commit to publish onto a freely accessible website (designated for investors) (the **Designated Website**) and (ii) deliver to the Obligor Security Trustee, the Issuer Security Trustee, the FinCo Security Trustee, the Note Trustee, the Borrower Bank Facility Providers, the Term Facilities Providers, the Borrower Hedge Counterparties, the FinCo Hedge Counterparties, the Issuer Hedge Counterparties, the Rating Agencies and the Paying Agents at the same time as its financial

statements (see above) are delivered, a compliance certificate (each a **Compliance Certificate**) prepared by the Borrower or on the Borrower's behalf confirming or (in the case of paragraph (c) below) setting out:

(a) the Historic Net Debt to EBITDA Ratio, the Historic Cashflow ICR and the Historic Cashflow DSCR for the relevant Test Period ending on (and including) the relevant Test Date;

(b) the Projected Net Debt to EBITDA Ratio, the Projected Cashflow ICR and the Projected Cashflow DSCR for the relevant Test Period commencing on (but excluding) the relevant Test Date;

(c) in reasonable detail (based on the type of financial statements that are provided), to permit reconciliation back to the financial statements provided, the computations made in respect of the calculations referred to in paragraphs (a) and (b) above;

(d) (for so long as Facility A and/or Facility B are outstanding) no Modified Net Debt to EBITDA Ratio Breach has occurred;

(e) no Rating Downgrade Event has occurred;

(f) no Default or Trigger Event has occurred and is continuing;

(g) the Borrower is in compliance with the Hedging Policy;

(h) the Outstanding Principal Amount under the FinCo/Borrower Loans and the Issuer/Borrower Loans and respective amounts under the FinCo/Borrower Hedges and the Issuer/Borrower Hedges;

(i) the amount standing to the credit of the Borrower Accounts and the amount of Excess Cash Flow that has been credited to the Lock-Up Account and applied and/or retained (as applicable) during the most recent Test Period or is to be credited to the Lock-Up Account during the most recent Test Period and details of its intended or required application;

(j) the accuracy or otherwise of any Interim Compliance Certificate delivered following the previous Compliance Certificate; and

(k) summary details of any material acquisition of subsidiaries, subsidiary undertakings, properties, assets, contracts or businesses by any Obligor or any material subsidiary, subsidiary undertaking, property, asset, contract or business disposals by any Obligor or Restricted Payments to any Senior Group Holding Company or any other Non-Senior Financing Group Company or any Shareholder (in each case other than pursuant to or in accordance with the Obligor Transaction Documents), in each case since the previous such report (or, if none, the Closing Date).

The Borrower will (i) commit to publish onto the Designated Website and (ii) deliver to the Obligor Security Trustee, the Issuer Security Trustee, the FinCo Security Trustee, the Note Trustee, the Borrower Bank Facility Providers, the Term Facilities Providers, the Borrower Hedge Counterparties, the FinCo Hedge Counterparties, the Issuer Hedge Counterparties, the Rating Agencies and the Paying Agents, on a quarterly basis, an investors' report setting out similar details as described in paragraphs (a) to (f) and (k) above as well as details of the total Growth Capex expenditure, major Growth Capex expenditure and amount of Maintenance Capex expenditure during the previous quarter and year to date.

Each Obligor will also be obliged to deliver other information to the Obligor Security Trustee, the FinCo Security Trustee, the Issuer Security Trustee and the Note Trustee, from time to time, including details of (in the case of paragraphs (b) to (e) (inclusive) below, only to the extent reasonably likely to have a Material Adverse Effect):

(a) any downgrade action by the Rating Agencies in respect of the Notes;

(b) any changes to relevant licences;

(c) any regulatory or governmental proceedings and notices;

(d) any litigation or proceedings;

(e) any non compliance with laws or regulations;

(f) any information required by any other Obligor Secured Creditors to fulfil normal "know your customer" requirements;

(g) any material insurance claims or vitiation of any material insurance claims;

(h) the occurrence of a Change of Control; and

(i) any other event likely to have a Material Adverse Effect.

The Obligors are also required to provide certain additional information upon the occurrence of a Trigger Event (for a further description see "— *Trigger Event Consequences*" below).

Financial Covenants

The covenants given by each of the Obligors include the following (subject to detailed carve-outs, exceptions and qualifications set forth in the CTA):

(a) Historic Net Debt to EBITDA Ratio is not higher than 7.50:1;

(b) Historic Cashflow DSCR is not lower than 1.05:1; and

(c) Historic Cashflow ICR is not lower than 1.55:1,

(together the **Financial Covenant Ratios**).

The **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 Net Debt to EBITDA (calculated on a pro-forma basis to take into account the earnings from any asset acquired from the start of such Test Period and to exclude the earnings from any asset disposed of during such Test Period for the entirety of such Test Period).

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 (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 Hedging Agreements and the accretion portion of any other Senior Debt;

(ii) plus in respect of any Hedging Agreement, the amount (if any) that is payable by the Borrower 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;

(iii) 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";

(iv) less the aggregate amount of any Senior Debt purchased and held by any Senior Financing Group Company;

(v) less Cash and Cash Equivalents held by any Senior Financing Group Company.

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, 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);

(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 (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 deductions and the adjustments referred to above) of the Senior Financing Group.

The **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 Cashflow to Debt Service.

The **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 Cashflow to Net Interest Payable.

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 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 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 joint ventures,

in each case during the Test Period ending on (and including) such Test Date.

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);

(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 Issuer Profit Amount payable during the Test Period ending on (and including) such Test Date.

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):

(i) 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

(ii) 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).

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):

(i) excluding any upfront or amortised fees or costs;

(ii) excluding the fees and expenses of 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 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 or Cash Equivalents 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 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 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).

The Financial Covenant Ratios will be calculated for the Senior Financing Group semi-annually as at 30 June and 31 December in each year (each a **Test Date**) 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.

The Financial Covenant Ratios will be calculated in accordance with UK GAAP:

(a) with respect to a Test Date occurring on 30 June, using the consolidated audited financial statements for the 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 Parent prepared in accordance with the Accounting Principles (and in the case of IFRS, converted into UK GAAP).

In the event that a Compliance Certificate for any period shows that a Financial Covenant Ratio has been breached (a **Financial Covenant Ratio Breach**), if the relevant Compliance Certificate includes a notice by the Borrower of an intention to apply the proceeds of an Equity Cure (as defined below) to cure the relevant Financial Covenant Ratio Breach, the Subordinated Lender may within 20 business

days after the delivery of that Compliance Certificate provide or procure the provision of Additional Equity in an amount (the **Equity Cure Amount**) at least sufficient to cure the relevant Financial Covenant Ratio Breach (the **Equity Cure**) by the Borrower applying such Equity Cure Amount in the same order of priority as under the mandatory prepayment provisions set out below in "*Mandatory Prepayment and Voluntary Prepayment — Mandatory Prepayment following a Trigger Event*".

On application of the Equity Cure, the relevant Financial Covenant Ratio will be re-calculated by the Borrower on a pro-forma basis to take into account such prepayment or purchase (as if such prepayment or purchase had occurred at the start of the most recent Test Period). If after the relevant Financial Covenant Ratio is re-calculated the Financial Covenant Ratio 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 Ratio Breach had ever occurred and the related Financial Covenant Ratio Breach shall be deemed not to have occurred.

Provided that any Senior Debt remains outstanding, the right to utilise the Equity Cure will be limited to a maximum of three Test Dates in any rolling 60 month period, but shall not be utilised in respect of consecutive Test Dates (the **Equity Cure Limitation**).

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.

Operating Covenants

Each Obligor will give certain covenants in favour of the Obligor Security Trustee, which include:

(a) other than Permitted Acquisitions or Authorised Investments, no Obligor shall acquire or subscribe for shares or ownership interest in or securities of any company or other person or acquire any business;

(b) other than Permitted Joint Ventures (and/or as contemplated within paragraph (d) of the definition of Permitted Acquisitions) no Obligor may enter into, invest in or acquire any interest in any partnership or joint venture;

(c) the Obligors shall, and the Borrower shall procure that each other Senior Financing Group Company shall, limit their business at all times to the Permitted Business applicable to it or actions which are contemplated by the Obligor Transaction Documents;

(d) other than a Permitted Disposal, no 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 Obligor Security Trustee;

(e) each Obligor shall maintain insurance cover with reputable underwriters or insurance companies (including any captive insurer from time to time) which is consistent with reasonable and prudent practices in carrying out its Permitted Business;

(f) except as provided below, no Obligor may enter into any transaction with any person otherwise than on arm's-length basis or better than arm's length terms from the perspective of any such Obligor, provided that where such Obligor enters into more than one transaction with a person all such transactions shall be considered together for the purposes of determining compliance with this covenant. The following transactions shall not be a breach of this arm's length covenant:

    (i) Permitted Senior Financing Group Loans;

    (ii) fees, costs and expenses payable by the Obligors under the Obligor Transaction Documents in the amounts set out therein;

    (iii) any transactions between Senior Financing Group Companies;

(iv) any charitable or pro bono activities of Senior Financing Group Companies up to £1 million (RPI indexed) (or its equivalent) of cash donations in any consecutive twelve month period;

(v) transactions with employees, directors or consultants of members of the Senior Financing Group Companies in relation to staff discounts, loans, bonuses, share incentive schemes or the payment of reasonable costs and expenses if the amount of such transactions (other than in respect of bonuses and share incentive schemes) when aggregated with the amount of all other such transactions made pursuant to this paragraph (v) does not exceed £5 million (RPI indexed) (or its equivalent) in any consecutive twelve month period; and

(vi) Permitted Tax Transactions.

(g) except in the case of any Permitted Security Interest or Permitted Disposal, no Senior Financing Group Company shall:

(i) create or permit to subsist any security or Quasi-Security over any of its assets;

(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 relation to items (ii) to (iv) (inclusive) above, 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;

(h) no Obligor shall, and the Borrower shall procure that no other Senior Financing Group Company shall, incur any Financial Indebtedness other than Permitted Financial Indebtedness which satisfies the Maturity Concentration Limits;

(i) no Obligor shall enter into any new Authorised Facility or incur any Senior Debt (other than in respect of a Permitted Facility that is not incurred to borrow money) after the Closing Date unless following the entry into such Authorised Facility or incurring such Senior Debt:

(i) the sum of (1) the aggregate principal amount outstanding of the Senior Debt (other than in respect of a Permitted Facility that is not incurred to borrow money) which has an Expected Maturity Date within any period of 24 consecutive months and (2) the aggregate accretions by way of indexation at the relevant Inflation Rate to each relevant date to the notional amount under any Inflation Linked Hedging Agreements which have a scheduled date for payment of accretion or a scheduled termination date or will terminate pursuant to mandatory termination within any period of 24 consecutive months, each expressed as a percentage of the aggregate principal amount outstanding of all Senior Debt (other than in respect of a Permitted Facility that is not incurred to borrow money) as at the proposed date of entry into of such Authorised Facility or incurring of such Senior Debt (other than in respect of a Permitted Facility that is not incurred to borrow money), shall not exceed 30%; and

(ii) the sum of (1) the aggregate principal amount outstanding of the Senior Debt which has an Expected Maturity Date within any period of 60 consecutive months and (2) the aggregate accretions by way of indexation at the relevant Inflation Rate to each relevant date to the notional amount under any Inflation Linked Hedging Agreements which have a scheduled date for payment of accretion or a scheduled termination date or will terminate pursuant to mandatory termination within any period of 60 consecutive months, each expressed as a percentage of the aggregate principal amount outstanding of all Senior Debt (other than in respect of a Permitted Facility that is not incurred to borrow money) as at the proposed date of entry into of such Authorised Facility or incurring of such Senior Debt (other than in respect of a Permitted Facility that is not incurred to borrow money), shall not exceed 50%,

provided that there shall be disregarded for these purposes:

(A) any amount outstanding under any Working Capital Facility which is subject to the requirement of being repaid in full for a minimum of five consecutive Business Days in each financial year and under any Liquidity Facility at any time; and

(B) all amounts owed or scheduled to be payable under any Hedging Agreements that would otherwise be included in such calculation other than accretions by way of indexation at the relevant Inflation Rate to each relevant date to the notional amount under any Inflation Linked

Hedging Agreements which have a scheduled date for payment of accretion or a scheduled termination date or will terminate pursuant to mandatory termination within the relevant period,

(the **Maturity Concentration Limits**);

(j) the Borrower shall, prior to incurring (a) an Issuer/Borrower Loan corresponding to an issuance of new Notes (b) a new FinCo/Borrower Facility corresponding to a new Term Facility, (c) Financial Indebtedness pursuant to an issuance of U.S. private placement notes or (d) any other new Authorised Facility pursuant to which new term Financial Indebtedness is to be incurred (excluding, for the avoidance of doubt, Finance Leases) (together, **New Term Financial Indebtedness**) (i) obtain a confirmation from each of the Rating Agencies that are currently appointed by the Issuer that the incurrence of such New Term Financial Indebtedness will not result in the existing Notes ceasing to be rated at least the lower of (X) the then current rating of the existing Notes and (Y) the initial rating of the first Series of Notes or (ii) in the event that any one or more of the Rating Agencies is or are unable to provide such confirmation for any reason other than related to the rating itself, certify (after having made all reasonable enquiries), and provide evidence to support such certification, that the incurrence of such New Term Financial Indebtedness will not, in its reasonable belief, result in the existing Notes ceasing to be rated at least the lower of (X) the then current rating of the existing Notes and (Y) the initial rating of the first Series of Notes from such Rating Agencies (the **New Term Financial Indebtedness Ratings Requirement**);

(k) each Obligor shall maintain in full force and effect, and comply with the terms of, all authorisations, licences and approvals required for the conduct of its business and to enable it to perform its obligations under the Obligation Transaction Documents and to ensure the legality, validity, enforceability and admissibility of the Obligor Transaction Documents (to the extent that failure to do so, or not to do so, would reasonably be likely to have a Material Adverse Effect or which would otherwise adversely affect the Security Interests of the Obligor Secured Creditors)

(l) no Obligor may compromise or settle any claim, litigation or arbitration (other than to the extent such claim, litigation or arbitration relates to Tax, but without prejudice to paragraph (q) below) without prior notification to the Obligor Security Trustee if any such compromise or settlement would be reasonably likely to have a Material Adverse Effect;

(m) each Obligor shall promptly notify the Obligor Security Trustee upon becoming aware of any litigation or environmental claim against it which (in either case), if adversely determined, would reasonably be likely to have a Material Adverse Effect;

(n) each Obligor must ensure that it, and must also ensure that each other Senior Financing Group Company, obtains all Environmental Permits applicable to it and obtains and complies with all Environmental Law and Environmental Approvals applicable to it, where in each case failure to do so would be reasonably likely to have a Material Adverse Effect;

(o) each Obligor shall at all times retain auditors of national repute and standing;

(p) each Obligor must comply with good industry practice with respect to any outsourcing contracts;

(q) each Obligor shall and (in the case of the Borrower) shall take all reasonable endeavours to procure that each other Senior Financing Group Company shall pay and discharge all Taxes imposed upon it or its assets within the time period allowed without incurring material penalties unless and only to the extent that:

(i) such payment is being contested in good faith and with adequate reserves being held;

(ii) provision or disclosure is made in the financial statements for those Taxes and the cost reasonably anticipated as being required to contest them; and

(iii) such payment can be lawfully withheld and failure to pay those Taxes does not have or is not reasonably likely to have a Material Adverse Effect.

(r) no Obligor shall enter into any Treasury Transactions other than Permitted Treasury Transactions;

(s) no Obligor may, without the prior written consent of the Obligor Security Trustee, change its memorandum or articles of association provided that each Obligor may change its memorandum or articles of association or other constitutional documents without the Obligor Security Trustee's consent if such change would not be reasonably likely to have a Material Adverse Effect;

(t) each Obligor must not at any time be an employer (for the purposes of sections 38 to 51 of the Pension Act 2004) of an occupational pension scheme which is a defined benefit scheme (except in the case where such defined benefit scheme is already established on the Closing Date or is acquired as part of a Permitted Acquisition) or connected with or an associate of such an employer;

(u) each Obligor shall carry on its business at all times in accordance with its constitutional documents, all applicable laws and regulations and all required licences, authorisations, permissions and conditions and the requirements of any governmental authority or regulatory body, where failure to do so would reasonably be likely to have a Material Adverse Effect;

(v) each Obligor shall use all reasonable endeavours to preserve and maintain the subsistence and validity of the intellectual property rights necessary for its business, where failure to do so would reasonably be likely to have a Material Adverse Effect;

(w) each Tax Obligor shall comply at all times with the Tax Deed of Covenant; and

(x) each Obligor incorporated in England or Scotland undertakes that the Obligor Security granted by such Obligor shall, at all times, secure by way of a floating charge or by way of a floating charge and a fixed charge the whole or substantially the whole of such Obligor's assets, revenues and undertakings.

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 in 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 such 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.

The Group EBITDA attributable to Senior Financing Group Companies that are incorporated outside of the United Kingdom must not in aggregate exceed 10% of Group EBITDA.

If, on any two consecutive Test Dates, the aggregate contribution to Group EBITDA of the Senior Financing Group Companies that are incorporated outside of the United Kingdom exceeds 10% of Group EBITDA, then the Borrower shall procure the agreement to the acquisition and/or disposal of such subsidiary or subsidiary undertakings of the Senior Financing Group within 45 days of the latest such Test Date, with completion of any such acquisition and/or disposal to take place within 90 days of such Test Date, so that the aggregate contribution to Group EBITDA of the Senior Financing Group Companies that are incorporated outside of the United Kingdom does not exceed 10% of Group EBITDA if recalculated for the latest such Test Date and assuming that such acquisition and/or disposal had been made as at the start of the Test Period ending on such Test Date.

Permitted Disposals are 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 in accordance with 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.

The net proceeds of sale by the Obligors received on any Permitted Disposal of any asset pursuant to paragraphs (a), (d) (but only in respect of any proceeds after the close out of any costs due under the relevant Finance Lease), (f) (but only in respect of any worn out, damaged or destroyed assets), (k), (l) and (m) (but only, for the avoidance of doubt, where the consideration received (when taken together with the consideration received for any other disposals pursuant to this paragraph (m)) exceeds £20 million (RPI indexed) in any financial year) of the definition of Permitted Disposal above in an aggregate amount in excess of £20 million (RPI indexed) in any financial year (the **Disposal Proceeds**) must be promptly deposited into the Proceeds Account.

If the Disposal Proceeds have not been committed for reinvestment within 12 months of receipt by the relevant Obligor and actually applied within 18 months of receipt by the relevant Obligor towards a Permitted Acquisition (but excluding pursuant to paragraphs (b), (g) and (n) of the definition thereof)) (the **Unused Disposal Proceeds**), the Borrower shall procure that such Unused Disposal Proceeds or an amount equal thereto are promptly used in accordance with "*Mandatory Prepayment and Voluntary Prepayment — Mandatory Prepayment of FinCo/Borrower Loans and Issuer/Borrower Loans using Unused Proceeds*" below.

The Borrower shall procure that the proceeds of any insurance claim received by any Obligor (the **Insurance Proceeds**) must be promptly deposited into the Proceeds Account. If any Insurance Proceeds other than any proceeds of any claim:

(i) in relation to third party liabilities that are actually applied or to be applied to meet such liabilities;

(ii) in relation to consequential loss policies that are actually applied or to be applied to cover operating losses, loss of profits or business interruption;

(iii) in relation to physical loss policies that are, or are to be, applied towards the repair, reinstatement or replacement of an asset to cover, or otherwise in amelioration of, such loss; or

(iv) paid directly by any insurer to a third party claimant,

have not been committed for reinstatement of the relevant insured asset or for reinvestment within 12 months of receipt by the relevant Obligor and actually applied within 18 months of receipt by the relevant Obligor towards such reinstatement or reinvestment (the **Unused Insurance Proceeds** and together with any Report Recovery Proceeds and any Unused Disposal Proceeds, the **Unused Proceeds**), the Borrower shall procure that such Unused Insurance Proceeds or an amount equal thereto are promptly used in accordance with "*Mandatory Prepayment and Voluntary Prepayment — Mandatory Prepayment of FinCo/Borrower Loans using Unused Proceeds*" below.

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 Requirements 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 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.

Trigger Events

The CTA 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 Parent, including the prohibition of distributions to Intermediate HoldCo. This section describes these Trigger Events and their consequences which will apply from the Closing Date.

Trigger Event Types

The Obligors will be subject to the following Trigger Events (the **Trigger Events** and (a), (b) and (c) below the **Trigger Event Financial Covenant Ratios**):

(a) either 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 above, but subject as provided below in respect of the Projected Net Debt to EBITDA Ratio) is higher than 6.50:1;

(b) either the Historic Cashflow ICR for the Test Period ending on (and including) the immediately preceding Test Date or the Projected Cashflow ICR for the Projected Test Period commencing on (but excluding) such Test Date (each as calculated for the purposes of the Financial Covenant Ratios above, but subject as provided below in respect of the Projected Cashflow ICR) is lower than (i) up to (and including) the Test Date occurring in June 2013, 1.80; (ii) from (and including) the Test Date occurring in December 2013 to (and including) the Test Date occurring in June 2014, 1.90; 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 Historic Cashflow DSCR (together with the Historic Net Debt to EBITDA Ratio and the Historic Cashflow ICR, the **Historic Trigger Event Financial Covenant Ratios**) for the Test Period ending on (and including) the immediately preceding Test Date or the Projected Cashflow DSCR (together with the Projected Net Debt to EBITDA Ratio and the Projected Cashflow ICR, the **Projected 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 Financial Covenant Ratios above, but subject as provided below in respect of the Projected Cashflow DSCR) is lower than 1.30:1;

(d) the occurrence and continuation of an Obligor Event of Default;

(e) the Liquidity Facility is drawn (other than a Standby Drawing);

(f) 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:

    (i) (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 Issuer/Borrower Hedging Agreements or FinCo/Borrower Hedging Agreements entered into by the Borrower); and

    (ii) (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 (the **Debt Service Shortfall Test**);

(g) as at any Test Date, there is a shortfall in the amounts available to the Senior Financing Group for the Projected Test Period commencing on (but excluding) such Test Date:

    (i) under any Capex Facility, any Working Capital Facility, any Ancillary Facilities, any Permitted Facilities and/or any other Authorised Facilities (together, the **Available Facilities**); and

    (ii) from any Cash and Cash Equivalents available to the Senior Financing Group and the forecast Cashflow for the Projected Test Period commencing on (but excluding) the immediately preceding Test Date (as calculated for the purposes of the Trigger Event Financial Covenant Ratios above),

    to cover Capex, Debt Service and any other principal amounts due under the Senior Debt for such Projected Test Period (including, for the avoidance of doubt, (i) any principal payments due on the Final Maturity Date taking into account any final principal exchange payments that are payable and receivable by the Borrower under any Borrower Hedging Agreements, FinCo/Borrower Hedging Agreements and Issuer/Borrower Hedging Agreements and (ii) any accretions by indexation to the notional amount under any Inflation Linked Hedging Agreements or (without double counting) inflation linked Issuer/Borrower Loans entered into by the Borrower which has a scheduled date for payment of accretion or a scheduled termination date or will terminate pursuant to mandatory termination);

(h) without prejudice to the other remedies in respect thereof, the occurrence of an Obligor Event of Default which is continuing;

(i) the aggregate amounts outstanding by way of accretion or indexation of the notional amount under any Inflation Linked Hedging Agreement exceeds 8% of the aggregate notional amount of the Borrower Facilities; and

(j) the auditors qualify or restate their report on any audited consolidated (if applicable) financial statements of an Obligor so that such Obligor is no longer a going concern.

The **Projected Net Debt to EBITDA Ratio**, the **Projected Cashflow DSCR** and the **Projected Cashflow ICR** for the purposes of the Trigger Event Financial Covenant Ratios above will be as calculated for each Test Date for the purposes of the Financial Covenant Ratios above but 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 the management projections which shall be prepared on a consistent basis and the assumptions 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 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 in accordance with a Remedial Plan or unless:

(a) the Trigger Event has occurred and is continuing solely as a result of a breach of the Projected Trigger Event Financial Covenant Ratios;

(b) the proceeds of such Permitted Disposal are applied towards prepayment of Senior Debt in the same order of priority as set out in "*Mandatory Prepayment and Voluntary Prepayment — Mandatory Prepayment of FinCo/Borrower Loans and Issuer/Borrower Loans following a Trigger Event*" below;

(c) the sum of the last reported contribution to Group EBITDA from the assets of the Senior Financing Group Companies which have been disposed of in the most recent 3 financial years (taking into account such Permitted Disposal) does not exceed 5% of the aggregate Group EBITDA for the most recent 3 financial years; and

(d) the relevant Projected Trigger Event Financial Covenant Ratios as recalculated by the Borrower on a pro-forma basis to take into account such prepayment (as if such prepayment had occurred at the start of the most recent Test Period) will either not have been breached or will have improved,

(the **Disposal Cure**).

Trigger Event Consequences

If a Trigger Event occurs and is continuing, the following consequences (the **Trigger Event Consequences**) will apply:

(a) no Senior Financing Group Company may make any Restricted Payments;

(b) the Borrower shall credit the Lock-up Account with Excess Cash Flow (the aggregate of such amounts so credited being the **Lock-up Amounts**) in accordance with "*Mandatory Prepayment and Voluntary Prepayment — Mandatory Prepayment following a Trigger Event*" below;

(c) in the event that a Trigger Event has been subsisting for 12 months or more and for so long as any Senior Debt remains outstanding, the Borrower shall apply all amounts then standing to the credit of the Lock-Up Account in accordance with "*Mandatory Prepayment and Voluntary Prepayment — Mandatory Prepayment following a Trigger Event"* below;

(d) provided that the Trigger Event is continuing for 6 months or more, the Borrower must (subject to confidentiality, commercially sensitive caveats and any applicable legal or regulatory restrictions) (i) provide information to the Obligor Security Trustee as may be reasonably requested by the Obligor Security Trustee (which the Obligor Security Trustee shall request on the written instruction 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) and (ii) if requested by the Obligor Security Trustee (which the Obligor Security Trustee shall request on the written instruction 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), meet with the Obligor Secured Creditor Representatives (other than the Note Trustee) of the Qualifying Secured Creditors to discuss plans for remedial action with a view to agreeing and implementing a remedial plan 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) (each a **Remedial Plan**); and

(e) in the event that the Borrower does not prepare a Remedial Plan or agree a Remedial Plan which is 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) within 3 months following the occurrence of a Trigger Event that is continuing for 6 months or more, the Obligor Security Trustee may and (acting on the written 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) shall appoint and instruct an independent financial adviser to prepare a Remedial Plan at the cost of the Borrower. The Borrower shall use all reasonable endeavours to implement in all material respects the Remedial Plan that has been produced in accordance with the above. Such Remedial Plan is to be reviewed and amended annually with the approval of 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) until such time as the relevant Trigger Event is no longer subsisting.

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 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; and

(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.

The Borrower shall procure that no Senior Financing Group Company shall make a Restricted Payment unless the following conditions are satisfied:

(a) the payment is made after a duly constituted board meeting approving the Restricted Payment;

(b) (i) no Financial Covenant Ratio Breach has occurred and is continuing or would result from such Restricted Payment (recalculated on a pro-forma basis to take into account such Restricted Payment as if such Restricted Payment occurred at the start of the most recent Test Period) and (ii) no other Default has occurred and is continuing or would result from such payment;

(c) (i) no breach of a Trigger Event Financial Covenant Ratio has occurred and is continuing or would result from such Restricted Payment (recalculated on a pro-forma basis to take into account such Restricted Payment as if such Restricted Payment occurred at the start of the most recent Test Period) and (ii) no other Trigger Event has occurred and is continuing or would result from such payment;

(d) no Equity Cure has been made since delivery by the Borrower to the Obligor Security Trustee, the Issuer Security Trustee, the FinCo Security Trustee, the Note Trustee, the Borrower Bank Facility Providers, the Term Facilities Providers, the Borrower Hedge Counterparties, the FinCo Hedge Counterparties, the Issuer Hedge Counterparties, the Rating Agencies and the Paying Agents of the immediately preceding Compliance Certificate or (if applicable) Interim Compliance Certificate;

(e) the payment is made within 60 days of the delivery of the most recent Compliance Certificate or the most recent certificate (which shall be based off the most recently available management accounts) delivered by the Borrower to the Obligor Security Trustee, the Issuer Security Trustee, the FinCo Security Trustee, the Note Trustee, the Borrower Bank Facility Providers, the Term Facilities Providers, the Borrower Hedge Counterparties, the FinCo Hedge Counterparties, the Issuer Hedge Counterparties, the Rating Agencies and the Paying Agents after a Test Date and prior to delivery of the Compliance Certificate to them in respect of the same Test Date (see below) (an **Interim Compliance Certificate**);

(f) if a Rating Downgrade Event has occurred and is continuing, to the extent permitted by "*Rating Downgrade Event"* section below; and

(g) (for so long as Facility A and/or Facility B are outstanding) if a Modified Net Debt to EBITDA Ratio Breach (as defined below) is outstanding, provided that no Trigger Event has occurred and is continuing, to the extent that such Restricted Payments are used exclusively to pay interest on or repay the Subordinated Debt for the purpose of the Subordinated Lender paying interest or repaying principal to AF No 2 and AF No 2 (in its capacity as the Junior Intercompany Borrower) paying interest and an amount equal to the Junior FinCo Senior Amounts to Junior FinCo (in its capacity as the Junior Intercompany Lender) and Junior FinCo paying interest on the Junior Notes and the Junior FinCo Senior Amounts (as applicable).

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) (the **Modified Net Debt to EBITDA Ratio**) is higher than 6.0:1.

Anticipated Tax Liability

In the event that the provisions of Clause 8.3(a) of the Tax Deed of Covenant apply in respect of any Potential Tax Matter, the amount available to be applied as a Restricted Payment in respect of the relevant Test Period pursuant to the definition of "Restricted Payments" above shall be reduced by an amount equal to the Anticipated Tax Liability in respect of that Potential Tax Matter.

Notwithstanding any other provision of the Common Terms Agreement, an Obligor shall apply an amount equal to such Anticipated Tax Liability in accordance with Clause 8.3 of the Tax Deed of Covenant.

"Potential Tax Matter" and "Anticipated Tax Liability" shall have the meanings given to them in the Tax Deed of Covenant.

Mandatory Prepayment and Voluntary Prepayment

FinCo/Borrower Loan A Mandatory Prepayment

If the FinCo/Borrower Loan A is outstanding, but prior to an Obligor Enforcement Notice and/or an Obligor Acceleration Notice being served and/or an Obligor becoming aware of a Trigger Event having occurred, the Borrower must deposit into the Lock-up Account no later than the earlier to occur of the Interim Compliance Certificate Date and the Compliance Certificate Date in respect of the relevant Test Date, the following amounts:

(a) in respect of the Test Date falling in June 2013 (provided that 50% or more of the originally committed amount as at the Signing Date of FinCo/Borrower Loan A remains outstanding as at such Test Date), an amount equal to 50% of all Excess Cash Flow in respect of the period from the Closing Date to such Test Date (determined on a *pro rata* basis in respect of the Semi-Annual Test Period ending on such Test Date) (less the aggregate amount of any voluntary prepayments of FinCo/Borrower Loan A during such period made in accordance with "*Voluntary Prepayment*" below);

(b) in respect of the Test Date falling in December 2013 (provided that 50% or more of the originally committed amount as at the Signing Date of FinCo/Borrower Loan A remains outstanding as at such Test Date), an amount equal to 50% of all Excess Cash Flow determined in respect of the Semi-Annual Test Period ending on such Test Date (less the aggregate amount of any voluntary prepayments of FinCo/Borrower Loan A during such Semi-Annual Test Period made in accordance with "*Voluntary Prepayment*" below);

(c) in respect of the Test Date falling in June 2014 and in respect of the immediately succeeding Test Date, an amount equal to 50% of all Excess Cash Flow determined in respect of the Semi-Annual Test Period ending on the relevant Test Date (less the aggregate amount of any voluntary prepayments of FinCo/Borrower Loan A during such Semi-Annual Test Period made in accordance with "*Voluntary Prepayment*" below);

(d) in respect of the Test Date falling in June 2015 and in respect of the immediately succeeding Test Date, an amount equal to 75% of all Excess Cash Flow determined in respect of the Semi-Annual Test Period ending on the relevant Test Date (less the aggregate amount of any voluntary prepayments of FinCo/Borrower Loan A during such Semi-Annual Test Period made in accordance with "*Voluntary Prepayment*" below); and

(e) in respect of each Test Date falling on or following (as applicable) the Expected Maturity Date of FinCo/Borrower Loan A that FinCo/Borrower Loan A remains outstanding, an amount equal to 100% of all Excess Cash Flow determined in respect of the Semi-Annual Test Period ending on the relevant Test Date (less the aggregate amount of any voluntary prepayments of FinCo/Borrower Loan A during such Semi-Annual Test Period made in accordance with "*Voluntary Prepayment*" below); or

(f) in respect of each Test Date following a FinCo Event of Default (which is continuing) that FinCo/Borrower Loan A remains outstanding, an amount equal to 100% of all Excess Cash Flow determined in respect of the Semi-Annual Test Period ending on the relevant Test Date (less the aggregate amount of any voluntary prepayments of FinCo/Borrower Loan A during such Semi-Annual Test Period made in accordance with "*Voluntary Prepayment*" below),

and apply such amounts no later than the immediately following Payment Date to prepay or to terminate (as applicable) in accordance with the FinCo/Borrower Facilities Agreement, the Liquidity Facility Agreement, the Issuer/Borrower Facilities Agreement, the relevant FinCo/Borrower Hedging Agreement or the relevant Issuer/Borrower Hedging Agreement (as applicable):

(i) prior to a FinCo Event of Default or the Expected Maturity Date of any Issuer/Borrower Loan:

  (A) first, *pro rata* and *pari passu* according to the respective amounts thereof:

    I. that part of FinCo/Borrower Loan A that would not result in a termination of the FinCo/Borrower Hedges in compliance with the Hedging Policy; and

    II. each Relevant Standby Drawing (as defined below) (by transferring an amount equal to the pro rata entitlement pursuant to this paragraph (A)(ii) to the Borrower Liquidity DSR Account and/or the Issuer Liquidity DSR Account,

  in each case, including any accrued interest thereon and applicable Repayment Costs;

(B) second, *pro rata* and *pari passu* according to the respective amounts thereof:

I. the balance of FinCo/Borrower Loan A that would result (including at the Borrower's option) in a termination of the FinCo/Borrower Hedges in compliance with the Hedging Policy;

II. that part of the FinCo/Borrower Hedges to be terminated (including at the Borrower's option) in compliance with the Hedging Policy upon such repayment of FinCo/Borrower Loan A (the **FinCo/Borrower Loan A Hedges**); and

III. each Relevant Standby Drawing (by transferring an amount equal to the *pro rata* entitlement pursuant to this paragraph (B)(III) to the Borrower Liquidity DSR Account and/or the Issuer DSR Liquidity DSR Account),

in each case, including any accrued interest thereon and applicable Repayment Costs;

(ii) following a FinCo Event of Default or the Expected Maturity Date of FinCo/Borrower Loan B but prior to the Expected Maturity Date of any Issuer/Borrower Loan, *pro rata* and *pari passu* according to the respective amounts thereof:

(A) FinCo/Borrower Loan A;

(B) the FinCo/Borrower Loan A Hedges;

(C) FinCo/Borrower Loan B;

(D) that part of the FinCo/Borrower Hedges to be terminated (including at the Borrower's option) in compliance with the Hedging Policy upon such prepayment of FinCo/Borrower Loan B (the **FinCo/Borrower Loan B Hedges**); and

(E) each Relevant Standby Drawing by transferring an amount equal to the *pro rata* entitlement pursuant to this paragraph (ii)(E) to the Borrower Liquidity DSR Account and/or the Issuer DSR Liquidity DSR Account,

in each case, including any accrued interest thereon and applicable Repayment Costs;

(iii) following the Expected Maturity Date of any Issuer/Borrower Loans (whether prior to or following a FinCo Event of Default), *pro rata* and *pari passu* according to the respective amounts thereof:

(A) FinCo/Borrower Loan A;

(B) the FinCo/Borrower Loan A Hedges;

(C) FinCo/Borrower Loan B;

(D) the FinCo/Borrower Loan B Hedges;

(E) each Issuer/Borrower Loan that is outstanding following its Expected Maturity Date;

(F) each Issuer/Borrower Hedge corresponding to an Issuer Hedge in respect of the Notes corresponding to such Issuer/Borrower Loan; and

(G) each Relevant Standby Drawing (by transferring an amount equal to the *pro rata* entitlement pursuant to this paragraph (iii)(G) to the Borrower Liquidity DSR Account and/or the Issuer DSR Liquidity DSR Account),

in each case, including any accrued interest thereon and applicable Repayment Costs,

(such prepayments, **FinCo/Borrower Loan A Mandatory Prepayment**).

For the purposes of "*Mandatory Prepayment and Voluntary Prepayment*":

Relevant Standby Drawing means a Standby Drawing that remains outstanding following the seventh anniversary of the date on which it is drawn; and

FinCo/Borrower Loan B Mandatory Prepayment

If the FinCo/Borrower Loan B is outstanding following repayment in full of FinCo/Borrower Loan A (before which FinCo/Borrower Loan A Mandatory Prepayment above applies) but prior to an Obligor Enforcement Notice and/or an Obligor Acceleration Notice being served and/or an Obligor becoming

aware of a Trigger Event having occurred, the Borrower must deposit into the Lock-up Account no later than the earlier to occur of the Interim Compliance Certificate Date and the Compliance Certificate Date in respect of the relevant Test Date the following amounts:

(a) in respect of the Test Date falling in June 2016 and in respect of the immediately succeeding Test Date (provided that 50% or more of the originally committed amount as at the Signing Date of FinCo/Borrower Loan B remains outstanding as at such Test Date), an amount equal to 50% of all Excess Cash Flow as determined in respect of the Semi-Annual Test Period ending on the relevant Test Date (less the aggregate amount of any voluntary prepayments of FinCo/Borrower Loan B during such Semi-Annual Test Period made in accordance with "*Voluntary Prepayment*" below);

(b) in respect of the Test Date falling in June 2017 and in respect of the immediately succeeding Test Date,, an amount equal to 75% of all Excess Cash Flow as determined in respect of the Semi-Annual Test Period ending on the relevant Test Date (less the aggregate amount of any voluntary prepayments of FinCo/Borrower Loan B during such Semi-Annual Test Period made in accordance with "*Voluntary Prepayment*" below); and

(c) in respect of each Test Date falling on or following (as applicable) the Expected Maturity Date of FinCo/Borrower Loan B that FinCo/Borrower Loan B remains outstanding, an amount equal to 100% of all Excess Cash Flow determined in respect of the Semi-Annual Test Period ending on the relevant Test Date (less the aggregate amount of any voluntary prepayments of FinCo/Borrower Loan B during such Semi-Annual Test Period made in accordance with "*Voluntary Prepayment*" below); or

(d) in respect of each Test Date following a FinCo Event of Default (which is continuing) that FinCo/Borrower Loan B remains outstanding, an amount equal to 100% of all Excess Cash Flow as determined in respect of the Semi-Annual Test Period ending on the relevant Test Date (less the aggregate amount of any voluntary prepayments of FinCo/Borrower Loan B during such Semi-Annual Test Period made in accordance with "*Voluntary Prepayment*" below),

and apply such amounts no later than the immediately following Payment Date to prepay or to terminate (as applicable) in accordance with the FinCo/Borrower Facilities Agreement, the Liquidity Facility Agreement, the Issuer/Borrower Facilities Agreement, the relevant FinCo/Borrower Hedging Agreement or the relevant Issuer/Borrower Hedging Agreement (as applicable):

(i) prior to the Expected Maturity Date of any Issuer/Borrower Loans, *pro rata* and *pari passu* according to the respective amounts thereof:

   (A) FinCo/Borrower Loan B;

   (B) the FinCo/Borrower Loan B Hedges; and

   (C) each Relevant Standby Drawing (by transferring an amount equal to the *pro rata* entitlement pursuant to this paragraph (i)(C) to the Borrower Liquidity DSR Account and/or the Issuer Liquidity DSR Account),

   in each case, including any accrued interest thereon and applicable Repayment Costs and in compliance with the Hedging Policy;

(ii) following the Expected Maturity Date of any Issuer/Borrower Loans (whether prior to or following any FinCo Event of Default), *pro rata* and *pari passu* according to the respective amounts thereof:

   (A) FinCo/Borrower Loan B;

   (B) the FinCo/Borrower Loan B Hedges;

   (C) each Issuer/Borrower Loan that is outstanding following its Expected Maturity Date;

   (D) each Issuer/Borrower Hedge corresponding to an Issuer Hedge in respect of the Notes corresponding to such Issuer/Borrower Loan; and

   (E) each Relevant Standby Drawing (by transferring an amount equal to the *pro rata* entitlement pursuant to this paragraph (ii)(E) to the Borrower Liquidity DSR Account and/or the Issuer Liquidity DSR Account),

in each case, including any accrued interest thereon and applicable Repayment Costs and in compliance with the Hedging Policy; (such prepayments, **FinCo/Borrower Loan B Mandatory Prepayment**).

Other FinCo/Borrower Loans and Issuer/Borrower Loans Mandatory Prepayment following Expected Maturity Date

Following repayment in full of FinCo/Borrower Loan A and FinCo/Borrower Loan B (before which FinCo/Borrower Loan A Mandatory Prepayment and FinCo/Borrower Loan B Mandatory Prepayment (respectively) as set out above apply), whilst any other FinCo/Borrower Loans, Issuer/Borrower Loans and/or Borrower Bank Loans remain outstanding following their Expected Maturity Date, but prior to an Obligor Enforcement Notice and/or an Obligor Acceleration Notice being served or an Obligor having become aware of a Trigger Event having occurred, then the Borrower must:

(a) deposit into the Lock-up Account no later than the earlier to occur of the Interim Compliance Certificate Date and the Compliance Certificate Date in respect of the relevant Test Date until such Issuer/Borrower Loan, other FinCo/Borrower Loan and/or Borrower Bank Loan has been repaid in full, an amount equal to 100% of all Excess Cash Flow determined in respect of the Semi-Annual Test Period ending on such Test Date (less the aggregate amount of any voluntary prepayments of any other FinCo/Borrower Loans, Issuer/Borrower Loans and/or Borrower Bank Loans that remain outstanding following their Expected Maturity Date during such Test Period made in accordance with "*Voluntary Prepayment*" below); and

(b) apply such amounts to prepay or to terminate (as applicable) in accordance with the FinCo/Borrower Facilities Agreement, the Liquidity Facility Agreement, the Issuer/Borrower Facilities Agreement, the relevant FinCo/Borrower Hedging Agreement or the relevant Issuer/Borrower Hedging Agreement (as applicable), *pro rata* and *pari passu* according to the respective amounts thereof:

    (i) each FinCo/Borrower Loan that is outstanding following its Expected Maturity Date;

    (ii) each FinCo/Borrower Hedge corresponding to a FinCo Hedge in respect of the Term Facilities corresponding to such FinCo/Borrower Loan;

    (iii) each Issuer/Borrower Loan that is outstanding following its Expected Maturity Date;

    (iv) each Issuer/Borrower Hedge corresponding to an Issuer Hedge in respect of the Notes corresponding to such Issuer/Borrower Loan;

    (v) each Relevant Standby Drawing (by transferring an amount equal to the *pro rata* entitlement pursuant to this paragraph (b)(v) to the Borrower Liquidity DSR Account and/or the Issuer DSR Liquidity DSR Account); and

    (vi) each other Borrower Bank Loan (under which term debt has been provided),

    in each case, including any accrued interest thereon and applicable Repayment Costs and in compliance with the Hedging Policy,

(such prepayments, **Other FinCo/Borrower Mandatory Prepayment and Issuer/Borrower Loans Mandatory Prepayment**).

Mandatory Prepayment of initial FinCo/Borrower Loans using New Proceeds

The Borrower shall apply all New Proceeds in prepayment of FinCo/Borrower Loan A and FinCo/Borrower Loan B in accordance with the FinCo/Borrower Facilities Agreement and termination of the FinCo/Borrower Loan A Hedges and the FinCo/Borrower Loan B Hedges in accordance with the FinCo/Borrower Hedging Agreement in the same order of priority and amounts as FinCo/Borrower Loan A Mandatory Prepayment and FinCo/Borrower Loan B Mandatory Prepayment until repaid or terminated in full, in each case, including any accrued interest thereon and applicable Repayment Costs and in compliance with the Hedging Policy (such prepayment, **New Proceeds Mandatory Prepayment**).

Mandatory Prepayment of FinCo/Borrower Loans and Issuer/Borrower Loans using Unused Proceeds

Prior to an Obligor Enforcement Notice and/or an Obligor Acceleration Notice being served or an Obligor becoming aware of a Trigger Event having occurred, the Borrower shall apply all Unused Proceeds unless and until an Obligor Enforcement Notice and/or an Obligor Acceleration Notice has been delivered:

(i) in prepayment of FinCo/Borrower Loan A and FinCo/Borrower Loan B in accordance with the FinCo/Borrower Facilities Agreement and termination of the FinCo/Borrower Loan A Hedges and

the FinCo/Borrower Loan B Hedges in accordance with the FinCo/Borrower Hedging Agreement in the same order of priority and amounts as FinCo/Borrower Loan A Mandatory Prepayment and FinCo/Borrower Loan B Mandatory Prepayment until repaid or terminated (as applicable) in full; and

(ii) thereafter, at its discretion, (A) to prepay any FinCo/Borrower Loan; (B) to terminate any FinCo/Borrower Hedge corresponding to a FinCo Hedge in respect of the Term Facility corresponding to such FinCo/Borrower Loan; (C) to prepay any Issuer/Borrower Loan; (D) to terminate any Issuer/Borrower Hedge corresponding to an Issuer Hedge in respect of the Notes corresponding to such Issuer/Borrower Loan; and/or (E) to repay any other Borrower Bank Loan (under which term debt has been provided),

in each case, including any accrued interest thereon and applicable Repayment Costs and in compliance with the Hedging Policy, (such prepayment, **Loans and Unused Proceeds Mandatory Prepayment**).

Any prepayments by the Borrower using Unused Proceeds may be deferred until the immediately following Payment Date following the date on which the Borrower was required to make such prepayments.

Mandatory Prepayment following a Trigger Event

(a) Application of Excess Cash Flow where a Trigger Event has occurred

Prior to an Obligor Enforcement Notice and/or an Obligor Acceleration Notice being served, in the event that a Trigger Event has occurred and is outstanding and any Senior Debt remains outstanding, an amount equal to all Excess Cash Flow determined in respect of the Semi-Annual Test Period in which such Trigger Event occurs and in respect of each subsequent Semi-Annual Test Period (as applicable) shall be credited to the Lock-up Account on the earlier to occur of the Interim Compliance Certificate Date and the Compliance Certificate Date in respect of each such Semi-Annual Test Period for so long as a Trigger Event is continuing (the aggregate of such amounts so credited being, the **Lock-up Amounts**);

(b) Application of Lock-up Amounts whilst a Trigger Event is continuing

No amounts may be withdrawn from the Lock-Up Account except pursuant to paragraphs (c) (Mandatory Prepayment) and (d) (*Application of Lock-Up Amounts following remedy*) below.

(c) Mandatory prepayment

Subject to paragraph (e) (*Defeasance*) below, in the event that a Trigger Event has been subsisting for 12 months or more and for so long as any Senior Debt remains outstanding then, following the credit of Lock-up Amounts in accordance with paragraph (a) (*Application of Excess Cash-flow where a Trigger Event has occurred*) above, the Borrower shall apply all amounts then standing to the credit of the Lock-Up Account no later than the next Payment Date to prepay or terminate (as applicable) in accordance with the FinCo/Borrower Facilities Agreement, the Issuer/Borrower Facilities Agreement, the Liquidity Facility Agreement, the relevant FinCo/Borrower Hedging Agreement and the relevant Issuer/Borrower Hedging Agreement *pro rata* and *pari passu* according to the respective amounts (after deducting, in the case of any Issuer/Borrower Loan, the aggregate amount already standing to the credit of the Defeasance Account Ledger in respect of such Issuer/Borrower Loan) thereof:

(i) each Borrower Bank Loan;

(ii) each Borrower Hedge;

(iii) each FinCo/Borrower Loan;

(iv) each FinCo/Borrower Hedge;

(v) each Issuer/Borrower Loan;

(vi) each Issuer/Borrower Hedge; and

(vii) each Relevant Standby Drawing (by transferring an amount equal to the *pro rata* entitlement pursuant to this paragraph (c)(vii) to the Borrower Liquidity DSR Account and/or the Issuer DSR Liquidity DSR Account),

in each case, including any accrued interest and applicable Repayment Costs and provided that,

(i) no amounts shall be required to be applied in prepayment of any Issuer/Borrower Loan unless the aggregate amount available on the applicable Payment Date for application pursuant to this Paragraph 6.3 is at least £25,000,000; and

(ii) the Borrower shall be deemed to have discharged its obligation to make any prepayment of any Issuer/Borrower Loan that corresponds to Fixed Rate Notes or Inflation Linked Notes (as applicable) by crediting on the applicable Payment Date to the Defeasance Account (and making a corresponding entry on the Defeasance Account Ledger established for such Issuer/Borrower Loan) an amount equal to the Issuer's *pro rata* entitlement to the amounts otherwise to be applied on such Payment Date from the Lock-up Account in prepayment of such Issuer/Borrower Loan, (such prepayment, **Trigger Event Mandatory Prepayment**).

(d) Application of Lock-Up Amounts following remedy

Following the earlier to occur of (i) the repayment, defeasance or termination (as applicable) in full of the Senior Debt (including, for the avoidance of doubt, the discharge in full of all payments under Hedging Agreements), (ii) all outstanding Senior Debt being owed by the Borrower to another Senior Financing Group Company or (iii) the remedy of all then outstanding Trigger Events, any amounts standing to the credit of the Lock-Up Account shall at the request of the Borrower be immediately released to the Borrower who may apply such amounts at its discretion (and not otherwise in breach of any other provision of this Agreement).

Mandatory Prepayment of FinCo/Borrower Loans and Issuer/Borrower Loans following enforcement but prior to acceleration

Following an Obligor Enforcement Notice being served but prior to an Obligor Acceleration Notice being served, an amount equal to all Excess Cash Flow from the Semi-Annual Test Period in which such notice is served and in respect of each subsequent Semi-Annual Test Period (as applicable) shall be credited to the Lock-up Account on the earlier to occur of the Interim Compliance Certificate Date or the Compliance Certificate Date in respect of such Semi-Annual Test Period for so long as the Obligor Event of Default the subject of such Obligor Enforcement Notice is continuing and apply such amounts no later than the immediately following Payment Date:

(a) first, following any termination of a Super Senior Borrower Hedge in part but not in whole in accordance with the STID, pro rata and pari passu according to the respective amounts due in respect of each Super Senior Borrower Hedge under each relevant Super Senior Borrower Hedging Agreement; and

(b) thereafter, in the same order of priority as under paragraph (c) (*Mandatory Prepayment*) above,

in each case, including any accrued interest and applicable Repayment Costs (such prepayment, **Post-Enforcement Mandatory Prepayment**.

Voluntary Prepayment

(a) If the FinCo/Borrower Loan A is outstanding, but except where "*Mandatory Prepayment following a Trigger Event" or "Mandatory Prepayment of FinCo/Borrower Loans and Issuer/Borrower Loans following enforcement but prior to acceleration*" above applies and/or an Obligor Acceleration Notice has been served, any prepayments by the Borrower using Excess Cash Flow other than as provided for pursuant to "*FinCo/Borrower Loan A Mandatory Prepayment*" above, must be applied by the Borrower in the same order of priority and amounts as set out under FinCo/Borrower Loan A Mandatory Prepayment or be used to pay any accretion under any Inflation Linked Hedging Agreements.

(b) If the FinCo/Borrower Loan B is outstanding following repayment in full of FinCo/Borrower Loan A (before which "*FinCo/Borrower Loan A Mandatory Prepayment*" above applies) but except where "*Mandatory Prepayment following a Trigger Event" or "Mandatory Prepayment of FinCo/Borrower Loans and Issuer/Borrower Loans following enforcement but prior to acceleration*" above applies and/or an Obligor Acceleration Notice has been served, any prepayments by the Borrower using Excess Cash Flow other than as provided for pursuant to "*FinCo/Borrower Loan B Mandatory Prepayment*" above, must be applied by the Borrower in the same order of priority and amounts as set out under FinCo/Borrower Loan B Mandatory Prepayment or be used to pay any accretion under any Inflation Linked Hedging Agreements.

(c) Following repayment in full of FinCo/Borrower Loan A and FinCo/Borrower Loan B (before which "*FinCo/Borrower Loan A Mandatory Prepayment*" and "*FinCo/Borrower Loan B Mandatory Prepayment*" (respectively) above apply), whilst any other FinCo/Borrower Loans and/or Issuer/Borrower Loans remain outstanding following their Expected Maturity Date but except where "*Mandatory Prepayment following a Trigger Event" or "Mandatory Prepayment of FinCo/Borrower Loans and Issuer/Borrower Loans following enforcement but prior to acceleration*" above applies and/or an Obligor Acceleration Notice has been served, any prepayments by the Borrower using Excess Cash Flow other than as provided for pursuant to "O*ther FinCo/Borrower Loans and/or Issuer/Borrower Loans Mandatory Prepayment following Expected Maturity Date*" above, must be applied by the Borrower in the same order of priority and amounts as set out under Other FinCo/Borrower Loans and Issuer/Borrower Loans Mandatory Prepayment or be used to pay any accretion under any Inflation Linked Hedging Agreements.

Any voluntary prepayments in accordance with paragraphs (a), (b) or (c) above are **Voluntary Prepayments**.

The above FinCo/Borrower Loan A Mandatory Prepayment, FinCo/Borrower Loan B Mandatory Prepayment, Other FinCo/Borrower Loans and Issuer/Borrower Loans Mandatory Prepayment, New Proceeds Mandatory Prepayment, Unused Proceeds Mandatory Prepayment, Trigger Event Mandatory Prepayment and Post-Enforcement Mandatory Prepayment covenants together with this Voluntary Prepayment covenant are referred to as the **Prepayment Covenants**.

INED Mandatory Prepayment

Following the occurrence of an IH HoldCo INED Event, whilst such IH HoldCo INED Event is continuing and so long as not all of the Excess Cash Flow in respect of a Semi-Annual Test Period is required to be applied in another mandatory prepayment pursuant to *Mandatory Prepayment and Voluntary Prepayment* above, until FinCo/Borrower Loan A and FinCo/Borrower Loan B are repaid in full and the FinCo/Borrower Hedges have been discharged, the Borrower must:

(a) deposit into the Lock-up Account all Excess Cash Flow determined in respect of the Semi-Annual Test Period ending on the Test Date following the IH HoldCo INED Event and in respect of each following Semi-Annual Test Period, no later than the earlier to occur of the Interim Compliance Certificate Date and the Compliance Certificate Date in respect of the relevant Test Date (less the aggregate amount of any voluntary prepayments of any FinCo/Borrower Loans during such Test Period made in accordance with "*Voluntary Prepayment*" above) until such FinCo/Borrower Loan have been repaid in full; and

(b) apply such amounts no later than the immediately following Payment Date to prepay or to terminate (as applicable) in accordance with the FinCo/Borrower Facilities Agreement and the relevant FinCo/Borrower Hedging Agreement, *pro rata* and *pari passu* according to the respective amounts thereof:

    (i) FinCo/Borrower Loan A;

    (ii) the FinCo/Borrower Loan A Hedges;

    (iii) FinCo/Borrower Loan B;

    (iv) the FinCo/Borrower Loan B Hedges; and

    (v) each Relevant Standby Drawing (by transferring an amount equal to the *pro rata* entitlement pursuant to this paragraph (b)(v) to the Borrower Liquidity DSR Account and/or the Issuer DSR Liquidity DSR Account),

    in each case, including any accrued interest thereon and applicable Repayment Costs and in compliance with the Hedging Policy.

Relevant Standby Drawing Mandatory Prepayment

If a Relevant Standby Drawing is outstanding, for so long as not all or any part of the Excess Cash Flow in respect of a Semi-Annual Test Period is required to be applied in another mandatory prepayment described in the section "*Mandatory Prepayment and Voluntary Prepayment*" above, while a Relevant Standby Drawing remains outstanding, the Borrower must deposit into the Lock-up Account all Excess Cash Flow determined in respect of the Semi-Annual Test Period ending on the Test Date

following the date on which the Standby Drawing becomes a Relevant Standby Drawing and each following Semi Annual Test Period whilst such relevant Standby Drawing remains outstanding (less the aggregate amount of any voluntary prepayments of any Relevant Standby Drawing made during such Test Period), no later than the earlier to occur of the Interim Compliance Certificate Date and the Compliance Certificate Date in respect of the relevant Test Date until any all Relevant Standby Drawings have been repaid in full, and apply such amounts no later than the immediately following Payment Date in repayment of, pro rata and pari passu according to the respective amounts thereof, each Relevant Standby Drawing (by transferring an amount equal to the *pro rata* entitlement pursuant hereto to the Borrower Liquidity DSR Account) and/or the Issuer Liquidity DSR Account, in each case, including any accrued interest thereon and applicable Repayment Costs.

Rating Downgrade Event

So long as any Senior Debt is outstanding, if (i) one or both of the ratings assigned to the Notes (in the case where the Notes are rated by two Rating Agencies) or (ii) two or more ratings assigned to the Notes (in the case where the Notes are rated by three or more Rating Agencies), fall below BBB-/Baa3 (or equivalent) by a Rating Agency then a **Rating Downgrade Event** will occur. For so long as a Rating Downgrade Event is outstanding, a Senior Financing Group Company may only make Restricted Payments (provided that no Trigger Event has occurred and is continuing) to the extent that such Restricted Payments are used exclusively to pay interest on or repay the Subordinated Loans for the purpose of the Subordinated Lender paying interest to or repaying principal AF No 2 and AF No 2 (in its capacity as the Junior Intercompany Borrower) paying interest and an amount equal to the Junior FinCo Senior Amounts to Junior FinCo (in its capacity as the Junior Intercompany Lender) and Junior FinCo paying interest on the Junior Notes and the Junior FinCo Senior Amounts (as applicable). The occurrence of a Rating Downgrade Event will be remedied if (i) both of the ratings assigned to the Notes (in the case where the Notes are rated by two Rating Agencies) or (ii) two or more ratings assigned to the Notes (in the case where the Notes are rated by three or more Rating Agencies) are no longer below BBB-/Baa3 (or equivalent) by a Rating Agency.

Obligor Events of Default

The CTA contains a number of events of default (the **Obligor Events of Default**) which will be Obligor Events of Default under each Obligor Transaction Document (other than, in respect of the Hedge Counterparties, the Hedging Agreements and, in respect of the Liquidity Facility Providers, the Liquidity Facility Agreement). Subject, in some cases and including, as stated below, to agreed exceptions, materiality thresholds and qualifications, reservations of law, grace periods and remedies, the Obligor Events of Default are:

(a) a breach of the Financial Covenant Ratios which is not cured in accordance with the terms of the CTA;

(b) non-payment by the Obligors of amounts due under the Obligor Transaction Documents, unless due to a technical error and such payment is made within 5 Business Days of the payment falling due;

(c) a breach by the Obligors of any Material Borrower Covenant, where such breach if capable of remedy is not remedied within 10 Business Days of the earlier of the Obligor Security Trustee being given notice and an Obligor becoming aware of such breach;

(d) a breach of any covenant (except for those referred to in paragraphs (a) and (c) above) or undertaking under any Obligor Transaction Document or the Obligor representations and warranties, where such breach if capable of remedy is not remedied within 20 Business Days of the earlier of the Obligor Security Trustee being given notice of such breach to the Borrower and an Obligor becoming aware of such breach;

(e) a breach by an Obligor or a Subordinated Creditor of any of its respective obligations under the STID, except where such breach is capable of remedy and remedied within 20 Business Days of the earlier of (i) the Obligor Security Trustee giving notice to the Borrower or Subordinated Creditor (as applicable) and (ii) any Obligor becoming aware of such breach;

(f) any Financial Indebtedness of the Obligors (except for amounts due under the Obligor Transaction Documents or any Subordinated Debt) in an aggregate amount exceeding £10 million (RPI indexed) or its equivalent is not paid when due after the expiry of any applicable grace period;

(g) subject to paragraph (iv) below:

(i) any Financial Indebtedness of the Obligors (except for amounts due under the Obligor Transaction Documents or any Subordinated Debt) is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described);

(ii) any commitment for any Financial Indebtedness of the Obligors (except in respect of the Obligor Transaction Documents or any Subordinated Debt) is cancelled or suspended by a creditor of an Obligor as a result of an event of default (however described);

(iii) any creditor of an Obligor (except in respect of the Obligor Transaction Documents or any Subordinated Debt) becomes entitled to declare any Financial Indebtedness of an Obligor due and payable prior to its specified maturity as a result of an event of default (however described);

(iv) no Obligor Event of Default under this paragraph (g) will occur if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (i) to (iii) (inclusive) above is less than £25 million (or its equivalent in any other currency or currencies);

(h) an insolvency event occurs in respect of an Obligor;

(i) it is or becomes unlawful for any Obligor to perform its obligations under any Obligor Transaction Document or any Obligor Transaction Document becomes invalid or unenforceable against any Obligor;

(j) where a change or cessation of the business of the Senior Financing Group taken as a whole (other than as contemplated within the Permitted Business definition) which would reasonably be likely to have a Material Adverse Effect;

(k) any expropriation, attachment, sequestration, distress or execution or any analogous process in any applicable jurisdiction affects any material part of the property, assets or revenues of an Obligor and is not discharged within 30 days;

(l) where the authority or ability of the Senior Financing Group taken as a whole to conduct its business is wholly or substantially impeded by any seizure, expropriation, nationalisation, compulsory acquisition, intervention, restriction or other action by or on behalf of any governmental, regulatory or other authority;

(m) repudiation and rescission of any Material Contract by an Obligor which would reasonably be likely to have a Material Adverse Effect;

(n) an Issuer Event of Default occurs and is continuing;

(o) a 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 such Restricted Payment should not have been made;

(p) (i) a FinCo Event of Default occurs except if caused by a non-payment (a) at the Final Maturity Date of the Term Facilities or (b) an earlier date for prepayment of the Term Facilities for which no corresponding earlier termination date under the FinCo Borrower Loan arises or (c) at a scheduled break under the FinCo Hedges or (d) at an earlier termination date under the FinCo Hedges for which no corresponding earlier termination date under the FinCo Borrower Hedges arises,

(ii) the exceptions in sub-paragraphs (a)(i) to (iv) above shall not apply in circumstances where FinCo has been put in funds to make such payment but has failed to do so; and

(q) any litigation is brought against any Senior Financing Group Company or in respect of its assets or revenues which would reasonably be likely to be adversely determined and which, if so adversely determined, would reasonably be likely to have a Material Adverse Effect.

A **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);

(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);

(c) the Rating Downgrade Event covenant (to the extent that a Restricted Payment is made in breach thereof, but not the occurrence of the Rating Downgrade Event);

(d) the mergers covenant;

(e) the Permitted Business covenant;

(f) the Permitted Acquisitions covenant;

(g) the Permitted Disposals covenant;

(h) the additional Financial Indebtedness covenant;

(i) the New Term Financial Indebtedness Ratings Requirement covenant;

(j) the Maturity Concentration Limit covenant;

(k) the Negative Pledge covenant;

(l) the Hedging Policy covenant.

(m) the mandatory prepayment and voluntary prepayment covenants; and

(n) the Principal Subsidiaries Test.

Defeasance

(a) Credits to the Defeasance Accounts

Amounts may be credited to the Defeasance Accounts (and corresponding entries on the Defeasance Account Ledger established for the relevant Issuer/Borrower Loan) by the Borrower as follows:

(i) pursuant to the mandatory prepayment and voluntary prepayment provisions of "*Mandatory Prepayment and Voluntary Prepayment*" above; and

(ii) pursuant to an Equity Cure made in accordance with the CTA, in respect of an Issuer/Borrower Loan corresponding to a Fixed Rate Note or an Index Linked Note.

(b) Withdrawals from the Defeasance Accounts following the occurrence of a Trigger Event.

If a Trigger Event has occurred and is continuing, the Borrower may at any time in its absolute discretion withdraw amounts standing to the credit of the Defeasance Account to:

(i) repay the relevant Issuer/Borrower Loan together with accrued interest and any related Repayment Costs (and the Issuer will make a corresponding repayment of the Fixed Rate Notes or the Index Linked Notes corresponding to such Issuer/Borrower Loan); and/or

(ii) make market purchases of any Fixed Rate Notes and/or Index Linked Notes corresponding to the relevant Issuer/Borrower Loan for a purchase price not exceeding the aggregate of (i) par and (ii) any accrued interest and related Repayment Costs;

(c) Withdrawals from the Defeasance Accounts following remedy of the relevant Trigger Event

If, following a credit to the Defeasance Account following a Trigger Event:

(i) the Compliance Certificates in respect of the most recent Test Date shows that no Trigger Event Financial Covenant Breach is continuing or (in respect of a Trigger Event which is not a Trigger Event Financial Covenant Breach) that such Trigger Event has been remedied; and

(ii) the Borrower certifies that the proposed application of the amounts standing to the credit of the Defeasance Account will be applied in accordance with the Transaction Documents and not result in a further Trigger Event occurring,

then amounts standing to the credit of the Defeasance Accounts may be released from the Defeasance Account to be applied by the Borrower towards such purpose.

(d) Withdrawals from the Defeasance Accounts following exercise of an Equity Cure

If, following a credit to the Defeasance Account in respect of an Equity Cure:

(i) the Compliance Certificates in respect of the most recent Test Date shows that no Financial Covenant Ratio Breach is continuing; and

(ii) the Borrower certifies that the proposed application of the amounts standing to the credit of the Defeasance Account will be applied in accordance with the Transaction Documents and not result in a further Financial Covenant Ratio Breach,

then amounts standing to the credit of the Defeasance Account may be released from the Defeasance Account and applied by the Obligors towards such purpose.

(e) Obligor Enforcement

Following the service of an Obligor Enforcement Notice, amounts standing to the credit of the Defeasance Account shall be applied solely in repayment of the relevant Issuer/Borrower Loan without regard to the Borrower Post-Enforcement Post-Acceleration Payment Priorities.

(f) Defeasance Account Ledgers

(i) In the event that the Borrower elects to deposit any Excess Cash Flow into the Defeasance Account pursuant to paragraph (a) (Credits to the Defeasance Accounts) in respect of an Issuer Borrower/Loan for the first time, the Borrower (or the Borrower Cash Manager on its behalf) shall establish a Defeasance Account Ledger corresponding to the relevant Issuer/ Borrower Loan and shall make a corresponding credit entry on such Defeasance Account Ledger in respect of any such deposit; and

(ii) thereafter each time that the Borrower deposits an additional amount into the Defeasance Account in respect of that Issuer/Borrower Loan, the Borrower (or the Borrower Cash Manager on its behalf) shall make a corresponding credit entry on the relevant Defeasance Account Ledger corresponding to that Issuer/Borrower Loan.

On each occasion that an amount is withdrawn from the Defeasance Account pursuant to paragraphs (b) (Withdrawals from the Defeasance Accounts following the occurrence of a Trigger Event), (c) (Withdrawals from the Defeasance Accounts following remedy of the relevant Trigger Event), (d) (Withdrawals from the Defeasance Accounts following exercise of an Equity Cure) and (e) (Obligor Enforcement) above, the Borrower (or the Borrower Cash Manager on its behalf) shall make a corresponding debit entry on relevant Defeasance Account Ledger corresponding to the relevant Issuer/Borrower Loan.

Borrower Accounts

The CTA requires the Borrower, on or prior to the Closing Date, to open and maintain the Debt Service Payment Account and the Lock-Up Account with the Borrower Account Bank and, following the Closing Date as and when required by the relevant Obligor Transaction Documents, to open and maintain the Proceeds Account, the Minimum Maintenance Capex Reserve Account, the Defeasance Account, the Borrower Liquidity DSR Account and a Liquidity Standby Account if the Liquidity Standby Provider in respect of whom a Standby Drawing has been made does not have the Liquidity Facility Provider Requisite Rating with the Borrower Account Bank provided that the Borrower Account Bank has consented to the opening of such Liquidity Standby Account.

Prior to the delivery of any Obligor Enforcement Notice and/or an Obligor Acceleration Notice being given by the Obligor Security Trustee, payments from the Debt Service Payment Account to an Obligor Secured Creditor will be paid in accordance with the Borrower Pre-Enforcement Payment Priorities which is set forth in detail in "*Cashflows — Borrower Pre-Enforcement Payment Priorities*". Following the delivery of any Obligor Enforcement Notice but prior to an Obligor Acceleration Notice being given by the Obligor Security Trustee, payments from the Debt Service Payment Account to an Obligor Secured Creditor will be paid in accordance with the Borrower Post-Enforcement (Pre-Acceleration) Payment Priorities which is set forth in detail in "*Cashflows — Borrower Post-Enforcement (Pre-Acceleration) Payment Priorities*". Following the delivery of any Obligor Enforcement Notice and any Obligor Acceleration Notice being given by the Obligor Security Trustee, payments from the Debt Service Payment Account to an Obligor Secured Creditor will be paid in accordance with the Borrower Post-Enforcement (Post-Acceleration) Payment Priorities which is set forth in detail in "*Cashflows — Borrower Post-Enforcement (Post-Acceleration) Payment Priorities*".

The Borrower shall ensure that all amounts of Excess Cash Flow that are required to be applied in accordance with "Mandatory Prepayment and Voluntary Prepayment" above are deposited into the Lock-up Account no later than the dates required pursuant to "*Mandatory Prepayment and Voluntary Prepayment*" above.

Each Obligor shall ensure that certain Insurance Proceeds, Disposal Proceeds and Report Recovery Proceeds are deposited into the Proceeds Account and if not applied in accordance with "*Obligor Covenants*" above will be used in accordance with "*Mandatory Prepayment and Voluntary Prepayment*" above.

Each Obligor shall ensure that any Unused Capex Spend Amount is deposited into the Minimum Maintenance Capex Reserve Account. Any amounts standing to the credit of the Minimum Maintenance Capex Reserve Account may only be utilised by the Senior Financing Group Companies in connection with a payment of Maintenance Capex in respect of future financial years, provided that such amounts shall not count towards the Minimum Maintenance Capex Spend Amount for any future financial year.

Following the Signing Date, as and when required by the relevant Liquidity Facility Agreement, the Borrower shall open (in the joint names of the Borrower and the Issuer) and maintain and hold a Liquidity Standby Account 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 provided that the Borrower Account Bank has consented to the opening of such Liquidity Standby Account.

If the Liquidity Facility is to be replaced in whole or part by cash, the Borrower shall open a Borrower Liquidity DSR Account in the name of the Borrower and deposit such amount thereof as it determines in the Borrower Liquidity DSR Account.

If the Borrower if required to apply Excess Cash Flow in prepayment of an Issuer/Borrower Loan which corresponds to Fixed Rate Notes or Inflation Linked Notes, it may open a Defeasance Account.

Authorised Investments

The Borrower or the Borrower Cash Manager on its behalf may invest in Authorised Investments from such part of the amounts standing to the credit of any of the Borrower Accounts from time to time.

Authorised Investments means investments in Cash Equivalents.

Security Trust and Intercreditor Deed

General

The intercreditor arrangements (the **Intercreditor Arrangements**) will be contained in the STID and, in relation to the Issuer, also in the Issuer Deed of Charge and, in relation to FinCo, also in the FinCo Intercreditor Agreement. The Intercreditor Arrangements will bind each of the Secured Creditors (including the Issuer and FinCo as Obligor Secured Creditors) and each of the Obligors provided that the FinCo Intercreditor Agreement will bind the FinCo Secured Creditors and FinCo only.

The Obligor Secured Creditors will include all providers of Senior Debt that enter into or accede to the STID (including the Issuer as provider of the Issuer/Borrower Facilities and the Issuer/Borrower Hedges and FinCo as provider of the FinCo/Borrower Facilities and the FinCo/Borrower Hedges). The Issuer Secured Creditors will also enter into or accede to the Issuer Deed of Charge and in some cases the STID. The FinCo Secured Creditors will also enter into or accede to the FinCo Intercreditor Agreement and in some cases the STID. Any new Ancillary Facility Provider, Permitted Facility Provider and/or other Authorised Facility Provider to the Borrower (including any new Liquidity Facility Provider) will be required to accede to the STID, the CTA and the MDA and any Issuer Hedge Counterparties and Liquidity Facility Providers will be required to accede to the STID and the Issuer Deed of Charge and any FinCo Hedge Counterparties will be required to accede to the STID and the FinCo Intercreditor Agreement.

The STID also contains provisions restricting the rights of Subordinated Creditors.

The purpose of the Intercreditor Arrangements is to regulate, among other things (a) the claims of the Obligor Secured Creditors; (b) the exercise, acceleration and enforcement of rights by the Obligor

Secured Creditors; (c) the rights of the Obligor Secured Creditors through their Secured Creditor Representatives to instruct the Obligor Security Trustee (d) the Entrenched Rights and the Reserved Matters of the Obligor Secured Creditors; and (e) the giving of consents and waivers under and the making of modifications to the CTA, the MDA, the STID, the Security Deed, the other Security Documents, the CP Agreement, the Tax Deed of Covenant and the Borrower Account Bank Agreement and any other agreement, instrument or deed designated by the Obligor Security Trustee and at least one Obligor as a Common Document (together the **Common Documents**).

Modifications, Consents and Waivers

General

Subject to Entrenched Rights and Reserved Matters (which will always require the consent of, in the case of Entrenched Rights, all the affected Secured Creditors (the **Affected Secured Creditors**) and, where the Issuer is an Affected Secured Creditor, the affected Issuer Secured Creditors (**Affected Issuer Secured Creditors**) and, where FinCo is an Affected Secured Creditor, the affected FinCo Secured Creditors (**Affected FinCo Secured Creditors**) and, in the case of Reserved Matters, only the relevant Secured Creditors) and Discretion Matters, the Obligor Security Trustee will only agree to making any modification to, giving any consent under or granting any waiver in respect of any Common Documents (a **STID Proposal**) with the consent of, or if so instructed by, the relevant majority of Participating Secured Creditors by reference to the Voted Qualifying Debt, provided that the relevant Quorum Requirement has been met.

The Borrower is entitled to provide the Obligor Security Trustee with written notice requesting any STID Proposal. The notice will certify whether such STID Proposal is a Discretion Matter, an Ordinary Voting Matter or an Extraordinary Voting Matter or whether it gives rise to an Entrenched Right and stating the relevant Decision Period. If the STID Proposal is in relation to a Discretion Matter, the Borrower must also provide a certificate evidencing this status. If the STID Proposal is in relation to an Entrenched Right, the Borrower must include information as to all the Affected Secured Creditors.

The Obligor Security Trustee will, within five business days of receipt of a STID Proposal, send a request (a **STID Voting Request**) in respect of any Ordinary Voting Matter, Extraordinary Voting Matter or Entrenched Right to each Obligor Secured Creditor, Issuer Secured Creditor and FinCo Secured Creditor (in each case, through its Secured Creditor Representative, which (in respect of the Issuer) shall be the Note Trustee on behalf of the Noteholders in respect of the Issuer/Borrower Loans and shall be the Issuer Hedge Counterparties in respect of the Issuer/Borrower Hedges under the Issuer/Borrower Hedging Agreement (or, if none, the Issuer/Borrower Facilities Agreement in respect of the Issuer Hedging Agreement) and the Issuer Security Trustee in respect of each other Issuer Secured Creditor and (in respect of FinCo) shall be the TF Agent for each Term Facility in respect of the FinCo/Borrower Facilities Agreement and shall be the FinCo Hedge Counterparties in respect of the FinCo Hedging Agreement (or, if none, the FinCo/Borrower Facilities Agreement in respect of the FinCo Hedging Agreement)) and the FinCo Security Trustee in respect of each other FinCo Secured Creditor. If the STID Proposal gives rise to an Entrenched Right, the STID Voting Request will contain a request that each relevant Affected Obligor Secured Creditor (including, where the Issuer is an Affected Obligor Secured Creditor, each Affected Issuer Secured Creditor and, where FinCo is an Affected Obligor Secured Creditor, each Affected FinCo Secured Creditor) confirm whether or not it wishes to consent to the relevant STID Proposal that would affect the Entrenched Right (through its Secured Creditor Representative).

Types of Voting Categories

Ordinary Voting Matters

Ordinary Voting Matters include all matters which are not designated as Extraordinary Voting Matters or Discretion Matters (see "— *Extraordinary Voting Matters*" and " — *Discretion Matters*" below).

Extraordinary Voting Matters

Extraordinary Matters are matters 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 the 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 materially 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 the CTA;

(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.

Entrenched Rights

Entrenched Rights are rights that cannot be modified or waived in accordance with the STID without the consent of the Affected Obligor Secured Creditor(s). When the Affected Obligor Secured Creditor is the Issuer, such consent must be obtained from each Affected Issuer Secured Creditor. Where the Affected Obligor Secured Creditor is FinCo, such consent must be obtained from each Affected FinCo Secured Creditor.

Reserved Matters

Reserved Matters are matters which, subject to the STID and the CTA, an Obligor Secured Creditor is free to exercise in accordance with its own debt instrument, including:

(a) to receive any sums owing to it for its own account in respect of premia, fees, costs, charges, liabilities, damages, proceedings, claims and demands in relation to any Authorised Facility to which it is a party as permitted pursuant to the terms of the CTA;

(b) to make determinations of and require the making of payments due and payable to it under the provisions of the Authorised Facilities to which it is a party as permitted by the terms of the CTA;

(c) to exercise the rights vested in it or permitted to be exercised by it under and pursuant to the terms of the STID, the CTA and the other Obligor Transaction Documents;

(d) to give or receive notices, certificates, communications or other documents or information under the Obligor Transaction Documents or otherwise;

(e) to assign its rights or transfer any of its rights and obligations under any Authorised Facility to which it is a party, subject to the provisions of the STID;

(f) in addition, in the case of each Borrower Hedge Counterparty, (i) to terminate a Hedging Transaction under the relevant Borrower Hedging Agreement provided such termination is a Permitted Hedge Termination or to terminate a Hedging Transaction under the relevant Borrower Hedging Agreement in part and amend the terms of the Borrower Hedging Agreement to reflect such partial termination or (ii) to exercise rights permitted to be exercised by it under a Borrower Hedging Agreement;

(g) in addition, in the case of each Issuer Hedge Counterparty, (i) to terminate a Hedging Transaction under the relevant Issuer Hedging Agreement provided such termination is a Permitted Hedge Termination or to terminate a Hedging Transaction under the relevant Issuer Hedging Agreement in part and amend the terms of the Issuer Hedging Agreement to reflect such partial termination or (ii) to exercise rights permitted to be exercised by it under an Issuer Hedging Agreement; and

(h) in addition, in the case of each FinCo Hedge Counterparty, (i) to terminate a Hedging Transaction under the relevant FinCo Hedging Agreement provided such termination is a Permitted Hedge Termination or to terminate a Hedging Transaction under the relevant FinCo Hedging Agreement in part and amend the terms of the FinCo Hedging Agreement to reflect such partial termination or (ii) to exercise rights permitted to be exercised by it under a FinCo Hedging Agreement.

Discretion Matters

The Obligor Security Trustee may (but is not obliged to), as requested by the Borrower by way of a STID Proposal designated by the Borrower as being in respect of a Discretion Matter, in its sole discretion concur with the Borrower and/or any other relevant party in making any modification to, giving any consent under, or granting any waiver in respect of, any Common Document or any Authorised Facility Agreement to which the Obligor Security Trustee is a party or over which it has the benefit of the Obligor Security (provided that, in the case of any modification to, giving any consent under, or granting any waiver in respect of an Authorised Facility Agreement, each other party to that Authorised Facility has consented to such modification, waiver or consent or, where applicable, the relevant majority of any class of party to that Authorised Facility has so consented (and the Obligor Security Trustee must consent to such modification, waiver or giving of consent under that Authorised Facility Agreement if it does not result in an increase in the obligations or liabilities of the Obligor Security Trustee)) if:

(a) in its opinion, it is required to correct a manifest error, or an error in respect of which an English court could reasonably be expected to make a rectification order, or it is of a formal, minor, administrative or technical nature; or

(b) such modification, consent or waiver is not, in the opinion of the Obligor Security Trustee, materially prejudicial to the interests of any of the Obligor Secured Creditors (where **materially prejudicial** means that such modification, consent or waiver would have a material adverse effect on the ability of the Obligors to pay any amounts in respect of the Senior Debt owed to the relevant Obligor Secured Creditors on the relevant due date for payment thereof).

The Obligor Security Trustee must not make or concur in making any modification to, give any consent under, or grant any waiver in respect of, any Common Document to which it is a party if such modification, consent or waiver if it:

(a) is an Ordinary Voting Matter, unless and until the provisions in the STID relating to Ordinary Voting Matters have been complied with;

(b) is an Extraordinary Voting Matter, unless and until the provisions in the STID relating to Extraordinary Voting Matters have been complied with;

(c) is an Entrenched Right, unless and until the consent of each Affected Obligor Secured Creditor (and, if the Issuer is an Affected Obligor Secured Creditor, each Affected Issuer Secured Creditor and, if FinCo is an Affected Obligor Secured Creditor, each Affected FinCo Secured Creditor) has been obtained or deemed to be obtained in accordance with the provisions in the STID; or

(d) is subject to an ongoing disagreement with regard to the determination of the voting category or the application of Entrenched Rights.

Quorum Requirements

Pursuant to the terms of the STID, the **Decision Period** in respect of an Ordinary Voting Matter or an Extraordinary Voting Matter (as applicable) is not less than 15 Business Days and the **Quorum Requirement** in respect of an Ordinary Voting Matter or an Extraordinary Voting Matter (as applicable) is one or more Qualifying Secured Creditors representing in aggregate at least 20% of the Outstanding Principal Amount of all Qualifying Debt.

If the initial Quorum Requirement for an Ordinary Voting Matter or an Extraordinary Voting Matter (as applicable) is not met by the Business Day immediately preceding the last day of the Decision Period, the Decision Period will be extended by a further 10 Business Days and the Quorum Requirement will reduce to one or more Qualifying Secured Creditors representing in aggregate at least 10% of the Outstanding Principal Amount of all Qualifying Debt.

A resolution will be passed:

(a) for an Ordinary Voting Matter, by more than 50% of the Participating Secured Creditors by reference to the Outstanding Principal Amount of the aggregate Voted Qualifying Debt; and

(b) for an Extraordinary Voting Matter, by more than 66.67% of the Participating Secured Creditors by reference to the Outstanding Principal Amount of the aggregate Voted Qualifying Debt.

In relation to enforcement, the **Decision Period** is 20 Business Days and the **Quorum Requirement** will be:

(a) within and including 12 months after the occurrence of an Obligor Event of Default where an Enforcement Instruction Notice or Further Enforcement Notice is delivered, one or more Qualifying Secured Creditors representing in aggregate at least 50% of the entire Outstanding Principal Amount of all Qualifying Debt; and

(b) after 12 months of the occurrence of an Obligor Event of Default where an Enforcement Instruction Notice or Further Enforcement Notice is delivered, one or more Qualifying Secured Creditors representing in aggregate at least 33.34% of the entire Outstanding Principal Amount of all Qualifying Debt.

Voting

The majority required to pass a resolution to enforce will be:

(a) in respect of any Enforcement Instruction Notice or Further Enforcement Instruction Notice delivered up to and including the date falling 12 months after the occurrence of the relevant Obligor Event of Default, at least 66.67% of the Participating Secured Creditors by reference to the aggregate Outstanding Principal Amount of all Voted Qualifying Debt;

(b) in respect of any Enforcement Instruction Notice or Further Enforcement Instruction Notice delivered at any time following the date falling 12 months after the occurrence of the relevant Obligor Event of Default up to and including the date falling 24 months after the occurrence of the relevant Obligor Event of Default, at least 50% of the Participating Secured Creditors by reference to the aggregate Outstanding Principal Amount of all Voted Qualifying Debt; and

(c) in respect of any Enforcement Instruction Notice or Further Enforcement Instruction Notice delivered at any time following (but not including) the date falling 24 months after the occurrence of the relevant Obligor Event of Default, at least 33.34% of the Participating Secured Creditors by reference to the aggregate Outstanding Principal Amount of all Voted Qualifying Debt.

The Note Trustee will, in respect of an Ordinary Voting Matter and an Extraordinary Voting Matter (each a **Voting Matter**) which is voted on by Noteholders, vote: (a) in an amount equal to the aggregate of the Outstanding Principal Amount under the Issuer/Borrower Loans corresponding to the series of Notes then owed to Noteholders that voted for a proposed resolution within the Decision Period and (b) in an amount equal to the aggregate Outstanding Principal Amount under the Issuer/Borrower Loans corresponding to the series of Notes then owed to Noteholders that voted against a proposed resolution within the Decision Period.

The Facility Agents will, in respect of a Voting Matter which is voted in favour of or against (as applicable) by the relevant Facility Providers in accordance with the relevant Facility Agreement, vote as such in an amount equal to the aggregate of the entire Outstanding Principal Amount of the relevant Facilities.

Appointment of an Administrative Receiver

If there is an Obligor Event of Default under the CTA relating to either (i) an application for the appointment of an administrator in respect of an Obligor or (ii) the giving of notice of intention of appointment of an administrator in respect of an Obligor, the Obligor Security Trustee shall, subject to having actual notice of the event in (i) or (ii) above, as the case may be, and to being able to do so, appoint an Administrative Receiver to such Obligor in accordance with the terms of the Security Deed such appointment to take effect upon the final day by which the appointment must be made in order to prevent an administration from proceeding or (where an Obligor or the directors of an Obligor have initiated the administration) not later than that final day.

Acceleration following receipt of security proceeds

Prior to delivery of an Obligor Acceleration Notice, any Obligor Enforcement Notice issued by the Obligor Security Trustee shall provide that each Obligor Secured Creditor may accelerate or terminate (as applicable) a portion of its respective claims to the extent necessary to apply proceeds of enforcement of the Obligor Security but in each case, only to the extent that such accelerated claims

would be discharged out of such proceeds pursuant to the Borrower Post-Enforcement (Pre-Acceleration) Payment Priorities or part 5 (Mandatory Prepayment And Voluntary Prepayment) of schedule 2 (Covenants) of the CTA (as applicable).

Entitlement to direct Obligor Security Trustee

Any Qualifying Secured Creditor which by itself or together with any other Qualifying Secured Creditor(s) is owed Qualifying Debt having an aggregate Outstanding Principal Amount of at least 20% (or such other percentage as may be required pursuant to the Common Terms Agreement) of the entire Outstanding Principal Amount of all Qualifying Debt or, in respect of paragraph (a) below only, the Majority Lenders under any Capex Facility, Working Capital Facility, or Term Facilities, may instruct the Obligor Security Trustee to exercise any of the rights granted to the Obligor Security Trustee under the Common Documents (save in respect of the taking of Enforcement Action or the delivery of an Obligor Enforcement Notice or an Obligor Acceleration Notice) and the following additional rights:

(a) to challenge any statement, calculation or ratio in any Interim Compliance Certificate or Compliance Certificate (as applicable), and call for other substantiating evidence in certain circumstances;

(b) to appoint an Independent Expert;

(c) to request further information pursuant to and subject to the information covenants in the CTA;

(d) to request further information relating to a Trigger Event in connection with the Information and Remedial Plan pursuant to and subject to the CTA; and

(e) following delivery of an Obligor Enforcement Notice but prior to delivery of an Obligor Acceleration Notice, to instruct the Obligor Security Trustee to send a Further Enforcement Instruction Notice.

Conditions Precedent

The conditions precedent to, among other things, the signing of the CTA and the STID and the drawing of amounts under the initial Borrower Bank Facilities, Issuer/Borrower Facilities and FinCo/Borrower Facilities shall be set out in an agreement dated the Signing Date (the **CP Agreement**) as agreed between, among others, the Note Trustee, the Issuer Security Trustee, the FinCo Security Trustee, the Obligor Security Trustee, the Issuer, FinCo and the Obligors. Conditions precedent not required to be satisfied on the Signing Date must be satisfied on the Closing Date (upon which the Notes will be first issued and the first drawings will be first made (or become available) under the Issuer/Borrower Facilities Agreement, the FinCo/Borrower Facilities Agreement, the Capex and Working Capital Facilities Agreement and the Term Facilities Agreement), as applicable.

Security Deed

Each Obligor will, on or before the Closing Date, enter into a security agreement (the **Security Deed** and together with any further security documents entered into by any of the Obligors pursuant thereto, the **Obligor Security Documents**) with the Obligor Security Trustee.

Pursuant to the Security Deed, each Obligor will:

(a) guarantee the obligations of each other Obligor under the Obligor Transaction Documents; and

(b) grant security over its assets and undertakings (including security over, in the case of the Parent, its shares in the Intermediate Parent and, in the case of the Intermediate Parent, its shares in the Borrower, FinCo and the Issuer and, in the case of the Borrower, its shares in Operating HoldCo) to secure its obligations under the Obligor Transaction Documents.

The security granted by the Obligors (the **Obligor Security**) will be granted to the Obligor Security Trustee as trustee for the Obligor Secured Creditors in respect of the Obligor Secured Liabilities.

The Security Deed will, to the extent applicable, incorporate the provisions of the CTA and be subject to the STID.

The security constituted by the Security Deed will be expressed to include (in each case, to the extent capable of being assigned and/or charged):

(a) charges over:

  (i) all material real property of each Obligor by way of first legal mortgage;

  (ii) all other real property or proceeds thereof of each Obligor by way of first fixed equitable charge:

  (iii) all plant and machinery of each Obligor,

  (iv) all moneys standing to the credit of each Obligor's bank accounts and the debts represented thereby;

  (v) any intellectual property rights owned by each Obligor;

  (vi) the goodwill and uncalled capital of each Obligor;

  (vii) the Authorised Investments of each Obligor;

  (viii) all shares of each Obligor in any Senior Financing Group Company and, in the case of the Intermediate Parent, FinCo and the Issuer or other person owned by each Obligor, including all dividends, interest and other monies payable in respect thereof and all other rights related thereto; and

  (ix) all book and other debts owned by each Obligor;

(b) an assignment (and, to the extent not assignable, charge) of each Obligor's rights in respect of insurances taken out by it and to the proceeds of any such insurance policies (other than motor insurance, employer's liability insurance, directors and officers liability insurance, pension fund trustee liability insurance and any other third party liability insurance);

(c) an assignment (and, to the extent not assignable, charge) of each Obligor's rights in respect of the Obligor Transaction Documents; and

(d) a first floating charge of each Obligor's assets not otherwise mortgaged, charged or assigned under the Security Deed.

The Security Deed will provide that no Obligor is obliged to assign or charge or otherwise secure a contract or any Real Property under the Security Deed where that assignment or charge or other security would contravene a prohibition in a contract or a lease with a third party. If the relevant Obligor (acting reasonably) determines that such contract or any Real Property is material it shall notify the Obligor Security Trustee accordingly. Following any such notification, the relevant Obligor shall use reasonable endeavours to it to obtain any consent necessary to enable the assignment or charge or other security.

The Security Deed will secure all amounts which an Obligor may receive, or has received, under any contract or in connection with any Real Property which is not assigned or charged or otherwise secured because such an assignment or charge or other security would contravene a prohibition in a contract or a lease with a third party but will exclude the contract or Real Property itself.

The Obligor Security will be held on trust by the Obligor Security Trustee for itself and on behalf of the Obligor Secured Creditors in accordance with and subject to the terms of the STID.

The STID will provide that the Obligor Security Trustee will enforce the Obligor Security by appointing an administrative receiver in respect of an Obligor if it has actual notice of:

(a) an application for the appointment of an administrator in respect of an Obligor; or

(b) the giving of a notice of intention to appoint an administrator in respect of an Obligor.

HEDGING ARRANGEMENTS

In addition to the issuance of Notes under the Programme, 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 Documents 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 Treasury Transactions forming part of and subject to a FinCo/Borrower Hedging Agreement (the **FinCo/Borrower Hedges** and the ISDA Master Agreements, including each Treasury Transaction forming part thereof and subject thereto, between FinCo and the Borrower, 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**) on or 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 Swaps 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 per cent. and not more than 105 per cent. 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) 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 per cent and not more than 110 per cent 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 paragraphs, 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 per cent 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 order of 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 (other than Excluded Hedge Counterparty Amounts) 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), 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 per cent. 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.

OTHER OBLIGOR TRANSACTION DOCUMENTS

Capex and Working Capital Facilities Agreement

General

The Borrower has entered into capex and working capital facilities (the **Capex Facility** and **Working Capital Facility** respectively, the agreement under which the such facilities are provided, the **Capex and Working Capital Facilities Agreement** and the providers thereof, the **Capex Facility Providers** and the **Working Capital Facility Providers**, respectively and together the **Capex and Working Capital Facilities Providers**, respectively). The Capex and Working Capital Facilities Agreement provides for borrowings up to an aggregate of £500,000,000 on a committed basis from the Closing Date, which comprises of the provision of the Capex Facility for the making of term loans in an aggregate amount of £400,000,000 and the Working Capital Facility for the making of revolving loans in aggregate amount £100,000,000. Loans (other than loans made pursuant to the Capex Facility) repaid may be re-borrowed by the Borrower. The Capex and Working Capital Facilities Providers rank as Obligor Secured Creditors. Capex Loans will be applied to fund up to 75% of the Senior Financing Group's growth capital expenditure, as well as other acquisitions permitted in accordance with the CTA. Working Capital Loans will be applied towards the working capital requirements of the Senior Financing Group.

Interest Rate

Interest will accrue on any drawing made under the Capex Facility or the Working Capital Facility at a rate equal to the aggregate of the applicable margin (subject to an upward adjustment over the term of each facility), LIBOR and mandatory costs (if any). For as long as an Obligor Event of Default is continuing, the margin for both the Capex Facility and the Working Capital Facility will increase.

Security

The security and collateral given by the Borrower for its obligations under the Capex and Working Capital Facilities Agreement will be under the Security Deed. Please see "*Security Deed*" above.

Prepayment

The Borrower may voluntarily prepay either the Capex Facility or the Working Capital Facility, in whole or in part, save that if the Borrower prepays in part, a minimum amount is payable. The Borrower also has a right of cancellation and repayment in relation to a single Capex Facility Provider or 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 Capex Facility Providers and the Working Capital Facilities Providers by the Borrower are set out in the Common Terms Agreement. Please see "*Common Terms Agreement*" above.

Governing Law

The Capex and Working Capital Facilities Agreement is governed by and construed and enforced in accordance with English law.

Liquidity Facility Agreement

General and Purpose

The Borrower and the Issuer entered into a liquidity facility (the **Liquidity Facility** and the agreement under which such facilities are provided, the **Liquidity Facility Agreement** and the providers thereof,

the **Liquidity Facility Providers**) pursuant to which the Liquidity Facility Providers agreed to make the Liquidity Facility available from the Closing Date to meet certain liquidity shortfalls.

Under the terms of the Liquidity Facility Agreement, the Liquidity Facility Providers provide a 364-day commitment in an aggregate amount equal to £200,000,000 million renewable for 25 years from the Closing Date (unless terminated earlier in accordance with the terms of the Liquidity Facility Agreement), to permit drawings to be made by the Borrower and the Issuer (as applicable) to enable the Borrower to service interest and scheduled principal due on the Term Facilities and the Issuer to service interest and scheduled principal on the 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 the Borrower or the Issuer.

Interest Rate

Interest will accrue on any drawings under the Liquidity Facility at a rate equal to the aggregate of the applicable margin (subject to approved adjustment if drawn), LIBOR and mandatory costs (if any).

Security

The security and collateral given by the Borrower for its obligations under the Liquidity Facility Agreement will be under the Security Deed. Proceeds of enforcement of the security and collateral will be used in discharge of the indebtedness under the Liquidity Facility owed by the Borrower in accordance with the STID.

Events of Default

The Liquidity Facility Agreement provides for customary events of default for this type of agreement, which are subject to customary materiality and grace periods, including: (i) failure to pay any sum when due subject to a five business day grace; (ii) illegality; and (iii) cross acceleration (with respect to the Borrower only) or enforcement of the Notes (with respect to the Issuer).

Governing Law

The Liquidity Facility Agreement is governed by and construed and enforced in accordance with English law.

Term Facilities Agreement

General

FinCo has entered into term loan facilities (the **Term Facilities**) pursuant to the Term Facilities Agreement entered into with, amongst others, the Term Facilities Providers on the Signing Date. The Term Facilities Agreement provides for borrowings up to an aggregate of £1,586,000,000 on a committed basis on the Closing Date. Loans repaid may not be re-borrowed by FinCo.

The Term Facilities comprise facilities of up to £800,000,000 (**Facility A**) and up to £786,000,000 (**Facility B**). FinCo will on-lend all amounts borrowed by it under Facility A and Facility B to the Borrower pursuant to the facilities agreement entered into between FinCo and the Borrower on the Signing Date (the **Senior FinCo/Borrower Facilities Agreement**).

Maturity and Amortisation

Facility A will mature on the third anniversary of the Closing Date and Facility B will mature on the fifth anniversary of the Closing Date. Borrowings must be repaid in full on or prior to that date.

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. FinCo may not re-borrow 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 the applicable margin (subject to upward adjustment over the term of each facility), LIBOR and mandatory costs (if any).

Any interest, commission or fee accruing under the 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 Term Facilities benefit from security granted by FinCo over its assets (including its rights under the Common Terms Agreement, the related FinCo Hedges and FinCo/Borrower Hedges and the STID) in favour of the FinCo Security Trustee pursuant to the FinCo Deed of Charge.

Proceeds of enforcement of such collateral will be used in discharge of the indebtedness under the Term Facilities (including the related FinCo Hedges) in accordance with the FinCo Intercreditor Agreement. The FinCo Intercreditor Agreement regulates the voting rights of the FinCo Hedge Counterparties and the application of proceeds upon enforcement of the FinCo Deed of Charge.

Covenants

The 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 company accounts; (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 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 of FinCo's assets; (iv) the entering into of any agreement other than as anticipated under the Term Facilities Agreement; (v) the incurrence of additional financial indebtedness; (vi) the making of loans or the payment of dividends or distributions other than permitted payments in respect of taxes and SPV type costs; and (vii) late payment of Taxes.

Events of Default

The 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; (x) creditors process; (xi) litigation which is reasonably likely to have a material adverse affect; and (xii) occurrence of an event of default under the Common Terms Agreement.

Governing Law

The Term Facilities Agreement is governed by and construed and enforced in accordance with English law.

Intermediate HoldCo Guarantee

The Term Facilities Providers and the FinCo Hedge Counterparties will have the benefit of a guarantee (the **Intermediate HoldCo Senior Guarantee**) provided by Intermediate HoldCo, guaranteeing all

liabilities of FinCo under the Term Facilities. A demand may only be made under the Intermediate HoldCo Senior Guarantee at the final maturity date for the Term Facilities, upon any acceleration of the Term Facilities, upon insolvency of Intermediate HoldCo or FinCo and following prepayment under the FinCo Hedges at their scheduled breaks or on an early termination of the FinCo Hedges.

Governing Law

The Intermediate HoldCo Senior 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

In respect of Intermediate HoldCo's obligations under the Intermediate HoldCo Senior Guarantee, Intermediate HoldCo will create security (the **Intermediate HoldCo Security** and the documents under which such security is provided, the **Intermediate HoldCo Security Documents**), including first fixed charges over all of its shares in the Parent and any loans owing from the Parent to Intermediate HoldCo and a first ranking charge over the assets of Intermediate HoldCo, in favour of the Intermediate HoldCo Security Trustee for the benefit of the Term Facilities Providers and the FinCo Hedge Counterparties.

The Intermediate HoldCo Security will include market standard limited recourse provisions.

Enforcement of Intermediate HoldCo Security

Following a failure by FinCo to refinance the Term Facilities and/or to pay the scheduled breaks under the FinCo Hedges, on the insolvency of Intermediate HoldCo or FinCo or on any failure to repay or prepay the Term Facilities, or any acceleration of the Term Facilities and/or an earlier termination of the FinCo Hedges and a subsequent failure by Intermediate HoldCo to pay all amounts due under the Intermediate HoldCo Senior Guarantee to the Term Facilities Providers and/or the 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; and (ii) a period from the date on which a demand was made under the Intermediate HoldCo Senior 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 Obligor Event of Default, except that a FinCo Event of Default falling under paragraph 18 (FinCo Event of Default) of Schedule 4 (Obligor Events of Default) of the Common Terms Agreement may have occurred (briefly, these are non payment: (i) of the Term Facilities on their final maturity date; (ii) at an earlier date for prepayment of the Term Facilities for which there is no corresponding earlier termination date under the FinCo/Borrower Facilities Agreement; (iii) at a scheduled break under the FinCo Hedges; or (iv) at an earlier termination date under the FinCo Hedges for which no corresponding earlier termination date under the FinCo Hedges arises, provided in each case that 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 Term Facilities Providers and the Hedge Counterparties only.

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 Term Facilities Providers and the FinCo Hedge Counterparties under the Intermediate HoldCo Senior Guarantee *pro rata* and *pari passu* (and cancellation of the corresponding FinCo/Borrower Loans) and reduction in the notional amount of the corresponding FinCo/Borrower Hedges.

Governing Law

The Intermediate HoldCo Security (and any non-contractual obligations arising out of or in connection with it) are governed by English law.

FinCo/Borrower Facilities Agreement

General

On the Signing Date, FinCo, the Borrower and the FinCo Security Trustee and the Obligor Security Trustee will enter into the FinCo/Borrower Facilities Agreement. The proceeds of the utilisation of the Term Facilities under the Term Facilities Agreement by FinCo on the Closing Date will be on-lent to the Borrower under the FinCo/Borrower Facilities Agreement. Each FinCo/Borrower Loan will correspond to the total commitments of each Term Facility utilised on the Closing Date such that the economic terms of each FinCo/Borrower Loan match the economic terms of the corresponding Term Facility.

FinCo/Borrower Loans

All FinCo/Borrower Loans made or to be made by FinCo under the FinCo/Borrower Facilities Agreement are or will be in amounts and at rates of interest corresponding to amounts and rates set out in the Term Facilities Agreement and will have interest periods which match the Interest Periods for the corresponding Term Facilities. Interest on each FinCo/Borrower Loan made under the FinCo/Borrower Facilities Agreement will accrue from the date of such FinCo/Borrower Loan.

Mandatory prepayment — Term Facilities Provider

(a) In the event that:

   (i) FinCo is required to prepay a Term Facilities Provider's participation in the Term Facilities Loan for reasons of illegality under the Term Facilities Agreement;

   (ii) the participation of a Term Facilities Provider (together with accrued interest, and all other amounts owing to that Term Facilities Provider under the Term Facilities Agreement) is declared immediately due and payable following a change of control under the Term Facilities Agreement; and/or

   (iii) FinCo is required to repay a Term Facilities Provider's participation in a Term Facilities Loan together with all interest and other amounts accrued under the Term Facilities Agreement following the application by a Term Facilities Provider of its right of cancellation and repayment,

   (each such amount being a **Passthrough Payment**), FinCo shall immediately give notice of the requirement on the Borrower to prepay the relevant FinCo/Borrower Loans in an amount equal to the Passthrough Payment.

(b) Upon receipt of the notice referred to in paragraph (a) above, the Borrower must immediately prepay the relevant FinCo/Borrower Loans in an amount equal to all amounts payable by FinCo in respect of the relevant Passthrough Payment, provided that any such amounts may only be applied to their corresponding Type of Passthrough Payment. For these purposes, **Type of Passthrough Payment** means:

   (i) in respect of any principal element of a FinCo/Borrower Loan, principal on the corresponding Term Facilities Loan;

   (ii) in respect of interest payable on a FinCo/Borrower Loan, payments of interest on the corresponding Term Facilities Loan; and

   (iii) in respect of fees, indemnity or other payments in relation to a FinCo/Borrower Loan, the equivalent payments in relation to the corresponding Term Facilities Loan.

Mandatory prepayment — Common Terms Agreement

The Borrower shall prepay the FinCo/Borrower Loans in accordance with and in the manner contemplated by part 5 (Mandatory Prepayment) (including, for the avoidance of doubt, paragraph 8 (Voluntary Prepayment)) of schedule 2 (Covenants), part 2 (Trigger Events) of schedule 3 (Trigger Events) and paragraph 2.2 (Breach of Financial Covenant Ratios) of schedule 4 (Obligor Events of Default) to the Common Terms Agreement provided that, following any prepayment by the Borrower of a FinCo/Borrower Loan, FinCo must apply an amount equal to all amounts received by it in prepayment of the corresponding Term Facilities Loan in accordance with the mandatory prepayment provisions under the Term Facilities Agreement.

Fees

In consideration for FinCo agreeing to make the FinCo/Borrower Loans available under the FinCo/Borrower Facilities Agreement, the Borrower will agree to pay to FinCo the initial and ongoing facility fees set out in the FinCo/Borrower Facilities Agreement.

On the Closing Date, the Borrower shall pay on behalf of FinCo by way of an initial fee (the **Initial FinCo/Borrower Facilities Fee**) an amount to meet the costs and expenses of FinCo in connection with the Term Facilities, the FinCo Hedging Agreements and the initial drawdown under the Term Facilities (including, *inter alia*, the Arrangement Fee payable under the Term Facilities Agreement and the fees and expenses of the FinCo Security Trustee, the TF Agent and FinCo's legal advisers, accountants and auditors).

After the Closing Date, the Borrower will pay periodically, on each Interest Payment Date, an ongoing fee (the **FinCo/Borrower Facilities Fee**) which shall meet 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); (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.

Secured obligations

The obligations of the Borrower under the FinCo/Borrower Facilities Agreement will be secured pursuant to the Obligor Security Documents, and such obligations will be guaranteed by each other Obligor in favour of the Obligor Security Trustee, who will hold the benefit of such security and guarantees on trust for the Obligor Secured Creditors (including FinCo) on the terms of the STID.

The obligations of FinCo under the FinCo/Borrower Facilities Agreement will be secured pursuant to the FinCo Deed of Charge in favour of the FinCo Security Trustee, who will hold the benefit of such security on trust for the FinCo Secured Creditors on the terms of the FinCo Intercreditor Agreement.

Issuer/Borrower Facilities Agreement

General

On the Signing Date, the Issuer, the Borrower, the Issuer Security Trustee and the Obligor Security Trustee will enter into the Issuer/Borrower Facilities Agreement. The aggregate proceeds of the issuance by the Issuer of Notes under the Programme will be on-lent to the Borrower under the Issuer/Borrower Facilities Agreement on the Closing Date. On each Issue Date, the Issuer/Borrower Loans will correspond to the principal amount of corresponding Series of Notes issued such that the economic terms of each Issuer/Borrower Loan matches the economic terms of the corresponding Series of Notes (taking into account any applicable Issuer Hedges entered into on the relevant Issue Date, if any). The Issuer will make available further Issuer/Borrower Loans in an aggregate amount equal to the proceeds of each new issuance by the Issuer of Notes on each Issue Date after the Closing Date. The making of each Issuer/Borrower Loan will be subject to the satisfaction of the conditions precedent set out in the Issuer/Borrower Facilities Agreement.

Matching of obligations

Each Issuer/Borrower Loan is structured and tranched to match the tenor and payment dates of corresponding Notes (however the Expected Maturity Date and maturity date (as applicable) of the

Issuer/ Borrower Loans will occur on or before the maturity date of the corresponding Series of Notes (as applicable)) and the Issuer/Borrower Loans have characteristics that demonstrate capacity to produce funds to service any payments due and payable under the Notes.

Issuer/Borrower Loans

All Issuer/Borrower Loans made or to be made by the Issuer under the Issuer/Borrower Facilities Agreement are or will be in amounts and at rates of interest (or such discount or indexed amount and taking into account any applicable Issuer Hedges) corresponding to amounts and rates set out in the relevant Final Terms and will have interest periods which match the Interest Periods for the corresponding Notes. Interest on each Issuer/Borrower Loan made under the Issuer/Borrower Facilities Agreement will accrue from the date of such Issuer/Borrower Loan.

Prepayments

The Borrower:

(a) may, if it has given to the Issuer the required notice to that effect:

  (i) prepay the whole or any part of any Issuer/Borrower Loan on any day (subject as provided in "*Common Terms Agreement — Mandatory Prepayment and Voluntary Prepayment*");

  (ii) prepay the whole (but not part) of any Issuer/Borrower Loans if any sum payable to the Issuer by the Borrower under that Issuer/Borrower Loan is or will be required to be increased arising from any deductions or withholdings for or on account of tax in respect of which the Borrower is required to gross-up,

  provided that (A) the Borrower may only prepay any Issuer/Borrower Loan if a corresponding right of redemption of the corresponding Notes is exercised in accordance with the applicable Final Terms in relation thereto and (B) the Borrower must pay to the Issuer an amount equal to all amounts payable by the Issuer in respect of the corresponding early redemption of the corresponding Notes;

(b) shall, upon being served the required notice by the Issuer, prepay the whole or any part of, as applicable, an Issuer/Borrower Loan if the Issuer is required to redeem all (or some) of the corresponding Notes for indexation reasons pursuant to Condition 6.3 or for taxation reasons or illegality pursuant to Condition 6.4, or at the Issuer's option pursuant to Condition 6.2; and

(c) shall also prepay the Issuer/Borrower Loans by paying to the Issuer an amount equal to all amounts payable by the Borrower in respect thereof in accordance with and in the manner contemplated in the Common Terms Agreement — Mandatory Prepayment and Voluntary Prepayments.

Provided that no Obligor Event of Default has occurred and is continuing, any mandatory prepayments using Unused Proceeds may be deferred until the immediately succeeding Payment Date following the date on which the Borrower was required to make such prepayments.

Any prepayment under the Issuer/Borrower Facilities Agreement shall be made together with accrued but unpaid interest on the amount prepaid and, if applicable, any amount of accrued but unpaid Issuer/Borrower Facilities Fee and any Repayment Costs.

Fees

In consideration for the Issuer agreeing to make the Issuer/Borrower Loans available under the Issuer/Borrower Facilities Agreement, the Borrower will agree to pay to the Issuer the initial and ongoing facility fees set out in the Issuer/Borrower Facilities Agreement.

On the Closing Date, the Borrower shall pay on behalf of the Issuer by way of an initial fee (the **Initial Issuer/Borrower Facilities Fee**) an amount to meet the costs and expenses of the Issuer incurred 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).

After the Closing Date, the Borrower will pay periodically, in respect of or on each Interest Payment Date, each Issue Date (after 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 or to the order of the Issuer, an ongoing fee (the **Issuer/Borrower Facilities Fee**) which shall meet the costs and expenses of the Issuer in connection with the issue of Notes on such Issue Date (if applicable) or the redemption of all or part of the corresponding Notes (if applicable) and otherwise generally 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).

Secured obligations

The obligations of the Borrower under the Issuer/Borrower Facilities Agreement will be secured pursuant to the Obligor Security Documents, and such obligations will be guaranteed by each other Obligor in favour of the Obligor Security Trustee, who will hold the benefit of such security and guarantees on trust for the Obligor Secured Creditors (including the Issuer) on the terms of the STID.

Obligor 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 the Borrower under the Issuer/ Borrower Loans and payments received under any related Issuer Hedging Agreements. Failure of the Borrower to pay on the due date any amount payable by it under the Issuer/Borrower Facilities Agreement will be an Obligor Event of Default, although it will not, of itself, constitute an Issuer Event of Default. The Expected Maturity Date (if applicable) under the Issuer/Borrower Loan corresponding to any non-amortising Series of Notes will fall prior to the Final Maturity Date of such Series of Notes (but will match the Expected Maturity Date of such Notes (if applicable)) and require mandatory prepayment of such Issuer/Borrower Loan on the Expected Maturity Date. In the event of the Notes remaining outstanding after the Expected Maturity Date of the corresponding Issuer/Borrower Loan, the Notes will accrue interest at a floating rate, which will be met from any available proceeds under the Issuer/ Borrower Loans or, if insufficient, from drawings under the Liquidity Facility to the extent available. If the Notes are not redeemed in full by their Final Maturity Date, there will be an Issuer Event of Default.

Withholding/deductions

The Borrower agrees to make all payments to the Issuer free and clear of any withholding on account of tax unless it is required by law to do so. In such circumstances, the Borrower will gross-up such payments.

Borrower Account Bank Agreement

General

The Borrower has established the Debt Service Payment Account and the Lock-up Account. As required after the Signing Date, the Borrower shall establish the Proceeds Account, the Defeasance Account, the Borrower Liquidity DSR Account and the Minimum Maintenance Capex Reserve Account (together with the Debt Service Payment Account, the Lock-up Account and any other bank accounts opened or maintained by the Borrower after the Signing Date (excluding any Liquidity Standby Accounts), the **Borrower Accounts**). The Borrower Accounts will be held with the Borrower Account Bank pursuant to the Borrower Account Bank Agreement dated 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.

Following the Signing Date, as and when required in accordance with the Liquidity Facility Agreement, the Borrower shall with the consent of the Borrower Account Bank also open (in the joint names of the Borrower and the Issuer), maintain and hold one or more Liquidity Standby Accounts at the Borrower Account Bank in the event that the applicable Liquidity Facility Provider in respect of whom the Standby Drawing has been made does not have the Liquidity Facility Provider Requisite Rating.

Termination

The Borrower Account Bank may resign its appointment upon not less than 120 days' notice to the Borrower (with a copy to the Obligor Security Trustee) provided that (a) such resignation shall not take effect until a substitute Account Bank with the Requisite Ratings (in respect of the Rating Agencies rating the Notes has been duly appointed and (b) if such resignation would otherwise take effect 30 days before the date upon which the Obligor Security created under the Obligor Security Documents is released, or any Interest Payment Date, it shall not take effect until the 30th day following such date.

The Borrower may revoke its appointment of the Borrower Account Bank by not less than 30 days' notice to the Borrower Account Bank (with a copy to the Obligor Security Trustee) provided that such revocation shall not take effect until a substitute has been duly appointed.

Furthermore, the appointment of the Borrower Account Bank shall terminate forthwith if, *inter alia*, (a) an Insolvency Event occurs in relation to the Borrower Account Bank, (b) the Borrower Account Bank no longer maintains the Requisite Ratings (in respect of each of the Rating Agencies rating the Notes) unless if there is no other clearing bank which maintains the Requisite Ratings in respect of each of the Rating Agencies rating the Notes the appointment of the Borrower Account Bank shall not terminate until such time as there is a bank which meets the applicable criteria or until some other arrangement is made subject to receipt of rating confirmation, (c) if the Borrower Account Bank defaults in the performance of any of its material obligations under the Borrower Account Bank Agreement, subject to the applicable grace period or (d) payments made to the Borrower Account Bank in connection with the Borrower Account Bank Agreement are or will be, at any time on or after 1 January 2014, subject to FATCA Withholding and, as applicable, provided that such termination shall not take effect until a replacement financial institution or institutions meeting the Requisite Ratings shall have entered into an agreement in form and substance similar to the Borrower Account Bank Agreement.

Tax Deed of Covenant

A tax deed of covenant (the **Tax Deed of Covenant**) will be entered into on the Closing Date by the Issuer, FinCo, the Borrower, the Parent, the Intermediate Parent and Intermediate HoldCo (together the **Tax Obligors**), the Obligor Security Trustee, the Issuer Security Trustee, the FinCo Security Trustee, the Intermediate HoldCo Security Trustee and the Note Trustee (the **Finance Parties**).

The purpose of the Tax Deed of Covenant is to insulate the Senior Group Companies from secondary tax liabilities arising in respect of primary tax liabilities of any holding company or any other non-Senior Group Company and to ensure that other unexpected tax liabilities do not arise in the Senior Group Companies and reduce the cashflow available to fund payments on the Notes, the Term Facilities and the Senior Debt by providing for (i) various representations and warranties to be given by the Tax Obligors (other than FinCo) regarding their tax position as set out in more detail below and (ii) a covenant to be given by Intermediate HoldCo to procure that the Senior Group Companies are compensated in respect of any secondary and other tax liabilities as set out in more detail below.

Under the Tax Deed of Covenant, *inter alia*:

(a) The Tax Obligors (other than the Issuer and FinCo) give certain representations, warranties and covenants to the Finance Parties as to their tax position and that of the other Senior Group Companies, including representations, warranties and covenants as to the following:

  (i) their residency for tax purposes (where applicable);

  (ii) the due payment of current and future taxes;

  (iii) compliance with relevant tax legislation;

  (iv) existence of current and future material tax claims;

  (v) existence of current outstanding tax liabilities;

  (vi) due stamping of relevant documents;

  (vii) preparation of tax returns on a proper basis;

  (viii) entry into the transactions contemplated by the Transaction Documents by the relevant companies on arm's length commercial terms;

(ix) no entry into transactions by a Senior Group Company of which the main purpose or one of the main purposes is obtaining a tax advantage;

(x) not taking certain steps which might result in financing expenses being disallowed in a Senior Group Company under the worldwide debt cap rules;

(xi) not taking certain steps which may render a Senior Group Company secondarily liable for any tax; and

(xii) no degrouping charges to be triggered for a Senior Group Company.

(b) The Tax Obligors (other than the Issuer and FinCo) represent, warrant and covenant to the Finance Parties as to the following VAT matters in respect of the Senior Group Companies:

(i) VAT group membership;

(ii) compliance with all relevant VAT legislation; and

(iii) recoverability of input tax.

(c) Intermediate HoldCo covenants to compensate any Senior Group Company in respect of any secondary, contingent or attributed tax liability caused by it or any other non-Senior Group Company.

(d) The Issuer gives representations and warranties relevant to its status as a securitisation company.

The Tax Deed of Covenant contains provisions in respect of surrenders of amounts by way of group relief and similar transactions (including in certain circumstances the surrender of losses out of the Senior Group for no consideration), the purpose of which is to ensure that entry into such transactions by Senior Group Companies does not result in a loss of value to the Senior Group (which, where losses are to be surrendered out of the Senior Group for no consideration, will be judged by reference to a cash flow model prepared by the Arqiva Group subject to verification by certain approved advisors, and the Senior Group Companies not having anticipated cash tax liabilities within 7 years of such surrender).

The Tax Deed of Covenant contains limitations including a financial limitation such that there will be no breach (other than in respect of the Issuer and FinCo) unless that tax liability (together with certain other tax liabilities) exceeds a specified threshold amount of £25 million (as periodically adjusted by reference to EBITDA) over a rolling 3 year period.

Further limitations and exclusions provide that the restrictions and covenants in the Tax Deed of Covenant (other than in respect of the Issuer or FinCo) will not apply in other circumstances, including where:

(a) the tax liability that would result from any breach consists of tax on actual commercial profits or gains;

(b) the tax liability that would result from any breach is no greater than the amount of any restricted payment which could otherwise be made out of the Senior Group and Junior Financing ring-fenced group at that time and arrangements are put in place to ensure the tax is paid instead;

(c) a satisfactory indemnity is provided in respect of the potential tax liability; or

(d) Intermediate HoldCo is able to certify, broadly, that the proposed action will not adversely affect the value of the Senior Group (including by utilising tax losses, in which case the affect on the value of the Senior Group will be judged by reference to a cash flow model prepared by the Arqiva Group subject to verification by certain approved advisors, and the Senior Group Companies not having anticipated cash tax liabilities within 7 years of such utilisation) and such certification is supported by advice from an appropriate professional advisor.

The Issuer Deed of Charge

General

The Issuer has entered into a deed of charge (the **Issuer Deed of Charge**) with the Issuer Security Trustee, the Note Trustee for itself and on behalf of the Noteholders, the Liquidity Facility Providers (in their capacity as lenders to the Issuer), the Issuer Account Bank, the LF Agent, each Agent, the Issuer Cash Manager, the Borrower and the Issuer Corporate Officer Provider (together with any receiver of the Issuer and any other creditor of the Issuer which accedes to the Issuer Deed of Charge, the **Issuer Secured Creditors**).

Issuer Security

Pursuant to the Issuer Deed of Charge, the Issuer has created security (the **Issuer Security**) over all of its assets and undertakings (including over its rights under the Issuer Charged Documents) in favour of the Issuer Security Trustee. The Issuer Security will be held on trust by the Issuer Security Trustee for itself and on behalf of the other Issuer Secured Creditors in respect of the Issuer Secured Liabilities (as defined in Condition 4) in accordance with and subject to the terms of the STID and the Issuer Deed of Charge.

Restrictions on the exercise of rights

The Issuer Deed of Charge contains certain restrictions on the exercise of rights. These include that, each of the Issuer Secured Creditors agrees with the Issuer and the Issuer Security Trustee that (a) only the Issuer Security Trustee may enforce the Issuer Security in accordance with the terms of the Issuer Deed of Charge, (b) it will not take any steps or proceedings to procure the winding up, administration or liquidation of the Issuer and (c) it will not take any other steps or action against the Issuer or in relation to the Issuer Security for the purpose of recovering any of the Issuer Secured Liabilities or enforcing any rights arising out of the Issuer Transaction Documents against the Issuer or take any other proceedings in respect of or concerning the Issuer or the Issuer Security.

Furthermore, each of the Issuer Secured Creditors has agreed that all obligations of the Issuer to each Issuer Secured Creditor are limited in recourse to the Issuer Security. If (a) there is no Issuer Security remaining which is capable of being realised or otherwise converted into cash, (b) all amounts available from the Issuer Security have been applied to meet or provide for the relevant Issuer Secured Liabilities in accordance with the provisions of the Issuer Deed of Charge and (c) there are insufficient amounts available from the Issuer Security to pay in full the Issuer Secured Liabilities, then the Issuer Secured Creditors shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

Priority of payments following enforcement but prior to acceleration

Following the service of an Issuer Enforcement Notice by the Issuer Security Trustee, but prior to the service of an Issuer Acceleration Notice by the Note Trustee, all funds standing to the credit of the Issuer Accounts shall be applied to make payments in accordance with the Issuer Post-Enforcement Pre-Acceleration Payment Priorities. See "*Cashflows — Issuer Post-Enforcement Pre-Acceleration Payment Priorities*" for more detail.

Priority of payments upon acceleration

Following the service of an Issuer Acceleration Notice by the Note Trustee in accordance with Condition 10.3, funds standing to the credit of the Issuer Accounts (other than any amounts which are to be applied in redemption of the Notes in accordance with the Conditions) will be applied in accordance with the Issuer Post-Acceleration Payment Priorities. See "*Cashflows — Issuer Post-Acceleration Payment Priorities*" for more detail.

Enforcement of the Issuer Security

The Issuer Security Trustee will be bound to enforce the Issuer Security if directed to do so by the Note Trustee, provided that the Issuer Security Trustee has been indemnified and/or secured and/or prefunded to its satisfaction against any liabilities.

The Issuer Security will become immediately enforceable following the occurrence of an Issuer Event of Default and the delivery of an Issuer Enforcement Notice by the Issuer Security Trustee as directed by the Note Trustee or, if there are no Notes outstanding, upon failure by the Issuer to pay any other secured liability on its due date.

Note Trust Deed

General

On the Signing Date, the Issuer and the Note Trustee entered into a trust deed (the **Note Trust Deed**) pursuant to which the Notes will be constituted. The Note Trust Deed includes the form of the Notes and contains a covenant from the Issuer to the Note Trustee to pay all amounts due under the Notes. The Note Trustee will hold the benefit of that covenant on trust for itself and the Noteholders in accordance with their respective interests.

Enforcement

The Note Trustee may at any time, at its discretion and without notice and in such manner as it think fit (but subject at all times to the terms of the STID and the Note Trust Deed):

(a) take such action, proceedings and/or other steps as it may think fit against or in relation to the Issuer or any other person to enforce its obligations under the Note Trust Deed, the Conditions, the Notes or any other Issuer Transaction Document and/or take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer or any such party;

(b) exercise any of its rights under, or in connection with, the Note Trust Deed, the Conditions, the Notes or any other Issuer Transaction Document; and/or

(c) give any directions to the Issuer Security Trustee under or in connection with any Issuer Transaction Document (including, but not limited to, the giving of a direction to the Issuer Security Trustee to enforce the Issuer Security but excluding any directions involving waivers or modifications as set out below),

provided that the Note Trustee shall not be entitled to take any steps or proceedings to procure the winding up, administration or liquidation of the Issuer.

Waiver of Issuer Events of Default

The Note Trustee may, without the consent or sanction of the Noteholders of any Tranche, the related Receiptholders and/or Couponholders or any other Issuer Secured Creditor from time to time and at any time (but only, if in its opinion, such waiver will not be materially prejudicial to the interests of the Noteholders of the Notes then outstanding) on such terms and subject to such conditions as to it shall seem expedient: waive or authorise, or direct the Issuer Security Trustee to waive or authorise, any breach or proposed breach by the Issuer or any other person of any of the covenants or provisions contained in the Note Trust Deed, the Conditions, the Notes or the other Issuer Transaction Documents (subject as provided in the STID and the Note Trust Deed in relation to any Common Document) or other documents to which it is a party or in respect of which it holds security or determine that any event which would otherwise constitute an Issuer 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 an Issuer Secured Creditor Entrenched Right, each of the affected Issuer Secured Creditors has given its prior written consent to the Issuer Security Trustee in accordance with the Issuer Deed of Charge or, where any Noteholders are affected Issuer Secured Creditors, the Noteholders of each Series affected thereby have sanctioned such event matter or thing in accordance with the Note Trust Deed and provided further that the Note Trustee shall not exercise such powers in contravention 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 25% in aggregate of the principal amount of the Notes then outstanding, but no such direction or request shall affect any waiver or authorisation previously given or made or so as to authorise or waive any such proposed breach or breach relating to any Basic Terms Modification. Any such 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, the related Receiptholders and/or the Couponholders and, unless the Note Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders or the Noteholders of the relevant one or more Series in accordance with the Conditions as soon as practicable thereafter.

Modification

The Note Trustee may, without the consent or sanction of the Noteholders of any Series of Notes, the related Receiptholders and/or Couponholders and without the consent of the other Issuer Secured

Creditors (other than any Issuer Secured Creditor which is party to the relevant Transaction Documents or other document), at any time and from time to time concur with the Issuer or any other person, or direct the Issuer Security Trustee to concur with the Issuer or any other person, in making any modification to (i) the Note Trust Deed, the Conditions, the Notes, the related Receipts and/or Coupons and/or the other Issuer Transaction Documents (other than a Basic Terms Modification) (subject as provided in the STID and the Note Trust Deed in relation to any Common Documents) which may, in the opinion of the Note Trustee, be proper to make provided that the Note Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the Noteholders of the Notes then outstanding and provided further that, if any such modification relates to an Issuer Secured Creditor Entrenched Right, each of the Affected Issuer Secured Creditors has given its prior written consent to the Issuer Security Trustee in accordance with the Issuer Deed of Charge or, where any Noteholders are affected Issuer Secured Creditors, the holders of each Series affected thereby have sanctioned such modification in accordance with the Note Trust Deed or (ii) to the Note Trust Deed, the Conditions, the Notes, the related Receipts and/or Coupons and/or the other Issuer Transaction Documents (subject as provided in the STID and the Note Trust Deed in relation to any Common Documents) or other documents to which it is a party or in respect of which it holds security which is, in the opinion of the Note Trustee, of a formal, minor or technical nature or to correct a manifest error. Any such modification may be made on such terms and subject to such conditions (if any) as the Note Trustee may determine, shall be binding upon the Noteholders, the related Receiptholders and/or Couponholders and, unless the Note Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders in accordance with the Conditions as soon as practicable thereafter.

The Note Trust Deed provides that in connection with the exercise by it of any of its trusts, powers, authorities or discretions under the Note Trust Deed (including, without limitation, any modification, waiver, authorisation, determination or substitution) or any other Issuer Transaction Document, the Note Trustee shall have regard to the general interests of the Noteholders as a class.

Action, proceedings and indemnification

The Note Trustee shall not be bound to take or, to give any direction to the Issuer Security Trustee to take, any actions, proceedings or steps in relation to the Note Trust Deed, the Notes, the Receipts, the Coupons or any other Issuer Transaction Document unless (a) (in relation to (i) taking any actions or giving any directions to enforce the Issuer Security or (ii) the delivery of an Issuer Acceleration Notice) directed to do so by Issuer Qualifying Secured Creditors together holding or representing 25% or more of the Issuer Qualifying Debt (A) in writing or (B) (in respect of the Noteholders) by an Extraordinary Resolution of all Noteholders; and (b) (in relation to matters other than those described in (a) above) (i) directed to do so by Extraordinary Resolution of the Noteholders of the relevant one or more Series (as determined in accordance with the provisions in respect of Noteholder meetings in the Note Trust Deed) or (ii) requested to do so in writing by the holders of 25% or more of the Principal Amount Outstanding of the Notes then outstanding of the relevant one or more Series (as determined in accordance with the provisions in respect of Noteholder meetings in the Note Trust Deed), and then only if it shall be indemnified and/or secured and/or prefunded to its satisfaction against any liabilities relating to such actions.

The Note Trustee shall also not be bound to take, or to give any direction to the Obligor Security Trustee to take any actions, proceedings or steps in relation to the STID unless:

(a) (in relation to all voting or direction matters (except Entrenched Rights) pursuant to the STID) directed to do so in accordance with the meeting provisions set out in schedule 5 (Provisions for Voting in respect of STID Notices) to the Note Trust Deed; and

(b) (in relation to matters pertaining to Entrenched Rights pursuant to the STID) directed to do so in accordance with the voting provisions set out in schedule 4 (Provision for meetings of Noteholders) to the Note Trust Deed.

Only the Note Trustee may enforce the provisions of the Note Trust Deed or the other Issuer Transaction Documents to which it is party.

STID voting requests

On receipt of a STID Voting Request that gives rise to an Entrenched Right in respect of which the Issuer is an Affected Obligor Secured Creditor, the Note Trustee shall convene a meeting of the holders of each Series of Notes then outstanding and affected by such Entrenched Right.

On receipt of a STID Notice from the Obligor Security Trustee (which does not give rise to an Entrenched Right as described above), the Note Trustee shall promptly send a copy of such notice to the Noteholders.

Noteholders will vote by notice to the Note Trustee, sent through the clearing systems according to the Principal Amount Outstanding of the Notes held which correspond to the Outstanding Principal Amount of the relevant Issuer/Borrower Loan(s) which comprises Qualifying Debt for the purposes of the STID Notice.

The Note Trustee will, in respect of each STID Notice which is voted on by Noteholders, vote:

(a) in an amount equal to the aggregate of the Outstanding Principal Amount of the Voted Qualifying Debt in respect of which Noteholders voted for the relevant Voting Matter; and

(b) in an amount equal to the aggregate of the Outstanding Principal Amount of the Voted Qualifying Debt in respect of which Noteholders voted against the relevant Voting Matter.

Issuer covenants

The covenants given by the Issuer in the Note Trust Deed (subject to detailed carve-outs, exceptions and qualifications) include the following:

(a) conduct its business in accordance with its obligations under the Note Trust Deed;

(b) give the Note Trustee such documents needed to discharge or exercise its powers under the Note Trust Deed or by operation of law;

(c) ensure compliance with accounting requirements as set forth by the relevant Stock Exchange;

(d) keep proper books of account and allow the Note Trustee free access to such books of account;

(e) send to the Note Trustee every document issued or sent to its shareholders;

(f) maintain those Agents required in accordance with the Conditions and maintain such other agents as may be required by the Conditions or by any other stock exchange (not being the Stock Exchange) on which the Notes may be listed;

(g) procure the Principal Paying Agent and the Registrar notify the Note Trustee in the event they do not receive payment of the full amount due on all Notes;

(h) where the Notes have been listed on a stock exchange on issuance, use all reasonable endeavours to maintain the listing of the Notes on the relevant official list and the admission of the Notes to trading on the relevant market of the relevant stock exchange (as stipulated in the relevant Final Terms) for so long as such Notes are outstanding (or, if such listing or trading ceases to be possible, or becomes unduly onerous, then the Issuer will use all reasonable endeavours to obtain and maintain a quotation or listing of the Notes on another stock exchange or exchanges or securities market or markets (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) and shall also upon obtaining a quotation or listing of the Notes on such other stock exchange or exchanges or securities market or markets enter into a trust deed supplemental to this Deed to effect such consequential amendments to the Note Trust Deed as the Note Trustee may require or as shall be requisite to comply with the requirements of any such stock exchange or securities market);

(i) send to the Note Trustee and obtain its approval, prior to the date on which any such notice is to be given, the form of every notice to be given to the Noteholders;

(j) notify the Note Trustee if payments by the Issuer become subject to withholding;

(k) deliver to the Note Trustee a certificate setting out the total number and aggregate nominal amount of the Notes which:

    (i) up to and including the date of such certificate have been purchased by the Issuer or any Obligor and cancelled; and

    (ii) are at the date of such certificate held by, for the benefit of, or on behalf of, the Issuer or any Obligor;

(l) procure that each of the Agents makes available for inspection by Noteholders copies of the Note Trust Deed, the Agency Agreement and the then latest audited balance sheet and profit and loss account of the Issuer;

(m) procure the delivery of legal opinion(s) as to English and any other relevant law, addressed to the Note Trustee, dated the date of any modification or amendment or supplement to the Note Trust Deed;

(n) give notice to the Note Trustee of the proposed redemption of any Notes;

(o) minimise taxes and any other costs arising in connection with its payment obligations in respect of the Notes;

(p) give notice in writing to the Note Trustee of the occurrence of any Issuer Event of Default without waiting for the Note Trustee to take any further action; and

(q) for so long as any of the Notes are "restricted securities" as defined in Rule 144(a)(3) under the Securities Act, furnish 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 Section 13 or 15(d) of the Securities Exchange Act, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

Issuer Cash Management Agreement

General

The Issuer has appointed Arqiva Limited as the Issuer Cash Manager pursuant to the Issuer Cash Management Agreement dated the Signing Date. Pursuant to the Issuer Cash Management Agreement, the Issuer Cash Manager will undertake certain cash administration functions on behalf of the Issuer.

Cash management functions

As part of its duties under the Issuer Cash Management Agreement, the Issuer Cash Manager, *inter alia*, (a) will operate the Issuer Accounts and effect payments to and from the Issuer Accounts in accordance with the provisions of the relevant Issuer Transaction Documents, (b) will procure that all payments of principal, interest, the Issuer/Borrower Facilities Fee, the Initial Issuer/Borrower Facility Fee, Repayment Costs or other amounts received or to be received under the Issuer/Borrower Facilities Agreement are identified and calculated as such, (c) may invest funds not immediately required by the Issuer in Authorised Investments in accordance with the provisions of the Issuer Cash Management Agreement, (d) carry out treasury management functions including the arrangement of Treasury Transactions in line with the Hedging Policy and (e) will make determinations and perform certain obligations on behalf of the Issuer as set out in, and in accordance with, the provisions of the Liquidity Facility Agreement, including directing the LF Agent to make drawings (or making drawings on behalf of the Issuer) under the Liquidity Facility Agreement and, where applicable, from any Liquidity Standby Accounts.

Pre-Enforcement Payment Priorities

Prior to the delivery of an Issuer Enforcement Notice, amounts standing to the credit of the Issuer Transaction Account, will be applied by the Issuer Cash Manager (on behalf of the Issuer) in accordance with the Issuer Pre-Enforcement Payment Priorities waterfall as described in more detail in "*Cashflows — Issuer Pre-Enforcement Payment Priorities*" provided that any amounts raised by the Issuer by way of an issue of Notes and standing to the credit of the relevant Issuer Account shall not be applied by the Issuer, or the Issuer Cash Manager on its behalf, in accordance with the Issuer Pre-Enforcement Payment Priorities and shall instead be advanced by the Issuer to the Borrower pursuant to the Issuer/Borrower Facilities Agreement as an advance corresponding to such Notes.

Termination

The Issuer may terminate the appointment of the Issuer Cash Manager (a) at any time with at least 30 days' prior notice and the prior written consent of the Issuer Security Trustee, (b) if default is made by the Issuer Cash Manager in the performance or observance of any of its material covenants and

material obligations under the Issuer Cash Management Agreement, subject to the applicable grace period, (c) if any Insolvency Event occurs in relation to the Issuer Cash Manager and (d) if an Issuer Enforcement Notice is given and the Issuer Security Trustee is of the opinion that the continuation of the appointment of the Issuer Cash Manager is materially prejudicial to the interests of the Issuer Secured Creditors or (e) payments made to the Issuer Cash Manager in connection with the Issuer Cash Manager Agreement are or will be, at any time on or after 1 January 2014, subject to FATCA Withholding.

Subject to certain conditions (including that a suitable successor Issuer Cash Manager has been installed), the Issuer Cash Manager is entitled to resign upon giving 30 days' written notice of termination to the Issuer and the Issuer Security Trustee.

Issuer Account Bank Agreement

General

The Issuer has established the Issuer Transaction Account and, as required after the Signing Date, will establish or cause to be established the Issuer Liquidity DSR Account (together with any other bank accounts opened or maintained by the Issuer after the Closing Date (excluding any Liquidity Standby Accounts), the **Issuer Accounts**). The Issuer Accounts will be held with the Issuer Account Bank pursuant to the Issuer Account Bank Agreement dated on or about the Signing Date between the Issuer, the Issuer Cash Manager, the Issuer Account Bank and the Issuer Security Trustee.

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.

Termination

The Issuer Account Bank may resign its appointment upon not less than 120 days' notice to the Issuer (with a copy to the Issuer Security Trustee) provided that such resignation shall not take effect until a substitute Issuer Account Bank with the Requisite Ratings in respect of the Rating Agencies rating the Notes has been duly appointed.

The Issuer may revoke its appointment of the Issuer Account Bank by not less than 30 days' notice to the Issuer Account Bank (with a copy to the Issuer Security Trustee) provided that such revocation shall not take effect until a substitute has been duly appointed.

Furthermore, the Issuer shall forthwith terminate the appointment of the Issuer Account Bank if, *inter alia*, (a) an Insolvency Event occurs in relation to the Issuer Account Bank, (b) the Issuer Account Bank no longer maintains the Requisite Ratings (in respect of each of the Rating Agencies rating the Notes) except that if there is no other clearing bank which maintains the Requisite Ratings, the appointment of the Issuer Account Bank shall not terminate until such time as there is a bank which meets the applicable criteria or until some other arrangement is made subject to receipt of a ratings confirmation, (c) the Issuer Account Bank defaults in the performance of any of its material obligations under the Issuer Account Bank Agreement, subject to the applicable grace period or (d) payments made to the Issuer Account Bank in connection with the Issuer Account Bank Agreement are or will be, at any time on or after 1 January 2014, subject to FATCA Withholding and, as applicable, provided that such termination shall not take effect until a replacement financial institution or institutions meeting the Requisite Ratings shall have entered into an agreement in form and substance similar to the Issuer Account Bank Agreement.

Agency Agreement

Pursuant to the Agency Agreement entered into on the Signing Date between, *inter alios*, the Issuer, the Note Trustee, the Registrar, the Principal Paying Agent, the Exchange Agent, the Transfer Agent and the Agent Bank, provision has been made for, among other things, payment of principal and interest in respect of the Notes and the maintenance of a register of the holders of the Notes.

CASHFLOWS

The following sets out the various priorities of payment as included in the respective Obligor Transaction Documents or the Issuer Transaction Documents (as applicable), as more fully summarised in "Summary of the Financing Documents" above.

Borrower Pre-Enforcement Payment Priorities

The CTA will provide that prior to an acceleration notice (an **Obligor Acceleration Notice**) and/or an enforcement notice (an **Obligor Enforcement Notice**) being delivered by the Obligor Security Trustee, payments by the Borrower which will be due on each Interest Payment Date or become due during the following Interest Period in respect of each of the items referred to in paragraphs (a) to (i) (inclusive) below will be made or provided for on each Interest Payment Date (such that amounts provided for can be applied as and when such payments become due during the following Payment Period) out of monies standing to the credit of the Debt Service Payment Account (other than (x) Borrower Hedge Replacement Premium (if any), which shall be paid directly to the relevant Borrower Hedge Counterparty and (y) the amount (if any) of any cash benefit in respect of a Tax Credit that has been received by the Borrower in respect of a Borrower Hedging Agreement that the Borrower is required to pay to a Borrower Hedge Counterparty under Part 5(c)(ii) of Schedule 2 of the relevant Borrower Hedging Agreement, which shall be paid to the relevant Borrower Hedge Counterparty in accordance with the relevant Borrower Hedging Agreement) and amounts available to the Borrower under the Liquidity Facility or (if applicable) from the Liquidity Standby Account (which shall only be used to pay any AF1 Liquidity Shortfall for which such amounts were drawn) or the Borrower Liquidity DSR Account (if applicable) or under the Issuer/Borrower Hedges, the FinCo/Borrower Hedges and the Borrower Hedges in the following order of priority, without double counting (the **Borrower Pre-Enforcement Payment Priorities**):

(a) *first*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of:

(i) the Borrower's obligation to pay the remuneration, costs, expenses, fees and indemnity payments and any other amounts due and payable to the Obligor Security Trustee;

(ii) the Borrower's obligation to pay the Issuer by way of Issuer/Borrower Facilities Fees an amount equal to the Issuer's obligation to pay the remuneration, costs, expenses, fees and indemnity payments and any other amounts due and payable to the Issuer Security Trustee and the Note Trustee; and

(iii) the Borrower's obligation to pay FinCo by way of FinCo/Borrower Facilities Fees an amount equal to FinCo's obligation to pay the remuneration, costs, expenses, fees and indemnity payments and any other amounts due and payable to the FinCo Security Trustee and any administrator or receiver appointed by the FinCo Security Trustee;

(b) *second*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of:

(i) the Borrower's obligation to pay the fees, costs and expenses of the BBF Agents, the Capex Facility Providers, the Working Capital Facility Providers, any Ancillary Facility Providers, any Permitted Facility Providers, any other Authorised Facility Providers and the Borrower Account Bank;

(ii) the Borrower's obligation to pay the Issuer by way of Issuer/Borrower Facilities Fees an amount equal to the Issuer's obligation to pay the remuneration, costs, expenses, fees and indemnity payments and any other amounts due and payable to the Principal Paying Agent, the LF Agent, the Agent Bank, the Calculation Agent, the Paying Agents, the Registrar, the Transfer Agent, the Exchange Agent, the Issuer Account Bank, the Calculation Agent and the Issuer Cash Manager; and

(iii) the Borrower's obligation to pay FinCo by way of FinCo/Borrower Facilities Fees an amount equal to FinCo's obligation to pay the fees, costs and expenses of the TF Agent, the Term Facilities Providers and the FinCo Account Bank;

(c) *third*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of:

(i) the Borrower's obligation to pay amounts owed by the Borrower to lawyers, accountants and other third parties not provided elsewhere in the Borrower Payment Priorities and incurred by the Borrower in accordance with the Obligor Transaction Documents;

(ii) the Borrower's obligation to pay the Issuer by way of Issuer/Borrower Facilities Fees an amount equal to the Issuer's obligation to make payments due to the Rating Agencies, lawyers, accountants and other third parties not provided elsewhere in the Issuer Payment Priorities and incurred by the Issuer in accordance with the Issuer Transaction Documents; and

(iii) the Borrower's obligation to pay FinCo by way of FinCo/Borrower Facilities Fees an amount equal to FinCo's obligation to make payments due to lawyers, accountants and other third parties not provided elsewhere in the FinCo Payment Priorities and incurred by FinCo in accordance with the FinCo Transaction Documents;

(d) *fourth*, in or towards satisfaction of the Borrower's obligation to pay the Issuer by way of Issuer/ Borrower Facilities Fees an amount equal to the Issuer Profit Amount;

(e) *fifth*, *pro rata*, according to the respective amounts thereof in or towards satisfaction of:

(i) all amounts payable by the Borrower to the Liquidity Facility Providers; and

(ii) the Borrower's obligation to pay the Issuer by way of Issuer/Borrower Facilities Fees an amount equal to the Issuer's obligation to pay all amounts payable to the Liquidity Facility Providers;

(f) *sixth*, *pro rata*, according to the respective amounts thereof, in or towards satisfaction of:

(i) all scheduled and unscheduled amounts and termination payments (other than any Excluded Hedge Counterparty Amounts) payable by the Borrower to the Borrower Hedge Counterparties under any Super Senior Borrower Hedging Agreements; and

(ii) all scheduled and unscheduled amounts and termination payments (other than any Excluded Hedge Counterparty Amounts) payable by the Borrower to the Issuer under any Super Senior Issuer/Borrower Hedging Agreements;

(g) *seventh*, *pro rata*, according to the respective amounts thereof, in or towards satisfaction of:

(i) all scheduled amounts (other than any principal exchange amounts, accretion payments or payments due as a consequence of a mandatory early termination date) payable by the Borrower to the Borrower Hedge Counterparties under any *Pari Passu* Borrower Hedging Agreements;

(ii) all scheduled amounts (other than any principal exchange amounts, accretion payments or payments due as a consequence of a mandatory early termination date) payable by the Borrower to the Issuer under any *Pari Passu* Issuer/Borrower Hedging Agreements;

(iii) all scheduled amounts (other than any principal exchange amounts, accretion payments or payments due as a consequence of a mandatory early termination date) payable by the Borrower to FinCo under any *Pari Passu* FinCo/Borrower Hedging Agreements;

(iv) interest due or overdue in respect of the Borrower Bank Facilities (other than the Liquidity Facility);

(v) interest due or overdue in respect of the FinCo/Borrower Facilities;

(vi) interest due or overdue in respect of the Issuer/Borrower Facilities; and

(vii) the Borrower's obligation to pay FinCo by way of FinCo/Borrower Facilities Fee an amount equal to the shortfall in funds available to FinCo after taking account of other receipts under this paragraph (g) to meet all scheduled amounts (other than any principal exchange amounts, accretion payments or payments due as a consequence of a mandatory early termination date if any) payable by FinCo under any FinCo Hedging Agreement and interest due or overdue in respect of the Term Facilities;

(h) *eighth*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of:

(i) all scheduled and unscheduled amounts (except to the extent funded from the Lock-up Account) payable by the Borrower of principal in respect of the Borrower Bank Facilities (other than any Liquidity Facility);

(ii) all scheduled and unscheduled amounts (except to the extent funded from the Lock-up Account) payable by the Borrower of principal in respect of the FinCo/Borrower Facilities;

(iii) all scheduled and unscheduled amounts (except to the extent funded from the Lock-up Account) payable by the Borrower of principal in respect of the Issuer/Borrower Facilities;

(iv) (except to the extent funded from the Lock-up Account) all unscheduled amounts and termination payments, accretion or other pay as you go payments and other charges (which, for the avoidance of doubt, shall include (amongst others) payments due as a consequence of the occurrence of a mandatory early termination date or optional termination date in respect of a *Pari Passu* Borrower Hedge) (other than any Excluded Hedge Counterparty Amounts) and principal exchange amounts (if any) payable by the Borrower to the Borrower Hedge Counterparties under any *Pari Passu* Borrower Hedging Agreements;

(v) (except to the extent funded from the Lock-up Account) all unscheduled amounts and termination payments, accretion or other pay as you go payments and other charges (which shall include (amongst others) payments due as a consequence of the occurrence of a mandatory early termination date or optional termination date in respect of a *Pari Passu* Issuer/Borrower Hedge (other than any Excluded Hedge Counterparty Amounts)) and principal exchange amounts payable by the Borrower to the Issuer under any *Pari Passu* Issuer/Borrower Hedging Agreements; and

(vi) (except to the extent funded from the Lock-up Account) all unscheduled amounts and termination payments, accretion or other pay as you go payments and other charges (which shall include (amongst others) payments due as a consequence of the occurrence of a mandatory early termination date or optional termination date in respect of a *Pari Passu* FinCo/Borrower Hedge) (other than any Excluded Hedge Counterparty Amounts) payable by the Borrower to FinCo under any *Pari Passu* FinCo/Borrower Hedging Agreements;

(i) *ninth*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of the Borrower's obligation to pay:

(i) the Excluded Hedge Counterparty Amounts to the Borrower Hedge Counterparties under any Borrower Hedging Agreements;

(ii) the Excluded Hedge Counterparty Amounts payable by the Borrower to FinCo under any *Pari Passu* FinCo/Borrower Hedging Agreements; and

(iii) the Excluded Hedge Counterparty Amounts payable by the Borrower to the Issuer under any Issuer/Borrower Hedging Agreements;

(j) *tenth*, (only to the extent required in the Common Documents) the balance shall remain in the Debt Service Payment Account; and

(k) *eleventh*, the surplus (if any) shall be available for each Obligor to deal with as it sees fit in accordance with the Common Documents.

Borrower Post-Enforcement (Pre-Acceleration) Payment Priorities

The STID will provide that all Available Enforcement Proceeds shall, following the delivery of an Obligor Enforcement Notice but prior to the delivery of an Obligor Acceleration Notice by the Obligor Security Trustee, be applied (to the extent that it is lawfully able to do so) on each Payment Date by or on behalf of the Obligor Security Trustee (or, as the case may be, any receiver appointed by it) in the same manner as the Borrower Pre-Enforcement Payment Priorities, save that:

(a) any amounts advanced to the Borrower under the Liquidity Facility shall be applied sequentially in respect of paragraphs (a) to (h) of the Borrower Pre-Enforcement Payment Priorities but excluding, in each case, final bullet principal repayments on maturity, balloon payments under amortising debt mandatory prepayments, any termination payments, exchange payments and all other unscheduled amounts payable to any Borrower Hedge Counterparty or Issuer Hedge Counterparty and any amount arising under any Issuer/Borrower Facility Agreement;

(b) no payments in respect of the Subordinated Loans or any Restricted Payments may be made without the prior consent of the Obligor Security Trustee;

(c) the remuneration, costs and expenses of any receiver appointed by the Obligor Security Trustee shall rank in the same order and be satisfied *pro rata* with the Borrower's obligation to pay the remuneration, costs and expenses of the Obligor Security Trustee;

(d) the remuneration, costs and expenses of any receiver or administrator appointed by the FinCo Security Trustee shall rank in the same order and be satisfied *pro rata* with the Borrower's obligation to pay the remuneration, costs and expenses of the FinCo Security Trustee; and

(e) the remuneration, costs and expenses of any receiver appointed by the Issuer Security Trustee shall rank in the same order and be satisfied *pro rata* with the Borrower's obligation to pay the remuneration, costs and expenses of the Issuer Security Trustee; and

(f) the surplus (if any) shall remain in the Debt Service Payment Account or be held by the Obligor Security Trustee in a suspense account,

(the **Borrower Post-Enforcement (Pre-Acceleration) Payment Priorities**).

Borrower Post-Enforcement (Post-Acceleration) Payment Priorities

The STID will provide that all Available Enforcement Proceeds, shall, subsequent to the delivery of both an Obligor Enforcement Notice and an Obligor Acceleration Notice, be applied (to the extent that it is lawfully able to do so) by or on behalf of the Obligor Security Trustee or, as the case may be, any receiver, appointed by the Obligor Security Trustee in accordance with the Borrower Post-Enforcement (Post-Acceleration) Payment Priorities as set out below (the **Borrower Post Enforcement (Post Acceleration) Payment Priorities,** and together with the Borrower Pre-Enforcement Payment Priorities and the Borrower Post-Enforcement (Pre-Acceleration) Payment Priorities, the **Borrower Payment Priorities**), without double-counting::

(a) *first*, *pro rata* and *pari passu*, according to the respective amounts thereof, in or towards satisfaction of:

  (i) the Borrower's obligation to pay the remuneration, costs, expenses, fees and indemnity payments and any other amounts due and payable of the Obligor Security Trustee (and any receiver appointed by the Obligor Security Trustee);

  (ii) the Borrower's obligation to pay the Issuer by way of Issuer/Borrower Facilities Fees an amount equal to the Issuer's obligation to pay the remuneration, costs, expenses, fees and indemnity payments and any other amounts due and payable of the Issuer Security Trustee (and any receiver appointed by the Issuer Security Trustee) and the Note Trustee; and

  (iii) the Borrower's obligation to pay FinCo by way of FinCo/Borrower Facilities Fees an amount equal to FinCo's obligation to pay the remuneration, costs, expenses, fees and indemnity payments and any other amounts due and payable of the FinCo Security Trustee (and any receiver or administrator appointed by the FinCo Security Trustee);

(b) *second*, *pro rata* and *pari passu*, according to the respective amounts thereof, in or towards satisfaction of:

  (i) the Borrower's obligation to pay the remuneration, costs and expenses of the BBF Agents, the Capex Facility Providers, the Working Capital Facility Providers, any Ancillary Facility Providers, any Permitted Facility Providers, any other Authorised Facility Providers and the Borrower Account Bank;

  (ii) the Borrower's obligation to pay the Issuer by way of Issuer/Borrower Facilities Fees an amount equal to the Issuer's obligation to pay the remuneration, costs, expenses, fees and indemnity payments and any other amounts due and payable of the Agent Bank, the Calculation Agent, the Paying Agents, the Registrar, the Transfer Agent, the Exchange Agent, the Issuer Account Bank and the Issuer Cash Manager; and

  (iii) the Borrower's obligation to pay FinCo by way of FinCo/Borrower Facilities Fees an amount equal to FinCo's obligation to pay the fees, costs and expenses of the TF Agent, the Term Facilities Providers and the FinCo Account Bank;

(c) *third*, in or towards satisfaction of the Borrower's obligation to pay the Issuer by way of Issuer/Borrower Facilities Fees an amount equal to the Issuer Profit Amount;

(d) *fourth*, *pro rata* and *pari passu*, according to the respective amounts thereof, in or towards satisfaction of:

  (i) all amounts payable by the Borrower to the Liquidity Facility Providers; and

  (ii) the Borrower's obligation to pay the Issuer by way of Issuer/Borrower Facilities Fees an amount equal to all amounts payable by the Issuer to the Liquidity Facility Providers;

(e) *fifth*, *pro rata* and *pari passu*, according to the respective amounts thereof, in or towards satisfaction of:

(i) all scheduled and unscheduled amounts and termination payments (other than any Excluded Hedge Counterparty Amounts) payable by the Borrower to the Borrower Hedge Counterparties under any Super Senior Borrower Hedging Agreements; and

(ii) all scheduled and unscheduled amounts and termination payments (other than any Excluded Hedge Counterparty Amounts) payable by the Borrower to the Issuer under any Super Senior Issuer/Borrower Hedging Agreements;

(f) *sixth*, *pro rata* and *pari passu*, according to the respective amounts thereof, in each case without double counting, in or towards satisfaction of:

(i) all scheduled amounts (other than any principal exchange amounts, accretion payments or payments due as a consequence of the occurrence of a mandatory early termination date) payable to the Borrower Hedge Counterparties under any *Pari Passu* Borrower Hedging Agreements;

(ii) all scheduled amounts (other than any principal exchange amounts, accretion payments or payments due as a consequence of the occurrence of a mandatory early termination date) payable by the Borrower to the Issuer under any *Pari Passu* Issuer/Borrower Hedging Agreements;

(iii) all scheduled amounts (other than any accretion payments or payments due as a consequence of the occurrence of a mandatory early termination date) payable by the Borrower to FinCo under any *Pari Passu* FinCo/Borrower Hedging Agreements;

(iv) interest due or overdue in respect of the Borrower Bank Facilities (other than the Liquidity Facility);

(v) interest due or overdue in respect of the FinCo/Borrower Facilities;

(vi) interest due or overdue in respect of the Issuer/Borrower Facilities; and

(vii) the Borrower's obligation to pay FinCo by way of FinCo Borrower Facilities Fees an amount equal to the shortfall in funds available to FinCo after taking account of other receipts under this paragraph (f) to meet all scheduled amounts (other than any principal exchange amounts, accretion payments or payments due as a consequence of the occurrence of a mandatory early termination date) payable by FinCo under any FinCo Hedging Agreement and interest due or overdue in respect of the Term Facilities;

(g) *seventh*, *pro rata* and *pari passu*, according to the respective amounts thereof, in each case without double counting, in or towards satisfaction of:

(i) all scheduled and unscheduled amounts payable by the Borrower of principal in respect of the Borrower Bank Facilities (other than any Liquidity Facility);

(ii) all scheduled and unscheduled amounts payable by the Borrower of principal in respect of the FinCo/Borrower Facilities;

(iii) all scheduled and unscheduled amounts due and payable by the Borrower of principal in respect of the Issuer/Borrower Facilities;

(iv) all unscheduled amounts and termination payments, accretion or other pay as you go payments and other charges (which shall include (amongst others) payments due as a consequence of the occurrence of a mandatory early termination date or optional termination date in respect of any *Pari Passu* Borrower Hedge) (other than any Excluded Hedge Counterparty Amounts) and principal exchange amounts under any Currency Hedges (if any) payable by the Borrower to the Borrower Hedge Counterparties under any *Pari Passu* Borrower Hedging Agreement;

(v) all unscheduled amounts and termination payments accretion or other pay as you go payments and other charges (which shall include (amongst others) payments due as a consequence of the occurrence of a mandatory early termination date or optional termination date in respect of any *Pari Passu* Issuer/Borrower Hedge) (other than any Excluded Hedge Counterparty Amounts) and principal exchange amounts payable by the Borrower to the Issuer under any *Pari Passu* Issuer/Borrower Hedging Agreement; and

(vi) all unscheduled amounts and termination payments accretion or other pay as you go payments and other charges (which shall include (amongst others) payments due as a consequence of the occurrence of a mandatory early termination date or optional termination date in respect of any *Pari Passu* FinCo/Borrower Hedge) (other than any Excluded Hedge Counterparty Amounts) payable by the Borrower to FinCo under any *Pari Passu* FinCo/ Borrower Hedging Agreement;

(h) *eighth*, *pro rata* and *pari passu*, according to the respective amounts thereof, in each case without double counting, in or towards satisfaction of:

(i) any other amounts payable by the Borrower in respect of the Borrower Bank Facilities (other than any Liquidity Facility);

(ii) any other amounts payable by the Borrower in respect of the FinCo/Borrower Facilities; and

(iii) any other amounts payable by the Borrower in respect of the Issuer/Borrower Facilities;

(i) *ninth*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of the Borrower's obligation to pay:

(i) the Excluded Hedge Counterparty Amounts to the Borrower Hedge Counterparties under any Borrower Hedging Agreements;

(ii) the Excluded Hedge Counterparty Amounts to FinCo under any Pari Passu FinCo/Borrower Hedging Agreements; and

(iii) the Excluded Hedge Counterparty Amounts to the Issuer under any Issuer/Borrower Hedging Agreements; and

(j) *tenth,* the surplus (if any) together with all amounts standing to the credit of the other Borrower Accounts shall be available to each Obligor entitled thereto to deal with as it sees fit but subject to the Common Documents.

Issuer Pre-Enforcement Payment Priorities

The Issuer Deed of Charge will provide that, on each Interest Payment Date prior to the delivery of an enforcement notice by the Issuer Security Trustee in accordance with Condition 11 (*Enforcement Against Issuer*) (an **Issuer Enforcement Notice**) and/or an acceleration notice by the Note Trustee in accordance with Condition 10.3 (*Delivery of an Issuer Acceleration Notice*) (an **Issuer Acceleration Notice**), monies credited to the Issuer Transaction Account (together with amounts available to the Issuer under the Liquidity Facility and the Issuer Hedges) must be applied by the Issuer Cash Manager in the following order of priority in making payment of or provision for any amounts then due and payable (or which will become due and payable during the Interest Period commencing on such Interest Payment Date) in each case only to the extent that preceding items have been paid or provided for in full and the relevant payment does not cause the Issuer Transaction Account to become overdrawn and provided further that (a) any amounts raised by the Issuer by way of an issue of Notes and standing to the credit of the relevant Issuer Account shall not be applied by the Issuer, or the Issuer Cash Manager on its behalf, in accordance with the Issuer Pre-Enforcement Payment Priorities and shall instead be advanced by the Issuer to the Borrower pursuant to the Issuer/Borrower Facilities Agreement as an advance corresponding to such Notes and (b) any monies drawn under the Liquidity Facility Agreement or, as the case may be, from any Liquidity Standby Accounts in relation to that Interest Payment Date shall only be applied towards the payment of items (a) to (h) (inclusive) of the Issuer Pre-Enforcement Payment Priorities but excluding, for the avoidance of doubt, final bullet repayments on maturity, mandatory prepayments, any termination payments, any exchange payments, accretion or other pay as you go payments and all other unscheduled amounts payable to any Issuer Hedge Counterparty: (the **Issuer Pre-Enforcement Payment Priorities**):

(a) *first*, *pro rata* and *pari passu* according to the respective amounts thereof, in or towards satisfaction of:

(i) the costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts payable (including any amounts in respect of VAT to the extent provided for in the Note Trust Deed or relevant Issuer Transaction Document) by the Issuer to the Note Trustee or any of its Appointees under the Note Trust Deed or any other Issuer Transaction Document to which it is a party;

(ii) the costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts payable (including any amounts in respect of VAT to the extent provided for in the Issuer Deed of Charge or relevant Issuer Transaction Document) by the Issuer to the Issuer Security Trustee or any of its Appointees under the Issuer Deed of Charge or any other Issuer Transaction Document to which it is a party; and

(iii) the costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts payable (including any amounts in respect of VAT to the extent provided for in the Issuer Deed of Charge) by the Issuer to any receiver appointed by the Issuer Security Trustee under the Issuer Deed of Charge;

(b) *second*, *pro rata* and *pari passu* according to the respective amounts thereof, in or towards satisfaction of any amounts due and payable by the Issuer in respect of:

(i) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Paying Agents, Exchange Agent, Agent Bank, Registrar, Transfer Agent and Calculation Agent incurred under the Agency Agreement (including any amounts in respect of VAT to the extent provided therein);

(ii) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Account Bank incurred under the Issuer Account Bank Agreement (including any amounts in respect of VAT to the extent provided therein);

(iii) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Cash Manager under the Issuer Cash Management Agreement (including any amounts in respect of VAT to the extent provided therein);

(iv) the fees, other remuneration, indemnity payments, costs, charges and expenses of any LF Agent under the Liquidity Facility Agreement (including any amounts in respect of VAT to the extent provided therein); and

(v) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Corporate Officer Provider incurred under the Issuer Corporate Officer Agreement (including any amounts in respect of VAT to the extent provided therein);

(c) *third*, in or towards satisfaction of the Issuer's payments due to the Rating Agencies, lawyers, accountants and other third parties not provided elsewhere in this Issuer Pre-Enforcement Payment Priorities and incurred by the Issuer in accordance with the Issuer Transaction Documents (including any amounts in respect of VAT);

(d) *fourth*, the Issuer Profit Amount (which the Issuer may, after meeting any corporation tax thereon, use to pay a dividend or otherwise to pay to such account or person nominated by the Issuer);

(e) *fifth*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of the Issuer's obligation to pay the Liquidity Facility Providers under the Liquidity Facility Agreement (including any amounts in respect of VAT);

(f) *sixth*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of:

(i) all amounts (other than any Excluded Hedge Counterparty Amounts) due and payable by the Issuer to the Issuer Hedge Counterparties under any Super Senior Issuer Hedging Agreements; and

(ii) all amounts due and payable by the Issuer to the Borrower under any Super Senior Issuer/Borrower Hedging Agreements;

(g) *seventh*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of the Issuer's obligation to pay:

(i) interest due or overdue in respect of the Notes;

(ii) all scheduled amounts (other than any principal exchange amounts under any Currency Hedges, accretion payments or payments due as a consequence of the occurrence of a mandatory early termination date in respect of a Pari Passu Issuer Hedge) due and payable by the Issuer to the Issuer Hedge Counterparties under any *Pari Passu* Issuer Hedging Agreements; and

(iii) all scheduled amounts (other than any principal exchange amounts, accretion payments or payments due as a consequence of the occurrence of a mandatory early termination date in respect of a Pari Passu Issuer/Borrower Hedge) due and payable by the Issuer to the Borrower under any *Pari Passu* Issuer/Borrower Hedging Agreements; and

(h) *eighth*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of the Issuer's obligation to pay:

(i) principal due or overdue in respect of the Notes;

(ii) all unscheduled amounts and termination payments, accretion or other pay as you go payments and other charges (which shall include (amongst others) payments due as a consequence of the occurrence of a mandatory early termination date or optional termination date in respect of a Pari Passu Issuer Hedge) (other than any Excluded Hedge Counterparty Amounts) and any principal exchange amounts under any Currency Hedges due and payable by the Issuer to the Issuer Hedge Counterparties under any *Pari Passu* Issuer Hedging Agreements; and

(iii) all unscheduled amounts and termination payments, accretion or other pay as you go payments and other charges (which shall include (amongst others) payments due as a consequence of the occurrence of a mandatory early termination date or optional termination date in respect of a Pari Passu Issuer/Borrower Hedge) and any principal exchange amounts due and payable by the Issuer to the Borrower under any *Pari Passu* Issuer/Borrower Hedging Agreements;

(i) *ninth*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of the Issuer's obligation to pay the Excluded Hedge Counterparty Amounts to the Issuer Hedge Counterparties under any Issuer Hedging Agreements; and

(j) *tenth*, the surplus (if any) by way of rebate of Initial Issuer/Borrower Facilities Fees and/or Issuer/Borrower Facilities Fees to the Borrower under the terms of the Issuer/Borrower Facilities Agreement.

Issuer Post-Enforcement Pre-Acceleration Payment Priorities

The Issuer Deed of Charge will provide that, after the service of an Issuer Enforcement Notice being given by the Issuer Security Trustee but prior to the service of an Issuer Acceleration Notice being given by the Note Trustee, all monies received or recovered by the Issuer Security Trustee (or any receiver appointed by it) and (to the extent that they are available) all funds standing to the credit of the Issuer Accounts shall be applied by or on behalf of the Issuer Security Trustee (or, as the case may be, any receiver appointed by it) in the same manner as the Issuer Pre-Enforcement Payment Priorities, save that (a) the Issuer will not be able to make any payments in respect of any dividend or distribution without the prior written consent of the Issuer Security Trustee, (b) the remuneration, costs and expenses of any receiver appointed by the Issuer Security Trustee shall rank in the same order and be satisfied *pro rata* with the Issuer's obligation to pay the remuneration, costs and expenses of the Issuer Security Trustee and (c) the surplus (if any) shall remain in the Issuer Transaction Account or be held by the Issuer Security Trustee in a suspense account (the **Issuer Post-Enforcement Pre-Acceleration Payment Priorities**).

Issuer Post-Acceleration Payment Priorities

The Issuer Deed of Charge will provide that, after the service of an Issuer Acceleration Notice by the Note Trustee, (to the extent available) funds standing to the credit of the Issuer Accounts (other than any amounts which are to be applied in redemption of the Notes in accordance with the Conditions notwithstanding the Issuer Post-Acceleration Payment Priorities) will be applied in the following order of priority (the **Issuer Post-Acceleration Payment Priorities** and together with Issuer Pre-Enforcement Payment Priorities and the Issuer Post-Enforcement Pre-Acceleration Payment Priorities, the **Issuer Payment Priorities**):

(a) *first*, *pro rata* and *pari passu* according to the respective amounts thereof, in or towards satisfaction of:

(i) the costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts payable (including any amounts in respect of VAT to the extent provided for in the

Note Trust Deed or relevant Issuer Transaction Document) by the Issuer to the Note Trustee or any of its Appointees under the Note Trust Deed or any other Issuer Transaction Document to which it is a party;

(ii) the costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts payable (including any amounts in respect of VAT to the extent provided for in the Issuer Deed of Charge or relevant Issuer Transaction Document) by the Issuer to the Issuer Security Trustee or any of its Appointees under the Issuer Deed of Charge or any other Issuer Transaction Document to which it is a party; and

(iii) the costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts payable (including any amounts in respect of VAT to the extent provided for in the Issuer Deed of Charge) by the Issuer to any receiver appointed by the Issuer Security Trustee under the Issuer Deed of Charge;

(b) *second*, *pro rata* and *pari passu* according to the respective amounts thereof, in or towards satisfaction of any amounts due and payable by the Issuer in respect of:

(i) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Paying Agents, Exchange Agent, Agent Bank, Registrar, Transfer Agent and Calculation Agent incurred under the Agency Agreement (including any amounts in respect of VAT to the extent provided therein);

(ii) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Account Bank incurred under the Issuer Account Bank Agreement (including any amounts in respect of VAT to the extent provided therein);

(iii) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Cash Manager under the Issuer Cash Management Agreement (including any amounts in respect of VAT to the extent provided therein);

(iv) the fees, other remuneration, indemnity payments, costs, charges and expenses of any LF Agent under the Liquidity Facility Agreement (including any amounts in respect of VAT to the extent provided therein); and

(v) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Corporate Officer Provider incurred under the Issuer Corporate Officer Agreement (including any amounts in respect of VAT to the extent provided therein);

(c) *third*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of all amounts due from the Issuer to the Liquidity Facility Providers under the Liquidity Facility Agreement;

(d) *fourth*, *pro rata* and *pari passu* according to the respective amounts thereof, in each case without double-counting in or towards satisfaction of:

(i) all amounts (other than any Excluded Hedge Counterparty Amounts) payable by the Issuer to each Issuer Hedge Counterparty under any Super Senior Issuer Hedging Agreement; and

(ii) all amounts due and payable by the Issuer to the Borrower under any Super Senior Issuer/Borrower Hedging Agreement;

(e) *fifth*, *pro rata* and *pari passu* according to the respective amounts thereof, in each case without double counting, in or towards satisfaction of:

(i) all amounts of interest due and payable or overdue in respect of the Notes;

(ii) all scheduled amounts (other than any principal exchange amounts under any Currency Hedges, accretion payments or payments due as a consequence of the occurrence of a mandatory early termination date in respect of a Pari Passu Issuer Hedge) due and payable to each Issuer Hedge Counterparty under any *Pari Passu* Issuer Hedging Agreements; and

(iii) all scheduled amounts (other than any principal exchange amounts, accretion payments or payments due as a consequence of the occurrence of a mandatory early termination date in respect of a Pari Passu Issuer/Borrower Hedge) due and payable by the Issuer to the Borrower under any *Pari Passu* Issuer/Borrower Hedging Agreements;

(f) *sixth*, *pro rata* and *pari passu* according to the respective amounts thereof, in each case without double counting, in or towards satisfaction of:

  (i) all amounts of principal due and payable or overdue in respect of the Notes;

  (ii) all unscheduled amounts and termination payments, accretion or other pay as you go payments and other charges (which shall include (amongst others) payments due as a consequence of the occurrence of a mandatory early termination date or optional termination date in respect of a Pari Passu Issuer Hedge) (other than any Excluded Hedge Counterparty Amounts) and any principal exchange amounts under any Currency Hedges due and payable to each Issuer Hedge Counterparty under any *Pari Passu* Issuer Hedging Agreements;

  (iii) all unscheduled amounts and termination payments, accretion or other pay as you go payments and other charges (which shall include (amongst others) payments due as a consequence of the occurrence of a mandatory early termination date or optional termination date in respect of a Pari Passu Issuer/Borrower Hedge) and any principal exchange amounts payable by the Issuer to the Borrower under any *Pari Passu* Issuer/Borrower Hedging Agreements; and

(g) *seventh*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of any Excluded Hedge Counterparty Amounts due or overdue to any Issuer Hedge Counterparty under any Issuer Hedging Agreements; and

(h) *eighth*, after retaining the Issuer Profit Amount (which the Issuer may, after meeting any corporation tax thereon, use to pay a dividend or otherwise to pay to such account or person nominated by the Issuer), the surplus (if any) by way of rebate of the Initial Issuer/Borrower Facilities Fee and/or Issuer/Borrower Facilities Fee to the Borrower pursuant to the terms of the Issuer/Borrower Facilities Agreement.

FinCo Priority of payments — prior to enforcement

The FinCo Intercreditor Agreement will provide that FinCo will withdraw certain amounts standing to the credit of the FinCo Account from time to time to be applied in accordance with the following order of priorities (the **FinCo Pre-Enforcement Payment Priorities**):

(a) *first*, in or towards satisfaction of FinCo's obligation to pay the remuneration, costs, expenses, fees and indemnity payments and any other amounts due and payable (including amounts in respect of VAT) of the FinCo Security Trustee;

(b) *second*, in or towards satisfaction of FinCo's obligation to pay:

  (i) the fees, costs and expenses of the TF Agent and the TF Lenders and indemnity payments of the TF Agent (in each case, including amounts in respect of VAT); and

  (ii) the reasonable fees, other remuneration, indemnity payments, costs, charges and expenses of the FinCo Corporate Officer Provider incurred under the FinCo Corporate Officer Agreement (including any amounts in respect of VAT to the extent provided therein);

(c) *third*, in or towards satisfaction of FinCo's obligation to pay any Taxes or pursuant to a Permitted Tax Transaction;

(d) *fourth,* in or towards satisfaction of FinCo's obligation to make payments due to lawyers, accountants and other third parties not provided elsewhere in the FinCo Pre-Enforcement Payment Priorities and incurred by FinCo in accordance with the FinCo Transaction Documents;

(e) *fifth*, *pro rata* and *pari passu* according to the respective amounts thereof, in or towards satisfaction of the FinCo's obligation to pay:

  (i) all scheduled amounts (other than any accretion payments or payments due as a consequence of the occurrence of a mandatory early termination date in respect of a FinCo/Bank Hedge) payable by FinCo to the FinCo/Bank Hedge Counterparties under any FinCo/Bank Hedging Agreements;

  (ii) all scheduled amounts (other than any accretion payments or payments due as a consequence of the occurrence of a mandatory early termination date in respect of a FinCo/Borrower Hedge) payable by FinCo to the Borrower under any FinCo/Borrower Hedging Agreements; and

  (iii) interest due or overdue in respect of the Term Facilities;

(f) *sixth*, *pro rata and pari passu* according to the respective amounts thereof, in or towards satisfaction of FinCo's obligation to pay:

   (i) all unscheduled amounts and termination payments, accretion or other pay as you go payments and other charges (which shall include (amongst others) payments due as a consequence of the occurrence of a mandatory early termination date or optional termination date in respect of a FinCo/Bank Hedge) (other than, but without prejudice to paragraph (c) (*FinCo Payment Priorities — post enforcement prior to acceleration*) below, any amounts payable under paragraph (g)(i) of the FinCo Pre-Enforcement Payment Priorities) payable by FinCo to the FinCo/Bank Hedge Counterparties under any FinCo/Bank Hedging Agreements;

   (ii) all unscheduled amounts and termination, accretion or other pay as you go payments and other charges (which shall include (amongst others) payments due as a consequence of the occurrence of a mandatory early termination date or optional termination date in respect of a FinCo/Borrower Hedge) payments by FinCo to the Borrower under any FinCo/Borrower Hedging Agreements; and

   (iii) principal and other amounts due or overdue in respect of the Term Facilities;

(g) *seventh*, the surplus (if any) to FinCo:

   (i) pro rata and *pari passu* to pay (x) interest that has accrued on any Mandatory Early Termination Amounts (as defined in the relevant FinCo/Bank Hedging Agreement) and/or (y) Accrued Interest Amounts (as defined in the relevant FinCo/Bank Hedging Agreement) together with any interest thereon, to the FinCo/Bank Hedge Counterparties under, and in accordance with, the relevant FinCo/Bank Hedging Agreements when, and only to the extent that, FinCo has no further present or future obligations or liabilities whether or not arising under this Agreement, matured or contingent, incurred solely or jointly or as principal or surety or in any other capacity, other than in respect of such accrued interest; and

   (ii) to deal with as it seems fit in accordance with the FinCo Transaction Documents; and

(h) *eighth*, the balance shall remain in the FinCo Account.

FinCo Payment Priorities — post enforcement prior to acceleration

The FinCo Intercreditor Agreement will provide that, after delivery of a FinCo Enforcement Notice but prior to delivery of a FinCo Acceleration Notice, the FinCo Security Trustee shall use all funds standing to the credit of the FinCo Account and the proceeds of IH Transaction Documents and security enforcement proceeds to make payments (or as the case may be, any receiver appointed by it) in the same manner as the FinCo Pre-Enforcement Payment Priorities, save that:

(a) FinCo will not be able to make any payments in respect of any dividend or distribution or payment in respect of the FinCo Subordinated Intercompany Liabilities without the prior written consent of the FinCo Security Trustee (acting on the instructions of the Majority Senior TF Creditors);

(b) the remuneration, costs and expenses of any administrator or receiver appointed by the FinCo Security Trustee shall rank *pro rata* and *pari passu* with FinCo's obligations to pay the remuneration, costs and expenses of the FinCo Security Trustee;

(c) FinCo will be obliged to pay, *pro rata* and *pari passu* with its obligation to pay amounts under paragraph (f) of the FinCo Pre-Enforcement Payment Priorities, (x) interest that has accrued on any Mandatory Early Termination Amounts (as defined in the relevant FinCo/Bank Hedging Agreement) and/or (y) Accrued Interest Amounts (as defined in the relevant FinCo/Bank Hedging Agreement) together with any interest thereon, to the FinCo/Bank Hedge Counterparties under, and in accordance with, the relevant FinCo/Bank Hedging Agreements; and

(d) the surplus (if any) shall remain in the FinCo Account to be allocated as instructed by the FinCo Security Trustee (acting on the instructions of the Majority Senior TF Creditors),

(the **FinCo Post-Enforcement Pre-Acceleration Payment Priorities**).

Acceleration following receipt of security proceeds

(a) Prior to delivery of a FinCo Acceleration Notice, any FinCo Enforcement Notice shall provide that each FinCo Secured Creditor may accelerate a portion of its respective claims (and terminate any Hedging Transaction under a FinCo/Bank Hedging Agreement to the extent giving rise to a claim)

to the extent necessary to apply proceeds of enforcement of the FinCo Security but only to the extent that such accelerated claims would be discharged out of such proceeds pursuant to the FinCo Post-Acceleration Post-Enforcement Payment Priorities.

(b) For the purposes of determining the respective amounts of such accelerated claims, the FinCo Security Trustee shall, at least six Business Days prior to the intended application of an amount constituting proceeds of enforcement of the FinCo Security, request that each FinCo Secured Creditor certify to the FinCo Security Trustee on the Business Day prior to the intended application date (the **Certification Date**, which shall be specified in such request) its Senior TF Credit Participation on the Certification Date (and if a FinCo Secured Creditor fails to provide such certification on the Certification Date, then the FinCo Security Trustee will notify FinCo of such failure and FinCo must inform the FinCo Security Trustee of the Senior TF Credit Participation of such FinCo Secured Creditor on the Certification Date and such notification shall be binding on the relevant FinCo Secured Creditors except in the case of manifest error).

(c) Following receipt of such certifications, the FinCo Security Trustee shall calculate the amount of the proceeds of enforcement of the FinCo Security which would be payable to each FinCo Secured Creditor if such amounts were applied on the Certification Date in accordance with the FinCo Post-Acceleration Post-Enforcement Payment Priorities, and shall notify each FinCo Secured Creditor of such amount, (to enable such FinCo Secured Creditor to accelerate on the intended date of application of the proceeds in accordance with paragraph (a) above).

FinCo Payment Priorities — upon acceleration

The FinCo Intercreditor Agreement will provide that, after delivery of a FinCo Acceleration Notice by the TF Agent to the FinCo Security Trustee, the FinCo Security Trustee shall (to the extent that such funds are available) use funds standing to the credit of the FinCo Account and the proceeds of IH Transaction Documents and security enforcement proceeds to make payments in accordance with the following order of priority (the **FinCo Post-Acceleration Post-Enforcement Payment Priorities**):

(a) *first*, in or towards satisfaction of FinCo's obligation to pay the remuneration, costs, expenses, fees and indemnity payments and any other amounts due and payable (including amounts in respect of VAT) of the FinCo Security Trustee and any administrator or receiver appointed by the FinCo Security Trustee;

(b) *second*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of FinCo's obligation to pay:

   (i) the fees, other remuneration, costs and expenses of the TF Agent and the TF Lenders and indemnity payments of the TF Agent (in each case, including any amounts in respect of VAT to the extent provided therein); and

   (ii) the fees, other remuneration, indemnity payments, costs, charges and expenses of the FinCo Corporate Officer Provider incurred under the FinCo Corporate Officer Agreement (including any amounts in respect of VAT to the extent provided therein) up to a maximum amount of £250,000 per annum (exclusive of VAT);

(c) *third*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of FinCo's obligation to pay:

   (i) all scheduled amounts (other than any accretion payments or payments due as a consequence of the occurrence of a mandatory early termination date in respect of a FinCo/Bank Hedge) payable by FinCo to the FinCo/Bank Hedge Counterparties under any FinCo/Bank Hedging Agreements;

   (ii) all scheduled amounts (other than any accretion payments or payments due as a consequence of the occurrence of a mandatory early termination date in respect of a FinCo/Borrower Hedge) payable by FinCo to the Borrower under any FinCo/Borrower Hedging Agreements; and

   (iii) interest due or overdue in respect of the Term Facilities.

(d) *fourth*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of FinCo's obligation to pay:

   (i) all unscheduled amounts and termination payments, accretion or other pay as you go payments and other charges (which, for the avoidance of doubt, shall include (amongst

others) payments due as a consequence of the occurrence of a mandatory early termination date or optional termination date in respect of a FinCo/Bank Hedge) (other than any amounts payable under paragraph (d)(iv) below) payable by FinCo to the FinCo/Bank Hedge Counterparties under any FinCo/Bank Hedging Agreements;

(ii) all unscheduled amounts and termination payments, accretion or other pay as you go payments and other charges (which, for the avoidance of doubt, shall include (amongst others) payments due as a consequence of the occurrence of a mandatory early termination date or optional termination date in respect of a FinCo/Borrower Hedge) payable by FinCo to the Borrower under any FinCo/Borrower Hedging Agreements;

(iii) principal and any other amounts due or overdue in respect of the Term Facilities; and

(iv) (x) interest that has accrued on any Mandatory Early Termination Amounts (as defined in the relevant FinCo/Bank Hedging Agreement) and/or (y) Accrued Interest Amounts (as defined in the relevant FinCo/Bank Hedging Agreement) together with any interest thereon, to the FinCo/Bank Hedge Counterparties under, and in accordance with, the relevant FinCo/Bank Hedging Agreements; and

(e) *fifth,* the surplus, if any, to FinCo.

TERMS AND CONDITIONS

The following is the text of the terms and conditions which (subject to completion in accordance with the provisions of the relevant Final Terms) will be incorporated by reference into each Global Note (as defined below) and each Definitive Note (as defined below), in the latter case, only if such incorporation by reference is permitted by the rules of the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such Definitive Note will have endorsed thereon or attached thereto such terms and conditions. Further information with respect to each Tranche of Notes will be given in the relevant Final Terms which will provide for those aspects of these Conditions which are applicable to such Tranche of Notes. Either (i) the full text of these terms and conditions together with the relevant Part A of the Final Terms or (ii) these terms and conditions as so completed (and subject to simplification by the deletion of non-applicable provisions) will be endorsed upon, or attached to, each Global Note and Definitive Note. Reference should be made to the "Pro Forma Final Terms" for a description of the content of Final Terms which will specify which of the terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Arqiva Financing plc (the **Issuer**) constituted by a note trust deed (such note trust deed as modified and/or supplemented and/or restated from time to time, the **Note Trust Deed**) dated on or about 21 February 2013 (the **Signing Date**) made between the Issuer and Deutsche Trustee Company Limited (the **Note Trustee**, which expression shall include any successor 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).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;

(b) any Global Note;

(c) any definitive Notes in bearer form (**Bearer Definitive Notes**) issued in exchange for a Global Note in bearer form; and

(d) any definitive Notes in registered form (**Registered Definitive Notes** and, together with Bearer Definitive Notes, **Definitive Notes**) (whether or not issued in exchange for a Global Note in registered form).

Each Series of Notes may be denominated in different currencies or have different interest rates, maturity dates or other terms. Notes of any Series may be zero coupon Notes (**Zero Coupon Notes**), fixed rate Notes (**Fixed Rate Notes**), floating rate Notes (**Floating Rate Notes**), index-linked Notes (**Index Linked Notes**), dual currency Notes (**Dual Currency Notes**), partly paid Notes (**Partly Paid Notes**) or instalment Notes (**Instalment Notes**) depending on the method of calculating interest payable in respect of such Notes and may be denominated in sterling, euro, U.S. dollars or in other currencies subject to compliance with applicable law.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit (to the extent applicable) of an agency agreement (as amended, supplemented and/or restated from time to time, the **Agency Agreement**) to be dated on or about the Signing Date between, *inter alios*, the Issuer, the Note Trustee, the Principal Paying Agent and the other Paying Agents, the Exchange Agent, the Agent Bank and the Transfer Agent and the Registrar. As used herein, each of **Principal Paying Agent**, **Paying Agents**, **Exchange Agent**, **Agent Bank**, **Transfer Agent** and/or **Registrar** means, in relation to the Notes, the persons specified in the Agency Agreement as the Principal Paying Agent, Paying Agents, Exchange Agent, Agent Bank, Transfer Agent and/or Registrar, respectively, and, in each case, any successor to such person in such capacity, and **Agents** shall mean the Principal Paying Agent, the Transfer Agent, the Exchange Agent, the Registrar, the Agent Bank, any Calculation Agent (as defined below) appointed thereunder and any additional Paying Agents also appointed thereunder. The Notes may also have the benefit (to the extent applicable) of a calculation agency agreement (in the form or substantially in the form of schedule 1 to the Agency Agreement, the **Calculation Agency Agreement**) between, *inter alios*, the Issuer and any calculation agent appointed by the Issuer as calculation agent (the **Calculation Agent**).

Interest bearing Bearer Definitive Notes have interest coupons (**Coupons**) and, if indicated in the applicable Final Terms, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Bearer Definitive Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading), and **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, (unless this is a Zero Coupon Note) Interest Commencement Dates and/or Issue Prices.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Definitive Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Receiptholders** shall mean the holders of the Receipts and any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons. The Note Trustee acts for the benefit of the Noteholders, the Receiptholders and the Couponholders in accordance with the provisions of the Note Trust Deed.

The final terms for the Notes (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on the Notes which complete these terms and conditions (the **Conditions** if specified as applicable in such Final Terms). References to the **applicable Final Terms** are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

Certain statements in these Conditions are summaries of the detailed provisions appearing on the face of the Notes (which expression shall include the body thereof) and in the relevant Final Terms, the Note Trust Deed, the Issuer Deed of Charge and the other Issuer Transaction Documents. Copies of the Issuer Transaction Documents are available for inspection during normal business hours by the Noteholders at the specified offices of the Principal Paying Agent and any other Paying Agents (in the case of Bearer Definitive Notes) or the specified offices of the Transfer Agent and the Registrar (in the case of Registered Definitive Notes). Copies of the applicable Final Terms are available for viewing at the registered office of the Issuer and of the Principal Paying Agent and copies may be obtained from those offices save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (Directive 2003/71/EC), the applicable Final Terms will only be obtainable by a Noteholder holding one or more unlisted Notes of that Tranche and such Noteholder must provide evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Note Trust Deed, the Agency Agreement, the Issuer Deed of Charge, the relevant Final Terms and the other Issuer Transaction Documents applicable to them.

Capitalised terms defined in the Note Trust Deed or the Issuer Deed of Charge or used in the applicable Final Terms shall have the same meanings when used in these Conditions unless the context otherwise required or unless otherwise stated.

Capitalised terms not otherwise defined in these Conditions, the Note Trust Deed, the Issuer Deed of Charge or the applicable Final Terms shall bear the meanings given to them in the Master Definitions Agreement and these Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions Agreement.

Any reference in these Conditions to a matter being **specified** means as the same may be specified in the relevant Final Terms.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of Definitive Notes, serially numbered, in the Specified Currency and Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and, subject to Condition 6.4, Bearer Definitive Notes may not be exchanged for Registered Notes and vice versa.

The Notes may be Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Dual Currency Notes, Index Linked Notes or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

The Notes may be Instalment Notes, Dual Currency Redemption Notes, Partly Paid Notes, Index Linked Notes or a combination of any of the foregoing or any other or further type of Notes as is specified in the applicable Final Terms, in each case as specified in and depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

Bearer Definitive Notes are issued with Coupons and Talons attached (where applicable), unless they are Zero Coupon Notes in which case references to Coupons, Talons and Couponholders in the Conditions are not applicable.

Bearer Definitive Notes are issued with Receipts, unless they are not Instalment Notes in which case references to Receipts and Receiptholders in these Conditions are not applicable.

Subject as set out below, title to the Bearer Definitive Notes, Receipts and Coupons will pass by delivery and title to the Registered 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 bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered 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 is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking, *société anonyme* (**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 nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal 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 and the Agents as the holder of such nominal 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 bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Note 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.

For so long as the Depository Trust Company (**DTC**) or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Note Trust Deed and the Agency Agreement and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

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.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, Luxembourg, as the case may be. References to DTC, Euroclear and/or Clearstream, Luxembourg shall,

whenever the context so permits, be deemed to include a reference to any additional or alternative Clearing System specified in the applicable Final Terms or as may otherwise be approved by the Issuer and the Principal Paying Agent.

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, 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 Registered 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 Registered Global Note only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, 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. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

2.2 Transfers of Registered 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 Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any 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 as the case may be, 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 3 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, 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 the Registrar or, as the case may be, the 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 Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered 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 Registered Note, or part of a Registered Note, called for partial redemption.

2.4 Regulations concerning the transfer of Registered Notes

All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered 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 2 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 for DTC may be held through DTC directly, by a participant in DTC or indirectly through a participant in DTC 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 in the case of a Regulation S Global Note registered in the name of a nominee for DTC, 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 Registered Notes generally*

Holders of Registered Notes in definitive form may exchange such Notes for interests in a Registered Global Note of the same type at any time.

2.9 *Definitions*

In this Condition, the following expressions shall have the following meanings:

CEA means the U.S. Commodity Exchange Act, as amended;

Distribution Compliance Period means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

Legended Note means Registered Notes (whether in definitive form or represented by a Registered 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**);

QIB means a qualified institutional buyer within the meaning of Rule 144A;

Regulation S means Regulation S under the Securities Act;

Regulation S Global Note means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

Rule 144A means Rule 144A under the Securities Act;

Rule 144A Global Note means a Registered Global Note representing Notes sold in the United States to QIBs in reliance on Rule 144A;

Securities Act means the United States Securities Act of 1933, as amended; and

U.S. person has the meaning given to it in Regulation S.

3. STATUS OF NOTES

3.1 *Status of the Notes*

The Notes and any relative Receipts and Coupons are direct, unconditional and unsubordinated obligations of the Issuer, are secured in the manner described in Condition 4 (*Security, Priority and Relationship with Issuer Secured Creditors*) and limited recourse obligations pursuant to Condition 18 (*Limited Recourse*) and rank *pari passu* without any preference among themselves.

3.2 *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 Issuer Transaction Documents except by means of receipt of a certificate from the Issuer which will state, among other things, that no Issuer 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 Issuer Transaction Documents. The Note Trustee may call for and is at liberty to accept as sufficient evidence a certificate signed by any one director of the Issuer or any other party to the Issuer 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. SECURITY, PRIORITY AND RELATIONSHIP WITH ISSUER SECURED CREDITORS

4.1 Security

As continuing security for the payment or discharge of all present and future obligations and liabilities (whether actual or contingent) of the Issuer to any Issuer Secured Creditor under each Issuer Transaction Document (the **Issuer Secured Liabilities**) (including, without limitation, all monies payable in respect of the Notes, Coupons and Receipts and otherwise under the Note Trust Deed, the Issuer Deed of Charge and any deed or other document executed in accordance with the Note Trust Deed or the Issuer Deed of Charge and expressed to be supplemental to the Note Trust Deed or the Issuer Deed of Charge (as applicable) (the **Trust Documents**) (including, without limitation, the remuneration, expenses and other claims of the Note Trustee under the Note Trust Deed and the Issuer Security Trustee and any receiver appointed under the Issuer Deed of Charge)), the Issuer has entered into the Issuer Deed of Charge to create as far as permitted by and subject to compliance with any applicable law, the following security (the **Issuer Security**) in favour of the Issuer Security Trustee for itself and on trust for the other Issuer Secured Creditors:

(i) an assignment by way of first fixed security of all of the rights of the Issuer under each Issuer Charged Document (without prejudice to, and after giving effect to, any set-off or netting provisions contained in any Issuer Hedging Agreement);

(ii) a first fixed charge over all of the rights of the Issuer in the Security Accounts (as defined in the Issuer Deed of Charge);

(iii) a first fixed charge over all rights of the Issuer in respect of the benefit of all authorisations (statutory or otherwise) held in connection with its use of any Issuer Charged Property and any compensation which may be payable to it in respect of those authorisations;

(iv) a first fixed charge over all of the rights of the Issuer in respect of each Authorised Investment of the Issuer; and

(v) a first floating charge over all the Issuer's assets including, without limitation, the Issuer's uncalled capital other than any assets at any time otherwise effectively charged or assigned by way of a fixed charge or assignment.

All Notes issued by the Issuer under the Programme will share in the Issuer Security constituted by the Issuer Deed of Charge, upon and subject to the terms thereof.

4.2 Relationship among Noteholders and with other Issuer Secured Creditors

The Note Trust Deed contains provisions detailing the Note Trustee's obligations to consider the interests of Noteholders as regards all discretions of the Note Trustee (except where expressly provided otherwise or referred to in Condition 15 (*Note Trustee Protections*)).

4.3 Enforcement of Issuer Security

In the event of the Issuer Security becoming enforceable as provided in the Issuer Deed of Charge, the Note Trustee may, at its discretion, or shall, if directed by the Issuer Qualifying Secured Creditors together holding or representing 25% or more of the Issuer Qualifying Debt (i) in writing and/or (ii) (in the case of the Noteholders) by an Extraordinary Resolution of all Noteholders, direct the Issuer Security Trustee to deliver an Issuer Enforcement Notice and to enforce its rights with respect to the Issuer Security, but without any liability as to the consequence of such action and without having regard to the effect thereof on, or being required to account for such action to, any particular Noteholder, provided that neither the Note Trustee nor the Issuer Security Trustee shall be obliged to take any action unless they are indemnified and/or secured and/or prefunded to their satisfaction.

4.4 Application before enforcement

Before enforcement of the Issuer Security, the Issuer or the Issuer Cash Manager (on its behalf) shall (to the extent such funds are available) use funds standing to the credit of the Issuer Transaction Account to make payments in accordance with the Issuer Pre-Enforcement Payment Priorities (as set out in the Issuer Cash Management Agreement and incorporated into the Issuer Deed of Charge).

4.5 Application following enforcement (but prior to acceleration)

After enforcement of the Issuer Security but prior to delivery of an Issuer Acceleration Notice by the Note Trustee in accordance with Condition 10.3, the Issuer Security Trustee shall (to the extent that such funds are available) use funds standing to the credit of the Issuer Accounts and any other proceeds of the enforcement of the Issuer Security to make payments in accordance with the Issuer Post-Enforcement Pre-Acceleration Payment Priorities (as set out in the Issuer Deed of Charge).

4.6 Application following acceleration

After the delivery of an Issuer Acceleration Notice by the Note Trustee in accordance with Condition 10.3, the Issuer Security Trustee shall (to the extent that such funds are available) use funds standing to the credit of the Issuer Accounts (other than any amounts which are to be applied in redemption of the Notes in accordance with the Conditions notwithstanding the Issuer Post-Acceleration Payment Priorities) will be applied in accordance with the Issuer Post-Acceleration Payment Priorities (as set out in the Issuer Deed of Charge).

5. INTEREST AND OTHER CALCULATIONS

5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date at the Interest Rate, such interest being payable in arrear (unless otherwise specified in the relevant Final Terms) on each Interest Payment Date in each year up to and including the Final Maturity Date.

Interest will cease to accrue on each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) on the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which event interest will continue to accrue (both before and after judgment) at the Interest Rate that would otherwise apply in respect of unpaid amounts on such Notes at such time to the Note Relevant Date (as defined in Condition 12 (*Prescription*)).

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount specified in the applicable Final Terms. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount specified in the applicable Final Terms.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest (as defined below) to:

(i) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate Principal Amount Outstanding of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(ii) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

5.2 Day Count Fraction

Day Count Fraction means, in respect of the calculation of an amount of interest, in accordance with this Condition 5:

(i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

(A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

I. the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

II. the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (2) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(iii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iv) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(v) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(vi) if "30/360 (ICMA)" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;

(vii) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

where:

Y1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

D2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(viii) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

where:

Y1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D1 is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

D2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30; or

(ix) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

where:

Y1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D1 is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

D2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Final Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

In these Conditions:

Determination Period means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent; and

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.

5.3 Interest on Floating Rate Notes and Index Linked Notes

(a) **Interest Payment Dates**

Each Floating Rate Note and Index Linked Note bears interest on its Principal Amount Outstanding (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each **Interest Period** (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(i) in any case where Specified Periods are specified in accordance with Condition 5.3(a)(ii) above, the **Floating Rate Convention**, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (c) below shall apply mutatis mutandis or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (1) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (2) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(ii) the **Following Business Day Convention**, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(iii) the **Modified Following Business Day Convention**, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(iv) the **Preceding Business Day Convention**, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, **Business Day** means a day which is both:

(i) 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 and any Additional Business Centre specified in the applicable Final Terms; and

(ii) either (1) in relation to any sum payable in a Specified Currency other than euro, 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 principal financial centre of the country of the relevant Specified Currency or (2) in relation to any Note denominated or sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET 2) System or any successor thereto (the **TARGET 2 System**) is open.

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Principal Paying Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the relevant Series Notes (the **ISDA Definitions**) and under which:

(A) the Floating Rate Option is as specified in the applicable Final Terms;

(B) the Designated Maturity is the period specified in the applicable Final Terms; and

(C) the relevant Reset Date is either (1) if the applicable Floating Rate Option is based on the London interbank offered rate (**LIBOR**) or on the Euro-zone interbank offered rate (**EURIBOR**), the first day of that Interest Period or (2) in any other case, as specified in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation (if there is only one quotation on the Relevant Screen Page); or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of sub-paragraph (ii)(A), no offered quotation appears or if, in the case of sub-paragraph (ii)(B), fewer than two offered quotations appear, in each case as at the Relevant Time, the Agent Bank (or Calculation Agent, if applicable) shall request the principal Relevant Financial Centre office of each of the Reference Banks to provide the Agent Bank (or Calculation Agent, if applicable) with its offered quotation (expressed as a percentage rate per annum) for the Relevant Rate at approximately the Relevant Time on the Interest Determination Date in question in respect of prime banks in the Relevant Financial Centre interbank market (or, if appropriate, money market) in an amount that is representative for a single transaction in that market at that time. If two or more of the Reference Banks provide the Agent Bank (or Calculation Agent, if applicable) with offered quotations, the Interest Rate for the Interest Period shall be the arithmetic mean (rounded if necessary to the seventh decimal place with halves being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent Bank (or Calculation Agent, if applicable).

If on any Interest Determination Date one only or none of the Reference Banks provides the Agent Bank (or Calculation Agent, if applicable) with an offered quotation as provided in the preceding paragraph, the Interest Rate for the relevant Interest Period shall be the rate per annum which the Agent Bank (or Calculation Agent, if applicable) determines as being the arithmetic mean (rounded if necessary to the seventh decimal place, with halves being rounded upwards) of the rates, as communicated to (and at the request of) the Agent Bank (or Calculation Agent, if applicable) by the Reference Banks (being the rates nearest to the Relevant Rate as determined by the Agent Bank (or the Calculation Agent, if applicable)) quoted by the Reference Banks at the Relevant Time on the relevant Interest Determination Date) for loans in the relevant currency to leading European banks for a period equal to the relevant Interest Period and in the Representative Amount plus or minus (as appropriate) the Margin (if any).

In respect of Floating Rate Notes to which Screen Rate Determination applies, **Relevant Screen Page** means the agreed screen page of a commercial quotation service as specified in the applicable Final Terms.

(iii) Index Linked Notes

The Rate of Interest applicable to Index Linked Notes will be the Interest Rate specified in the applicable Final Terms subject to adjustment for indexation in accordance with Condition 7.2 (*Application of the Index Ratio*).

(c) ***Minimum Rate of Interest and/or Maximum Rate of Interest***

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) ***Determination of Rate of Interest and calculation of Interest Amounts***

The Principal Paying Agent (in the case of Floating Rate Notes) and the Calculation Agent (in the case of Index Linked Notes) will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Notes, will calculate the amount of interest (the **Interest Amount**) payable on the Notes for the relevant Interest Period by applying the Rate of Interest to:

(i) in the case of Floating Rate Notes and Index Linked Notes which are represented by a Global Note, the aggregate Principal Amount Outstanding of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(ii) in the case of Floating Rate Notes and Index Linked Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention and, in the case of Index Linked Notes only, adjusted according to the indexation set out in Condition 7.2 (*Application of the Index Ratio*). Where the Specified Denomination of a Floating Rate Note and Index Linked Notes in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding. In such case the Calculation Agent will notify the Principal Paying Agent of the Interest Amount for the relevant Interest Period as soon as practicable after calculating the same.

(e) ***Notification of Rate of Interest and Interest Amounts***

The Principal Paying Agent (in the case of Floating Rate Notes) and the Calculation Agent (in the case of Index Linked Notes) will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Note Trustee and any stock exchange on which the relevant Floating Rate Notes and Index Linked Notes are for the time being listed, quoted and/or traded or by which they have been admitted to trading (by no later than the first date of each Interest Period) and notice thereof to be published in accordance with Condition 16 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the Note Trustee and each stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Notes are for the time being listed and to the Noteholders in accordance with Condition 16 (*Notices*). For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(f) ***Determination or calculation by Note Trustee***

If for any reason at any relevant time the Principal Paying Agent (or the Calculation Agent, if applicable) does not at any time for any reason determine any Interest Rate, Interest Amount, Redemption Amount, Instalment Amount or any other amount to be determined or calculated by it (including, for the avoidance of doubt, in the case of Index Linked Notes any applicable Index Ratio to be calculated in accordance with Condition 7.2 (*Application of the Index Ratio*)), the Note Trustee shall (without liability to any person for so doing, determine such Interest Rate, Interest Amount, Redemption Amount, Instalment Amount or other amount as aforesaid at such rate or in such amount as in its absolute discretion (having regard as it shall think fit to the procedures described above, but subject to (i) any Minimum Interest Rate or Maximum Interest Rate specified in the applicable Final Terms and (ii) the terms of the Note Trust Deed) it shall deem fair and reasonable in all the circumstances or, subject as aforesaid, apply the foregoing provisions of this Condition 5 (*Interest and Other Calculations*), with any consequential amendments, to the extent that, in its sole opinion, it can do so and in all other respects it shall do so in such manner as it shall, in its absolute discretion, deem fair and reasonable in the circumstances, and each such determination or calculation shall be deemed to have been made by the Agent Bank (or the Calculation Agent, if applicable). In making any such determination or calculation, the Note Trustee may appoint and rely on a determination or calculation by a calculation agent (which shall be an investment bank or other suitable entity of international repute).

(g) ***Certificates to be final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of Condition 5 (*Interest and Other Calculations*) whether by the Note Trustee, the Principal Paying Agent or the Agent Bank (or the Calculation Agent, if applicable) shall (in the absence of wilful default, gross negligence, bad faith or manifest error) be binding on the Issuer, each Obligor, the Agent Bank, the Note Trustee, the Principal Paying Agent, the Calculation Agent, the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Obligors, the Note Trustee, the Noteholders, the Receiptholders or the Couponholders shall attach to the Note Trustee, the Principal Paying Agent, the Agent Bank or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.4 Interest on Dual Currency Notes

In the case of Dual Currency Notes where the rate of interest or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest shall be determined in the manner specified in the applicable Final Terms.

5.5 Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

5.6 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 the date for its redemption unless, upon due presentation thereof, 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 such Issuer 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 16 (Notices).

6. REDEMPTION, PURCHASE AND CANCELLATION

6.1 Final redemption

If the Notes of any Series have not previously been redeemed in full, or purchased and cancelled, the Notes will be finally redeemed at the then Principal Amount Outstanding (in the case of Index Linked Notes, as adjusted in accordance with Condition 7.2 (*Application of the Index Ratio*)) of such Series plus accrued but unpaid interest on the Final Maturity Date specified in the relevant Final Terms for such Tranche.

6.2 Optional redemption

Subject as provided below, upon giving not more than ten nor less than five days notice to the Note Trustee, the Issuer Secured Creditors and the Noteholders, the Issuer may (prior to the Final Maturity Date) redeem any Series of the Notes in whole or in part (but on a *pro rata* basis only) on any Interest Payment Date at their Redemption Amount, provided that Floating Rate Notes may not be redeemed before the Call Protection Date (if any) specified in the relevant Final Terms, as follows:

(i) In respect of Fixed Rate Notes denominated in sterling, the Redemption Amount will, unless a Modified Redemption Amount or an Alternative Redemption Amount is specified in the relevant Final Terms, be an amount equal to the higher of (A) their Principal Amount Outstanding and (B) the price determined to be appropriate by a financial adviser in London (selected by the Issuer and approved by the Note Trustee) as being the price at which the Gross Redemption Yield on such Notes on the Reference Date is equal to the Gross Redemption Yield at 3.00 pm (London time) on the Reference Date on the Reference Gilt while that stock is in issue, and thereafter such UK government stock as the Issuer may, with the advice of three persons operating in the gilt-edged market (selected by the Issuer and approved by the Note Trustee) determine to be appropriate, plus accrued but unpaid interest on the Principal Amount Outstanding.

For the purposes of this paragraph 6.2(i), **Gross Redemption Yield** means a yield expressed as a percentage and calculated on a basis consistent with the basis indicated by the UK Debt Management Office publication "Formulae for Calculating Gilt Prices from Yields" published on 8 June 1998 with effect from 1 November 1998 and updated on 15 January 2002, page 5 or any replacement therefor and, for the purposes of such calculation, the date of redemption of the relevant Fixed Rate Notes shall be assumed to be the Expected Maturity Date (if applicable) and not the Final Maturity Date; **Reference Date** means the date which is two Business Days prior to the despatch of the notice of redemption under this paragraph (i); and **Reference Gilt** means the United Kingdom government stock specified in the relevant Final Terms.

(ii) For the purposes of this Condition 6.2, the **Alternative Redemption Amount** is the amount specified as such in the relevant Final Terms (if any); and the **Modified Redemption Amount** if specified as applicable in the relevant Final Terms will be an amount equal to the lower of (x) the Principal Amount Outstanding of the relevant Notes or the relevant portion thereof available for redemption and (y) (in the case of Fixed Rate Notes or Index Linked Notes denominated in sterling) an amount calculated by multiplying the Principal Amount Outstanding of such Notes or the relevant portion thereof available for redemption by that price (expressed as a percentage) (as reported in writing to the Issuer and the Note Trustee by a financial adviser nominated by the Issuer and approved by the Note Trustee) (and rounded to three decimal places (0.0005 being rounded upwards)) at which the Gross Redemption Yield on the Notes on the Reference Date is equal to the Redemption Rate or (in the case of Fixed Rate Notes denominated in euro) at the Redemption Amount calculated in accordance with paragraph 6.2(iv) provided that the reference in such calculation to the Bund Rate shall be construed as a reference to the Redemption Rate or (in the case of Fixed Rate Notes denominated in a currency other than sterling or euro or Index Linked Notes denominated in a currency other than sterling) the Alternative Redemption Amount calculated in accordance with the relevant Final Terms, plus, in each case, accrued but unpaid interest (in the case of Index Linked Notes, as adjusted in accordance with Condition 7.2 (*Application of the Index Ratio*)) on the Principal Amount Outstanding or the relevant portion thereof available for redemption to (but excluding) the date of redemption; **Redemption Rate** means the sum of the Relevant Swap Mid Curve Rate and 0.50% per annum or, if the Relevant Swap Mid Curve Rate is not able to be determined, the sum of such rate as may be specified by a Financial Adviser nominated by the Issuer and approved by the Note Trustee and 0.50% per annum; **Gross Redemption Yield** has the meaning given to it (in the case of Fixed Rate Notes) in Condition 6.2(i) or (in the case of Index Linked Notes) in Condition 6.2(iii); **Relevant Swap Mid Curve Rate** means the mid-point of the bid-side and offer-side rates for the fixed leg of a hypothetical interest rate swap with a notional profile equal to the interest profile applicable to the relevant Tranche of Notes to be redeemed to (but excluding) the Final Maturity Date or (if applicable) the Expected Maturity Date, with the same payment dates as the relevant Notes, against a floating leg of the Relevant Interest Rate, with no spread, where such hypothetical interest rate swap is between two highly-rated (as rated AA- by S&P or Fitch or equivalent or higher) and fully collateralised market counterparties (the Relevant Swap Mid Curve Rate shall be determined by a financial adviser (nominated by the Issuer and approved by the Note Trustee) using its standard valuation methodology (as at the date of calculation) as at or about the time for determining interest rate quotation in the currency of the relevant Notes in accordance with market practice on the Reference Date); and **Relevant Interest Rate** means the rate of interest for deposits in the currency of the relevant Notes and of a duration equal to the length of the Interest Period (other than the first or last Interest Period, if different) of the relevant Notes as determined as at or about the time for determining interest rate quotation in the currency of the relevant Notes in accordance with market practice on the Reference Date by reference to the Reuters screen (if the relevant Notes are denominated in sterling or U.S. dollars) LIBOR01, (if the relevant Notes are denominated in euro) EURIBOR01 or (if the relevant Notes are denominated in a currency other than sterling or euro) specified in the relevant Final Terms or, in each case, such other page as may replace such page or, if that service ceases to display such information, such page as displays such information on such service as may replace the Reuters screen.

(iii) In respect of Index Linked Notes denominated in sterling, the Redemption Amount will (unless otherwise specified in the relevant Final Terms) be the higher of (i) the Principal Amount Outstanding and (ii) the price determined to be appropriate (without any additional indexation beyond the implicit indexation in such determined price) by a financial adviser in London (selected by the Issuer and approved by the Note Trustee) as being the price at which the Gross Real Redemption Yield on the Notes on the Reference Date (as defined below) is equal to the Gross Real Redemption Yield at 3.00 pm (London time) on the Reference Date on the Reference Gilt while that stock is in issue, and thereafter such UK government stock as the Issuer may, with the advice of three persons operating in the gilt-edged market (selected by the Issuer and approved by the Note

Trustee), determine to be appropriate, plus accrued but unpaid interest (as adjusted in accordance with Condition 7.2 (*Application of the Index Ratio*)) on the Principal Amount Outstanding.

For the purposes of this paragraph (iii), **Gross Real Redemption Yield** means a yield expressed as a percentage and calculated on a basis consistent with the basis indicated by the UK Debt Management Office publication "Formulae for Calculating Gilt Prices from Yields" published on 8 June 1998 with effect from 1 November 1998 and updated on 16 March 2005, page 5 or any replacement therefor and, for the purposes of such calculation, the date of redemption of the relevant Index Linked Notes shall be assumed to be the Expected Maturity Date (if applicable) and not the Final Maturity Date; **Reference Date** means the date which is two Business Days prior to the despatch of the notice of redemption under this paragraph (iii); and **Reference Gilt** means the United Kingdom government stock specified in the relevant Final Terms.

(iv) In respect of Fixed Rate Notes denominated in euro, the Redemption Amount will, unless a Modified Redemption Amount or an Alternative Redemption Amount is specified in the relevant Final Terms, be an amount equal to the higher of (i) their Principal Amount Outstanding and (ii) the present value at the Reference Date of (A) their Principal Amount Outstanding plus (B) all required interest payments due on the Notes (excluding accrued but unpaid interest to the date on which the Notes are to be redeemed (the **Redemption Date**)), computed using a discount rate equal to the Bund Rate as of the Reference Date and assuming the relevant Fixed Rate Notes would otherwise have been redeemed on the Final Maturity Date or (if applicable) the Expected Maturity Date, plus, in either case, accrued but unpaid interest to the Redemption Date.

For the purposes of this paragraph 6.2(iv), **Bund Rate** means, with respect to any Reference Date, the rate per annum equal to the equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price on such date of determination; **Comparable German Bund Issue** means the German Bundesanleihe security specified in the relevant Final Terms or, if no such security is specified or the specified security is no longer in issue, the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such Reference Date to the Final Maturity Date or (if applicable) the Expected Maturity Date and that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then Principal Amount Outstanding of the Notes and of a maturity most nearly equal to the Final Maturity Date or (if applicable) the Expected Maturity Date provided, however, that if the period from such Redemption Date to the Final Maturity Date or (if applicable) the Expected Maturity Date is less than one year, a fixed maturity of one year shall be used; **Comparable German Bund Price** means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations or, if the Financial Adviser obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations; **Financial Adviser** means a financial adviser in Frankfurt (selected by the Issuer and approved by the Note Trustee); **Reference Date** means the date which is three Business Days prior to the despatch of the notice of redemption under this paragraph (iv); **Reference German Bund Dealer** means any dealer of German Bundesanleihe securities appointed by the Financial Adviser; and **Reference German Bund Dealer Quotations** means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Financial Adviser of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Financial Adviser by such Reference German Bund Dealer at or about 3.30 pm (Frankfurt, Germany time) on the Reference Date.

(v) In respect of Fixed Rate Notes denominated in a Specified Amount other than sterling or euro, the Redemption Amount will be an Alternative Redemption Amount as specified in the relevant Final Terms.

(vi) In respect of Floating Rate Notes, the Redemption Amount will be the Principal Amount Outstanding plus any accrued but unpaid interest on the Principal Amount Outstanding.

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 DTC and/or 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 16 (*Notices*) not less than 15 days (or such shorter period as is specified in the applicable Final Terms) 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 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 16 (*Notices*) at least five days (or such shorter period as is specified in the applicable Final Terms) prior to the Selection Date.

In any such case, prior to giving any such notice, the Issuer must certify (as further specified in the Issuer Transaction Documents) to the Note Trustee that it will have the funds, not subject to any interest (other than under the Issuer 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 under the relevant Issuer Payment Priorities.

6.3 Redemption for Index Event

Upon the occurrence of any Index Event, the Issuer may, upon giving not more than ten nor less than five days' notice to the Note Trustee, the Issuer Secured Creditors and the Noteholders of the Index Linked Notes in accordance with Condition 16 (*Notices*), redeem all (but not some only) of the Index Linked Notes of all Series on any Interest Payment Date at the Principal Amount Outstanding (adjusted in accordance with Condition 7.2 (*Application of the Index Ratio*)) plus accrued but unpaid interest. No single Series of Index Linked Notes may be redeemed in these circumstances unless all the other Series of Index Linked Notes are also redeemed at the same time. Before giving any such notice, the Issuer shall provide to the Note Trustee and the other Issuer Secured Creditors a certificate signed by an authorised signatory (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 occurred 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 under the applicable Issuer Payment Priorities.

Index Event means if the Index Figure for three consecutive months falls to be determined on the basis of an Index Figure previously published as provided in Condition 7.3(ii) (*Delay in publication of Index*) and the Note Trustee has been notified by the Principal Paying Agent that publication of the Index has ceased and no amendment or substitution of the Index has been advised by the Indexation Adviser to the Issuer and such circumstances are continuing.

6.4 Redemption for taxation or other reasons

If at any time the Issuer satisfies the Note Trustee:

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

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

(iii) that the 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 any Issuer/Borrower Loans;

(iv) that the Issuer, the Borrower or a Hedge Counterparty would be required to make any withholding or deduction for or on account of taxes from payments in respect of any Borrower Hedges or any Issuer Hedges;

(v) that the Issuer or the Borrower would be required to make any withholding or deduction for or on account of any taxes from payments in respect of any Issuer/Borrower Hedges; or

(vi) that by reason of a change of law (or the application or official interpretation thereof), which becomes effective on or after the Closing Date, it has or will become unlawful for the Issuer to perform any of its obligations under the Issuer/Borrower Facilities Agreement or to fund or maintain its participation in any Issuer/Borrower Loans,

then the Issuer may, in order to avoid the relevant deductions, withholding or illegality, but is not obliged to, (a) 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 Issuer/Borrower Facilities Agreement and as an Obligor Secured Creditor under the Obligor Transaction Documents upon satisfying the conditions for substitution of the Issuer as set out in Condition 14 (*Meetings of Noteholders, Modification, Waiver and Substitution*)) or (b) convert any Bearer Definitive Notes into Registered Definitive Notes if such conversion will be effective to avoid the relevant deduction, withholding or illegality. The Issuer may, upon giving not more than ten nor less than five days' notice in writing to the Note Trustee, the other Issuer Secured Creditors and the Noteholders in accordance with Condition 16 (*Notices*), redeem all (but not some only) of the relevant Series of Notes on any Interest Payment Date at their Principal Amount Outstanding plus accrued but unpaid interest thereon (each adjusted, in the case of Index Linked Notes, in accordance with Condition 7.2 (*Application of the Index Ratio*)). Before giving any such notice of redemption, the Issuer shall provide to the Note Trustee and the other Issuer Secured Creditors 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 under the applicable Issuer Payment Priorities.

6.5 Early redemption on prepayment of Issuer/Borrower Loans

If: the Borrower gives notice to the Issuer under the Issuer/Borrower Facilities Agreement that it intends to prepay all or part of any Issuer/Borrower Loan or the Borrower is required to prepay all or part of any Issuer/Borrower Loan:

the Issuer shall, upon giving not more than ten nor less than five days' notice to the Note Trustee, the other Issuer Secured Creditors and the Noteholders in accordance with Condition 16 (*Notices*) redeem all of the Notes of the corresponding Series or Tranche or (where part only of such Issuer/Borrower Loan is being prepaid) the proportion of the relevant Series or Tranche of Notes which the proposed prepayment amount bears to the amount of the relevant Issuer/Borrower Loan.

In the case of a voluntary prepayment of any Issuer/Borrower Loan, the relevant Notes will be redeemed at their Redemption Amount determined in accordance with Condition 6.2 (*Optional redemption*) (except that, in the case of Fixed Rate Notes and Index Linked Notes, for the purposes of this Condition 6.5, **Reference Date** means the date two Business Days prior to the despatch of the notice of redemption given under this Condition 6.5), plus accrued but unpaid interest.

In the case of a mandatory prepayment of any Issuer/Borrower Loan in accordance with the CTA (a) using any Disposal Proceeds or (b) following a Trigger Event, the relevant Notes will be redeemed at their Redemption Amount determined in accordance with Condition 6.2 (*Optional*

redemption) (except that, in the case of Fixed Rate Notes and Index Linked Notes, for the purposes of this Condition 6.5, **Reference Date** means the date two Business Days prior to the despatch of the notice of redemption given under this Condition 6.5), in each case, plus accrued but unpaid interest.

In the case of a mandatory prepayment of any Issuer/Borrower Loan in accordance with the CTA (a) following its Expected Maturity Date or (b) following an Obligor Enforcement Notice being served but prior to an Obligor Acceleration Notice being served, the relevant Notes will be redeemed at their Principal Amount Outstanding (in the case of Index Linked Notes, as adjusted in accordance with Condition 7.2 (*Application of the Index Ratio*)), (in each case) plus accrued but unpaid interest.

6.6 *Early redemption following Acceleration*

If the Issuer receives (or is to receive) any monies from any Obligor following the service of an Obligor Acceleration Notice or pursuant to clause 18.7 of the STID in repayment of all or any part of the Issuer/Borrower Loans, the Issuer shall, upon giving not more than ten nor less than five days' notice to the Note Trustee, the other Issuer Secured Creditors and the Noteholders in accordance with Condition 16 (*Notices*), apply such monies in accordance with the relevant Issuer Payment Priorities and redeem (to the extent of such monies as are available in accordance with the relevant Issuer Payment Priorities) each Series or Tranche of Notes then outstanding at their Principal Amount Outstanding (in the case of Index Linked Notes, as adjusted in accordance with Condition 7.2 (*Application of the Index Ratio*)) plus accrued but unpaid interest on the next Interest Payment Date (or, if sooner, Final Maturity Date). In the event that there are insufficient monies to redeem all of the Notes outstanding of a particular Series or Tranche, each Note of such Series or Tranche shall be redeemed in part in the proportion which the Principal Amount Outstanding of such Note to be redeemed bears to the aggregate Principal Amount Outstanding of such Tranche.

6.7 *Early redemption of Zero Coupon Notes*

Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Final Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 6.7 or, if none is so specified, a Day Count Fraction of 30/360.

In these Conditions, **Accrual Yield** and **Reference Price** have the meanings given to them in the relevant Final Terms.

6.8 *Purchase of Notes*

The Issuer or any Senior Financing Group Company may, provided that no Issuer Event of Default or (in respect of any Senior Financing Group Company) Trigger Event has occurred and is continuing and that FinCo/Borrower Facility A and FinCo/Borrower Facility B have been repaid in full, purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons (if any) appertaining thereto are attached or surrendered therewith) in the open market or otherwise at any price. Any such Notes that have been purchased by the Borrower or any other Senior Financing Group Company will be surrendered to the Issuer. Any purchase by tender shall be made available to all Noteholders alike. All Notes that have been redeemed or purchased by the Issuer or surrendered by the Borrower or any other Senior Financing Group Company to the Issuer must be surrendered by the Issuer to any Paying Agent and/or the Registrar for cancellation in accordance with Condition 6.11 (*Cancellation*).

If not all the Notes which are in registered and definitive form are to be purchased, upon surrender of the existing Registered Note, the Registrar shall forthwith upon the written request

of the Noteholder concerned issue a new Registered Note in respect of the Notes which are not to be purchased and despatch such Registered 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 Principal Amount Outstanding of Notes to be so purchased and cancelled.

6.9 *Redemption in Instalment Amounts*

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Final Terms. In the case of early redemption, the Redemption Amount will be determined pursuant to Condition 6.2 above.

6.10 *Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 6.10 and the applicable Final Terms.

6.11 *Cancellation*

Any Notes purchased by or on behalf of the Issuer or by the Borrower or any other Senior Financing Group Company in accordance with Condition 6.8 (*Purchase of Notes*) and surrendered to the Issuer shall be surrendered by the Issuer to or to the order of the Principal 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, be cancelled forthwith (together with, in the case of Bearer Definitive Notes, all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). 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.

6.12 *Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to this Condition 6 or upon its becoming due and repayable as provided in Condition 9 (Issuer Events of Default) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6.7 (Early redemption of Zero Coupon Notes) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Registrar or the Note Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 16 (*Notices*).

7. INDEXATION

7.1 *Definitions*

affiliate means, in relation to any person, any entity controlled, directly or indirectly, by that person, any entity that controls, directly or indirectly, that person or any entity, directly or indirectly, under common control with that person and, for this purpose, **control** means control as defined in the Companies Act 2006, including the meaning given to the term "Companies Acts" in section 2 of the Companies Act 2006, with the addition of the words "to the extent that they are in force" at the end of section 2(1)(a) and any regulations made pursuant to those Acts to the extent that they are in force (the **Companies Act**);

Base Index Figure means (subject to Condition 7.3(i) (*Change in base*)) the base index figure as specified in the relevant Final Terms;

Index or **Index Figure** means, subject as provided in Condition 7.3(i) (*Change in base*), the UK Retail Price Index (**RPI**) (for all items) published by the Central Statistical Office and available to view at *www.statistics.gov.uk* (January 1987 = 100) or any comparable index which may replace the UK Retail Price Index for the purpose of calculating the amount payable on repayment of the Reference Gilt.

Any reference to the **Index Figure** applicable to a particular Calculation Date shall, subject as provided in Condition 7.3 (*Changes in circumstances affecting the Index*) and 7.5 (*Cessation of or fundamental changes to the Index*), and if "3 months lag" is specified in the applicable Final Terms, be calculated in accordance with the following formula:

$$IFA = RPI_{m-3} + \frac{(\text{Day of Calculation Date} - 1)}{(\text{Days in month of Calculation Date})} \times (RPI_{m-2} - RPI_{m-3})$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

IFA means the Index Figure applicable;

RPI_{m-3} means the Index Figure for the first day of the month that is three months prior to the month in which the payment falls due; and

RPI_{m-2} means the Index Figure for the first day of the month that is two months prior to the month in which payment falls due.

Any reference to **Index Figure** applicable to a particular Calculation Date shall, subject as provided in Condition 7.3 (*Changes in circumstances affecting the Index*) and 7.5 (*Cessation of or fundamental changes to the Index*), and if "8 months lag" is specified in the applicable Final Terms, be calculated in accordance with the following formula:

$$IFA = RPI_{m-8} + \frac{(\text{Day of Calculation Date} - 1)}{(\text{Days in month of Calculation Date})} \times (RPI_{m-7} - RPI_{m-8})$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

IFA means the Index Figure applicable;

RPI_{m-8} means the Index Figure for the first day of the month that is eight months prior to the month in which payment falls due; and

RPI_{m-7} means the Index Figure for the first day of the month that is seven months prior to the month in which the payment falls due.

If the Index is replaced, the Issuer will describe the replacement Index in a supplementary prospectus;

Index Ratio, applicable to any month, means the Index Figure applicable to such month divided by the Base Index Figure;

Limited Index Ratio means (a) in respect of any month prior to the relevant Issue Date, the Index Ratio for that month; (b) in respect of any Limited Indexation Month after the relevant Issue Date, the product of the Limited Indexation Factor for that month and the Limited Index Ratio as previously calculated in respect of the month 12 months prior thereto; and (c) in respect of any other month, the Limited Index Ratio as previously calculated in respect of the most recent Limited Indexation Month;

Limited Indexation Factor means, in respect of a Limited Indexation Month, the ratio of the Index Figure applicable to that month divided by the Index Figure applicable to the month 12 months prior thereto, provided that (a) if such ratio is greater than the Maximum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Maximum Indexation Factor and (b) if such ratio is less than the Minimum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Minimum Indexation Factor;

Limited Indexation Month means any month specified in the relevant Final Terms for which a Limited Indexation Factor is to be calculated;

Limited Index Linked Notes means Index Linked Notes to which a Maximum Indexation Factor and/or a Minimum Indexation Factor (as specified in the relevant Final Terms) applies; and

Reference Gilt means the United Kingdom government stock specified as such in the relevant Final Terms, for so long as such stock is in issue, as the benchmark gilt the maturity of which

most closely matches the average life of the relevant Index Linked Notes, and thereafter such issue of index-linked United Kingdom government stock determined to be appropriate by a gilt-edged market maker or other adviser selected by the Issuer and approved by the Note Trustee (an **Indexation Adviser**).

7.2 Application of the Index Ratio

Each payment of interest and principal shall be the amount provided in, or determined in accordance with, these Conditions, multiplied by the Index Ratio or Limited Index Ratio in the case of Limited Index Linked Notes applicable to the month in which such payment falls to be made and rounded as follows:

(i) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up);

(ii) all figures will be rounded to seven significant figures (with halves being rounded up); and

(iii) all currency amounts which fall due and payable will be rounded to the nearest unit of such currency (with halves being rounded up). For these purposes, **unit** means, with respect to any currency other than euro, the lowest amount of such currency which is available as legal tender in the country of such currency and, with respect to euro, means 0.01 euro.

7.3 Changes in circumstances affecting the index

(i) *Change in base*

If at any time and from time to time the Index is changed by the substitution of a new base therefor, then with effect from the calendar month from and including that in which such substitution takes effect (A) the definition of Index and Index Figure in Condition 7.1 (*Definitions*) shall be deemed to refer to the new date or month in substitution for January 1987 (or, as the case may be, to such other date or month as may have been substituted therefor) and (B) the new Base Index Figure shall be the product of the then existing Base Index Figure and the Index Figure immediately following such substitution, divided by the Index Figure immediately prior to such substitution.

(ii) *Delay in publication of Index*

If the Index Figure relating to any month (the **relevant month**) which is required to be taken into account for the purposes of the determination of the Index Figure for any date is not published on or before the 14th Business Day before the date on which such payment is due (the **date for payment**) (otherwise than because the Index has ceased to be published), the Index Figure applicable to the relevant month shall be (A) such substitute index figure (if any) as the Note Trustee considers to have been published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, (or such other body designated by the UK Government for such purpose) for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index-linked United Kingdom government stock selected by an Indexation Adviser (and approved by the Note Trustee) or (B) if no such determination is made by such Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to (A) above) before the date for payment.

7.4 Application of changes

Where the provisions of Condition 7.3(ii) (*Delay in publication of Index*) apply, the determination of the Indexation Adviser as to the Index Figure applicable to the month in which the date for payment falls shall be conclusive and binding. If, an Index Figure having been applied pursuant to Condition 7.3(ii) (*Delay in publication of Index*), the Index Figure relating to the relevant month is subsequently published while a Note is still outstanding, then:

(i) in relation to a payment of principal or interest in respect of such Note other than upon final redemption of such Note, the principal or interest (as the case may be) next payable

after the date of such subsequent publication shall be increased or reduced by an amount equal to (respectively) the shortfall or excess of the amount of the relevant payment made on the basis of the Index Figure applicable by virtue of Condition 7.3(ii) (*Delay in publication of Index*), below or above the amount of the relevant payment that would have been due if the Index Figure subsequently published had been published on or before the 14th Business Day before the date for payment; and

(ii) in relation to a payment of principal or interest upon final redemption, no subsequent adjustment to amounts paid will be made.

7.5 Cessation of or fundamental changes to the Index

(i) If (A) the Note Trustee has been notified by the Agent Bank (or the Calculation Agent, if applicable) that the Index has ceased to be published or (B) any change is made to the coverage or the basic calculation of the Index which constitutes a fundamental change which would, in the opinion of the Note Trustee acting solely on the advice of an Indexation Adviser, be materially prejudicial to the interests of the Noteholders, the Note Trustee will give written notice of such occurrence to the Issuer, and the Issuer and the Note Trustee together shall seek to agree for the purpose of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Noteholders in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made.

(ii) If the Issuer and the Note Trustee fail to reach agreement as mentioned above within 20 Business Days following the giving of notice as mentioned in paragraph (i) above, a bank or other person in London shall be appointed by the Issuer (and approved by the Note Trustee) or, failing agreement on and the making of such appointment within 20 Business Days following the expiry of the 20 Business Day period referred to above, by the Note Trustee (in each case, such bank or other person so appointed being referred to as the **Expert**), to determine for the purpose of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Noteholders in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made. Any Expert so appointed shall act as an expert and not as an arbitrator and all fees, costs and expenses of the Expert and of any Indexation Adviser and of any of the Issuer and the Note Trustee in connection with such appointment shall be borne by the Issuer.

(iii) If any payment in respect of the Notes is due to be made after the cessation or changes referred to in paragraph (i) above but before any such adjustment to, or replacement of, the Index takes effect, the Issuer shall (if the Index Figure applicable (or deemed applicable) to the relevant month is not available in accordance with the provisions of Condition 7.3(i) (*Change in base*)) make a provisional payment on the basis that the Index Figure applicable to the month in which such payment is due to be made is the Index Figure last published. In that event, or in the event of any payment (also referred to below as a **provisional payment**) on the Notes having been made on the basis of an Index applicable under Condition 7.3(ii) (*Delay in publication of Index*) and the Note Trustee (acting solely on the advice of an Indexation Adviser) subsequently determining that the relevant circumstances fall within this Condition 7.5 (*Cessation of or fundamental changes to the Index*), then:

(A) in relation to a payment of principal or interest in respect of the Notes other than upon final redemption of such Note, if the sum which would have been payable if such adjustment of substitute index had been in effect on the due date for such payment is greater or less than the amount of such provisional payment, the Interest Amount payable on the Notes on the Interest Payment Date next succeeding the date on which such adjustment or substitute index becomes effective shall be increased or reduced to reflect the amount by which such provisional payment fell short of, or (as the case may be) exceeded, the sum which would have been paid on the Notes if such adjustment or substituted index had been in effect on that date; or

(B) in relation to a payment of principal or interest upon final redemption, no subsequent adjustment to amounts paid will be made.

(iv) The Index shall be adjusted or replaced by a substitute index as agreed by the Issuer and the Note Trustee or as determined by the Expert pursuant to the foregoing paragraphs, as the case may be, and references in these Conditions to the Index and to any Index Figure shall be deemed amended in such manner as the Note Trustee and the Issuer agree are appropriate to give effect to such adjustment or replacement. Such amendments shall be effective from the date of such notification and binding upon the Issuer, the Note Trustee, the other Issuer Secured Creditors and the Noteholders, and the Issuer shall give notice to the Noteholders in accordance with Condition *16 (Notices)* of such amendments as promptly as practicable following such notification.

8. PAYMENTS

8.1 *Notes in bearer form*

(a) *Payments of principal in respect of Bearer Definitive Notes*

Subject as provided below:

(i) payments in a Specified Currency other than euro will be made by credit or electronic transfer to an account in the relevant Specified Currency maintained by the payee with or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency; and

(ii) payments in euro will be made by credit or electronic transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

(b) *Payment of Interest in respect of Bearer Definitive Notes*

Payments to the Noteholders of principal (or, as the case may be, Redemption Amounts or other amounts payable on redemption) and interest (or, as the case may be, Interest Amounts) in respect of Bearer Definitive Notes will, subject as mentioned below, be made against presentation and surrender of the Notes (in the case of all other payments of principal and, in the case of interest, as specified in this Condition 8.1 (*Notes in bearer form*)) or Coupons (in the case of interest, save as specified in this Condition 8.1 (*Notes in bearer form*)), as the case may be, at the specified office of any Paying Agent outside the United States of America and its possessions by transfer to an account denominated in the currency in which such payment is due with, or (in the case of Notes in definitive form only) a cheque payable in that currency drawn on, a bank in (i) the principal financial centre of that currency provided that such currency is not euro or (ii) the principal financial centre of any Participating Member State if that currency is euro. On the occasion of each payment, a record of such payment made on such Bearer Note, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Note by the Paying Agent and such record shall be *prima facie* evidence that the payment in question has been made.

Payments of instalments of principal (if any) in respect of Bearer Definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph 8.1(a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph 8.1(a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Definitive Notes in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Bearer Definitive Notes to which it appertains. Receipts presented without the Bearer Definitive Notes to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Bearer Definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

(c) *Payments of principal and interest in respect of Bearer Global Notes*

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to Bearer Definitive Notes or otherwise in the manner specified in the relevant Global Notes, where applicable against presentation or surrender, as the case may be, of such Global Notes at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made on such Global Notes either by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

8.2 Notes in registered form

Payments of principal (or, as the case may be, Redemption Amounts) in respect of Registered Definitive Notes will be made to the holder (or the first named of joint holders) of such Registered Definitive Note against presentation and surrender of the Registered Definitive Note at the specified office of the Registrar and in the manner provided in Condition 8.1 (*Notes in bearer form*).

Payments of instalments in respect of Registered Definitive Notes will be made to the holder (or the first named of joint holders) of such Registered Definitive Note against presentation of the Registered Definitive Note at the specified office of the Registrar in the manner provided in Condition 8.1 (*Notes in bearer form*) and annotation of such payment on the Register and the relevant Note.

Interest (or, as the case may be, Interest Amounts) on Registered Definitive 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 Registered 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 Registered Definitive Note, on the 15th day before the due date for payment thereof (the **Record Date**). Payment of interest or Interest Amounts on each Registered Definitive Note will be made in the currency in which such payment is due by cheque drawn on a bank in (a) the principal financial centre of the country of the currency concerned, provided that such currency is not euro or (b) the principal financial centre of any Participating Member State if that currency is euro and mailed to the holder (or to the first named of joint holders) of such Registered Definitive 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 (a) the principal financial centre of the country of that currency provided that such currency is not euro or (b) the principal financial centre of any Participating Member State if that currency is euro.

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 Registered Definitive Note 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 Registered Definitive Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Definitive Note as a result of a cheque posted in accordance with this Condition 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 Registered Definitive Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent (appointed by the Issuer for the purposes of effecting the conversion of non-U.S. dollar payments into U.S. dollars and performing all other obligations and duties imposed upon it by the Conditions) on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

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 Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

8.3 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, Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC, 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.

8.4 Payments in the United States of America

Notwithstanding the foregoing, if any amount of principal and/or interest in respect of Notes (other than those in definitive registered form) is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(i) the Issuer shall have appointed Paying Agents with specified offices outside the United States of America with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due;

(ii) payment in full of such amounts at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts; and

(iii) such payment is then permitted by the law of the United States, without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

8.5 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon 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 sum in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 12) is:

(i) 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 and:

    (A) in the case of Notes in definitive form only, the relevant place of presentation; and

    (B) in each Additional Business Centre specified in the applicable Final Terms; and

(ii) either (1) in relation to any sum payable in a Specified Currency other than euro, 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 principal financial centre of the country of each such relevant Specified Currency or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open; and

(iii) in the case of any payment in respect of a registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

8.6 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 8.6. 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 (or Interest Amounts) 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.

8.7 Appointment of the Agents

The Agents appointed by the Issuer (and their respective specified offices) are listed in the Agency Agreement. Any Calculation Agent will be listed in the relevant Final Terms and will be appointed pursuant to a Calculation Agency Agreement. The Agents act solely as agents of the Issuer (and in the circumstances 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 holder. 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 (i) a Principal Paying Agent (in the case of Bearer Notes), (ii) a Registrar (in the case of Registered Notes), (iii) an Agent Bank or Calculation Agent (as specified in the relevant Final Terms), (iv) 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 and (v) if and for so long as the Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent, Transfer Agent or Registrar in any particular place, a Paying Agent, Transfer Agent and/or Registrar, as applicable, having its specified office in the place required by such listing authority, stock exchange and/or quotation system, which, while any Notes are admitted to the Official List of the UKLA and/or admitted to trading on the London Stock Exchange's Regulated Market, shall be in London. Notice of any such variation, termination, resignation or appointment shall be given promptly to the Noteholders in accordance with Condition 16 (*Notices*).

8.8 Unmatured Coupons and Receipts and unexchanged Talons

Subject to the provisions of the relevant Final Terms, upon the due date for redemption of any Note which is a Bearer Note (other than a Fixed Rate Note, unless it has all unmatured Coupons attached), unmatured Coupons and Receipts relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

Upon the date for redemption of any Note, any unmatured Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

Upon the due date for redemption of any Note which is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

Where any Note, which is a Bearer Note and is a Fixed Rate Note, is presented for redemption without all unmatured Coupons and any unexchanged Talon relating to it, a sum equal to the aggregate amount of the missing unmatured Coupons will be deducted from the amount of principal due for payment and redemption shall be made only against the provision of such indemnity as the Issuer may require.

If the due date for redemption of any Note is not an Interest Payment Date, interest accrued from the preceding Interest Payment Date or the Interest Commencement Date, as the case may be, or the Interest Amount payable on such date for redemption shall only be payable against presentation (and surrender if appropriate) of the relevant Note and Coupon.

8.9 Talons

On or after the Interest Payment Date for the final Coupon forming part of a coupon sheet issued in respect of any Note, the Talon forming part of such coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further coupon sheet (and if necessary another Talon for a further coupon sheet) (but excluding any Coupons which may have become void pursuant to Condition 12 (Prescription)).

9. TAXATION

All payments in respect of the Notes, Receipts or Coupons will be made (whether by the Issuer, any Paying Agent, the Registrar 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, 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, Receipts or Coupons 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 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. None of the Issuer, any Paying Agent, the Registrar or the Note Trustee will be obliged to make any additional payments to the Noteholders, Receiptholders or the Couponholders in respect of such withholding or deduction. The Issuer, 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.

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 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.

10. ISSUER EVENTS OF DEFAULT

10.1 Issuer Events of Default

Each and any of the following events shall be treated as an **Issuer Event of Default**:

(i) *Non-payment*: default is made by the Issuer in the payment of interest or principal in respect of any Notes when due in accordance with these Conditions, unless such default is due to a technical error and such payment is made within 5 Business Days of the payment falling due;

(ii) *Breach of other obligations*: default or misrepresentation (excluding, for the avoidance of doubt, any default or misrepresentation in respect of the Issuer's status as a FATCA FFI) is made by the Issuer in the performance of any other material obligation, representation or warranty under any Issuer Transaction Documents which is incapable of remedy or not remedied within 20 Business Days and such default or misrepresentation, as the case may be, is materially prejudicial to the interests of the Noteholders in the opinion of the Note Trustee; and

(iii) *Insolvency Event*: an Insolvency Event occurs in relation to the Issuer.

10.2 Confirmation of no Issuer Events 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 request of the Note Trustee), that no Issuer Events of Default have occurred.

10.3 Delivery of an Issuer Acceleration Notice

If any Issuer Event of Default occurs and is continuing and, in the case of the Issuer Event of Default described in Condition 10.1(ii), the Note Trustee has certified in writing that, in its

opinion, the happening of such event is materially prejudicial to the interests of the holders of each Series of the Notes, the Note Trustee (a) may, at any time, at its discretion and (b) shall, upon being so directed by Issuer Qualifying Secured Creditors together holding or representing 25% or more of the Issuer Qualifying Debt (i) in writing and/or (ii) (in the case of the Noteholders) by an Extraordinary Resolution of all the Noteholders, deliver a notice (the **Issuer Acceleration Notice**) to the Issuer and copied to the Issuer Security Trustee provided that, in all cases, it is indemnified and/or secured and/or prefunded to its satisfaction.

10.4 *Consequences of the delivery of an Issuer Acceleration Notice*

Upon delivery of an Issuer Acceleration Notice in accordance with Condition 10.3 (*Delivery of an Issuer Acceleration Notice*) the Notes then outstanding shall thereby immediately become due and repayable at their respective Principal Amount Outstanding (in the case of Index Linked Notes, as adjusted in accordance with Condition 7.2 (*Application of the Index Ratio*)) plus accrued but unpaid interest (other than in the case of Zero Coupon Notes).

For the purposes of these Conditions:

Issuer Qualifying Secured Creditors means, for so long as any Notes remain outstanding, the holders of each Series of Notes and each counterparty (each, an **Issuer Hedge Counterparty**) that is party to a hedging agreement with the Issuer (each, an **Issuer Hedging Agreement**) in respect of any hedges entered into by the Issuer (each an **Issuer Hedge**); and

Issuer Qualifying Debt means, for so long as any Note remain outstanding, the sum of (i) the Principal Amount Outstanding (in the case of Index Linked Notes, as adjusted in accordance with Condition 7.2 (*Application of the Index Ratio*)) of the Notes and (ii) (as determined by the party or parties which would be responsible for such calculation in the event of the designation of such as an Early Termination Date (as defined therein) in accordance with such Issuer Hedging Agreement) the mark-to-market value of all transactions arising under Issuer Hedging Agreements to the extent that such value represents an amount which would be payable to the relevant Issuer Hedge Counterparties if an Early Termination Date (as defined therein) was designated at such time in respect of such Issuer Hedges.

The Note Trustee may, at any time, at its discretion and without notice, take such action under or in connection with any of the Issuer Transaction Documents as it may think fit (including, without limitation, directing the Issuer Security Trustee to take any action under or in connection with any of the Issuer Transaction Documents or, after the occurrence of an Issuer Event of Default, to take steps to enforce the security constituted by the Issuer Deed of Charge), provided that:

(a) the Note Trustee shall not be bound to take any such action unless it shall have been so directed by Issuer Qualifying Secured Creditors together holding or representing 25% or more of the Issuer Qualifying Debt (i) in writing and/or (ii) (in the case of the Noteholders) by an Extraordinary Resolution of all Noteholders;

(b) (except where expressly provided otherwise) the Issuer 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 or (ii) if there are no Notes and Issuer Hedges outstanding, all of the other Issuer Secured Creditors;

(c) neither the Note Trustee nor the Issuer Security Trustee shall be bound to take any such action unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction; and

(d) the Note Trustee shall not be entitled to take any steps or proceedings to procure the winding-up, administration or liquidation of the Issuer.

Notwithstanding the foregoing, the Issuer Deed of Charge will provide that the Issuer Security Trustee shall enforce the security constituted by the Issuer Deed of Charge by appointing an administrative receiver in respect of the Issuer if it has actual notice of (i) an application for the appointment of an administrator in respect of the Issuer or (ii) the giving of a notice of intention to appoint an administrator in respect of the Issuer, such appointment of an administrative receiver to take effect not later than the final day by which the appointment must be made in order to prevent an administration proceeding.

11. ENFORCEMENT AGAINST ISSUER

No Noteholder or other Issuer 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 Issuer Security unless the Note Trustee or, as the case may be, the Issuer 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. The Issuer Security Trustee shall, subject to being indemnified and/or secured and/or prefunded to its satisfaction against all fees, costs, expenses, liabilities, claims and demands to which it may thereby become liable or which it may incur by so doing, upon being so directed in writing by the Note Trustee (a) at its discretion or (b) upon it being so directed by Issuer Qualifying Secured Creditors together holding or representing 25% or more of the Issuer Qualifying Debt (i) in writing and/or (ii) (in the case of the Noteholders) by an Extraordinary Resolution of all the Noteholders, give notice to the Issuer to enforce the Issuer Security in accordance with the Issuer Deed of Charge (the **Issuer Enforcement Notice**).

None of the Note Trustee, the Issuer Security Trustee, the Noteholders or the other Issuer Secured Creditors may institute against, or join any person in instituting against, the Issuer any bankruptcy, winding up, re-organisation, arrangement, insolvency or liquidation proceeding (except for the taking of any enforcement action under the Issuer Deed of Charge including the appointment of a receiver) or similar proceeding under any other law for so long as any Notes are outstanding or for two years and a day after the latest Final Maturity Date on which any Note of any Series is due to mature.

12. 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 Note Relevant Date in respect thereof.

For the purposes of this Condition, **Note 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 Principal Paying Agent or the Registrar, as the case may be, 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 16 (*Notices*).

13. REPLACEMENT OF NOTES

If any Note, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws and requirements of the London Stock Exchange (in the case of listed Notes) (and each other listing authority, stock exchange and/or quotation system upon which the relevant Notes have then been admitted to listing, trading and/or quotation), 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, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

14. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

14.1 Meetings of Noteholders

The Note Trust Deed contains provisions for convening meetings of Noteholders of one or more Tranches, to consider matters affecting their interests, including the modification of these Conditions, the Note Trust Deed and any other Issuer Transaction Document and any other document to which the Note Trustee is a party or in relation to which the Issuer Security Trustee holds security. Subject to Condition 14.3 (*Modification and waiver*), any modification may (except in relation to any Ordinary Voting Matter or Extraordinary Voting Matter or matter giving rise to an Entrenched Right (as described in further detail in Condition 14.2 (*Relationship with Obligor Secured Creditors*)), Direction Notice, Enforcement Instruction Notice or Further Enforcement Instruction Notice and subject to the provisions concerning meetings of particular

combinations 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 Series 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 Principal Amount Outstanding of the outstanding Notes of the relevant Series.

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 Principal Amount Outstanding of the relevant outstanding Notes or, at any adjourned meeting, one or more persons being or representing Noteholders, whatever the Principal Amount Outstanding of the relevant outstanding Notes held or represented, provided, however, that certain proposals (the **Basic Terms Modifications**) in respect of any particular Series of Notes, being any proposal:

(i) to change any date fixed for payment of principal or interest in respect of such Series of Notes, to change the amount of principal or the rate of interest payable on any date in respect of such Series of Notes or (other than as specified in Conditions 6 (*Redemption, Purchase and Cancellation*) and 8 (*Payments*) to alter the method of calculating the amount of any payment in respect of such Series of Notes on redemption or maturity;

(ii) other than pursuant to Condition 14.3 (*Modification and waiver*), to effect the exchange, conversion or substitution of such Series of 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 Series of 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) in respect of an Entrenched Right where the Issuer is an Affected Obligor Secured Creditor and the interests of the Noteholders are affected thereby; or

(vi) to amend this definition or this Condition 14 (*Meetings of Noteholders, Modification, Waiver and Substitution*),

may be sanctioned only by an Extraordinary Resolution passed at a meeting of holders of such Series 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 Principal Amount Outstanding of the relevant outstanding Notes form a quorum. Any resolution duly passed at any such meeting shall be binding on all the relevant Noteholders, Receiptholders and Couponholders whether present or not.

In addition, a resolution in writing signed by or on behalf of the holders of not less than 75% of the aggregate Principal Amount Outstanding of the relevant 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.

Subject to Condition 14.2 (*Relationship with Obligor Secured Creditors*), 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 Issuer Security Trustee) in connection with the exercise by the Note Trustee and/or the Issuer Security Trustee (at the direction of the Note Trustee), as the case may be, of any of their rights, powers and discretions under the Issuer 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.

14.2 Relationship with Obligor Secured Creditors

STID Proposals: The STID provides that in respect of, among other things, Ordinary Voting Matters and Extraordinary Voting Matters, Direction Notices, Enforcement Instruction Notices and Further Enforcement Instruction Notices (each as defined in the STID), holders of the Notes shall be entitled to instruct the Note Trustee how to vote.

Voting in connection with a STID Proposal, Direction Notice, Enforcement Instruction Notice or Further Enforcement Instruction Notice shall be determined on a pound-for-pound basis by reference to the Outstanding Principal Amount owed to each of the relevant Obligor Secured Creditors, so that all votes in favour of the proposal and against the proposal from the Obligor Secured Creditors and the other Obligor Secured Creditors are considered on an aggregated basis, irrespective of whether a majority of such holders of Notes are in favour of or against the proposal.

For the purpose of voting in connection with a STID Proposal, a Direction Notice, an Enforcement Instruction Notice or a Further Enforcement Instruction Notice, the Borrower (in the case of a STID Proposal) or, as the case may be, the Obligor Security Trustee (in the case of a Direction Notice, an Enforcement Instruction Notice or a Further Enforcement Instruction Notice) shall send a copy of such proposal or request for instructions to the Note Trustee and (if applicable) the Issuer Hedge Counterparties as the Secured Creditor Representatives of the Issuer. The Note Trustee shall promptly forward a copy of such notice to the holders of the Notes in accordance with Condition 16 (*Notices*) requesting them to instruct the Note Trustee how to vote. After obtaining the instructions of the holders of the Notes, the Note Trustee will vote in relation to the relevant STID Proposal, Direction Notice, Enforcement Instruction Notice or Further Enforcement Instruction Notice in accordance with such instructions. Subject as provided in the STID, where the holder of any particular Principal Amount Outstanding of any Series of Notes instructs the Note Trustee to vote, the Note Trustee shall vote in respect of the same Outstanding Principal Amount owed to the Issuer under the Issuer/Borrower Loan corresponding to such Series of Notes as is equal to the aggregate Principal Amount Outstanding of such Series of Notes.

Irrespective of the result of voting by the Noteholders in relation to a proposed STID Proposal in respect of an Ordinary Voting Matter or an Extraordinary Voting Matter, a Direction Notice, an Enforcement Instruction Notice or a Further Enforcement Instruction Notice, any matter or action which is the subject of such STID Proposal, Direction Notice, Enforcement Instruction Notice or Further Enforcement Instruction Notice approved in accordance with the provisions of the STID shall be binding on all of the Noteholders, Receiptholders and Couponholders.

If a STID Proposal gives rise to an Entrenched Right whereby the Issuer is an Affected Obligor Secured Creditor and the Noteholders are an Affected Issuer Secured Creditor, the Issuer shall convene a meeting of the holders of each Series of Notes then outstanding and affected by such Entrenched Right.

No STID Proposal that gives rise to an Entrenched Right whereby the Issuer is an Affected Obligor Secured Creditor and the Noteholders are an Affected Issuer Secured Creditor can be approved, in accordance with the terms of the STID, unless it is approved by an Extraordinary Resolution of the holders of each Series of Notes affected by the Entrenched Right.

14.3 Modification and waiver

The Note Trustee may, without the consent of the Noteholders or (subject as provided below) any other Issuer Secured Creditor, concur with, or direct the Issuer Security Trustee to concur with, the Issuer or any other relevant parties in making (i) any modification to the Conditions, the Note Trust Deed, Notes, Receipts, Coupons or the other Issuer Transaction Documents (subject as provided in the STID in relation to any of the CTA, the STID, the Security Documents, 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 (the **Common Documents**), any Authorised Facility Agreement, or any other Obligor Transaction Documents or other document to which the Note Trustee or Issuer Security Trustee is a party or in respect of which the Issuer 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 the Conditions, the Notes, the Note Trust Deed or any other Issuer Transaction Document (subject as provided in the STID in relation to any Common Documents or any Authorised Facility Agreement) or other document to which the Note Trustee or Issuer Security Trustee is a party or in respect of which the Issuer 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, to the extent such modification under (ii) above relates to an Issuer Secured Creditor Entrenched Right, each of the affected Issuer Secured Creditors has given its prior written consent.

The Note Trustee and the Issuer Security Trustee are authorised to execute and deliver on behalf of each Issuer Secured Creditor other than the relevant Issuer Secured Creditors all documentation required to implement such modification and such execution by the Note Trustee and/or the Issuer Security Trustee, as the case may be, shall bind each of the Noteholders, the Receiptholders, the Couponholders and such Issuer Secured Creditors as if (in the case of such Issuer 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 Issuer Secured Creditor and without prejudice to its rights in respect of any subsequent breach or Issuer 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, waive or authorise, or direct the Issuer Security Trustee to waive or authorise, any breach or proposed breach by the Issuer or any other relevant party of any of the covenants or provisions contained in the Conditions, the Note Trust Deed or any other Issuer Transaction Document (subject as provided in the STID in relation to a Common Document or any Authorised Facility Agreement) or other document to which the Note Trustee or Issuer Security Trustee is a party or in respect of which the Issuer Security Trustee holds security, or determine that any event which would otherwise constitute an Issuer 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 an Issuer Secured Creditor Entrenched Right, each of the affected Issuer Secured Creditors has given its prior written consent and provided further that the Note Trustee shall not exercise such powers in contravention 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 25% 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 holders of all relevant Receipts and Coupons and the other Issuer Secured Creditors and, unless the Note Trustee agrees otherwise, notice thereof shall be given by the Issuer to the Noteholders in accordance with Condition 16 (*Notices*) as soon as practicable thereafter.

Notwithstanding that none of the Note Trustee, the Issuer Security Trustee, the Noteholders or the other Issuer Secured Creditors has any right of recourse against the Rating Agencies in respect of any confirmation from the Rating Agencies which is relied upon by the Note Trustee or the Issuer Security Trustee, as the case may be, the Note Trustee and the Issuer 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 or any Issuer Transaction Document or any other document to which the Note Trustee or Issuer Security Trustee is a party or in respect of which the Issuer 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 Issuer 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 Issuer Security Trustee, the Noteholders, any other Issuer

Secured Creditor or any other person or create any legal relations between the Rating Agencies and the Note Trustee, the Issuer Security Trustee, the Noteholders, any other Issuer Secured Creditor or any other person whether by way of contract or otherwise.

14.4 Substitution of the Issuer

The Note Trustee may without the consent of the Noteholders, Receiptholders or Couponholders at any time agree with the Issuer to the substitution in place of the Issuer (or of the previous substitute under this Condition 14.4) 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 14.4) and provided further that the Issuer unconditionally and irrevocably guarantees all amounts payable under the Notes to the satisfaction of the Note Trustee and such guarantee is secured over all of the assets and undertaking of the Issuer.

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 the 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 Issuer Secured Liabilities; and

(B) such approvals and consents are at the time of substitution in full force and effect;

(iii) the New Company takes all such action as the Note Trustee may require so that the Issuer Charged Property continues to be subject to the Issuer Security and the other matters created and effected in respect thereof pursuant to the Issuer Transaction Documents and otherwise effected or maintained in all respects corresponding to those previously subsisting on the part of the Issuer or the previous substitute under this Condition 14.4 as applicable;

(iv) the Issuer and the New Company shall comply with such other requirements as the Note Trustee may direct in the interests of the Noteholders;

(v) (where applicable) Condition 6.4 (*Redemption for taxation or other reasons*) shall be modified accordingly;

(vi) undertakings or covenants shall be given by the New Company in terms corresponding to the provisions of the Conditions;

(vii) without prejudice to the rights of reliance of the Note Trustee under paragraph (viii) below, the Note Trustee is satisfied that the relevant transaction is not materially prejudicial to the interests of the Noteholders; and

(viii) 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 14.4, as applicable.

15. NOTE TRUSTEE PROTECTIONS

15.1 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 prefunded to its satisfaction.

In connection with the exercise by the Note Trustee under these Conditions, the Note Trust Deed or the other Issuer 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;

15.2 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.

16. NOTICES

Notices to holders of Registered 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 London (which is expected to be the *Financial Times*). The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of the London 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 Registered 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. Couponholders and Receiptholders will be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 16.

So long as any Notes are represented by Global Notes, notices in respect of those Notes may be given only by delivery of the relevant notice to Euroclear Bank SA/NV, Clearstream Banking, *société anonyme*, DTC or any other relevant Clearing System as specified in the relevant Final Terms for communication by them to entitled account holders in substitution for publication in a daily newspaper with general circulation in London. Such notices shall be deemed to have been received by the Noteholders on the day of delivery to such Clearing Systems.

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 of each Series denominated in sterling (the **Sterling 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 London 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 denominated in sterling 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 denominated in sterling 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 Sterling 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 Sterling 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 Sterling Notes have been issued in definitive form, the amount of interest due in respect of the Sterling Notes will be calculated by reference to the aggregate principal amount of the Sterling 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 each Series of Sterling Notes for any Interest Period shall be calculated by applying the Interest Rate applicable to the Series of Notes denominated in euro ranking *pari passu* to the relevant Series.

18. LIMITED RECOURSE

Each of the Noteholders is deemed to agree with the Issuer that, notwithstanding any other provision of the Issuer Transaction Documents, all obligations of the Issuer to the Noteholders, including its obligations under the Notes and the Issuer Transaction Documents, are limited in recourse to the Issuer Charged Property. If:

(a) there is no Issuer Charged Property remaining which is capable of being realised or otherwise converted into cash;

(b) all amounts available from the Issuer Charged Property have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Issuer Deed of Charge; and

(c) there are insufficient amounts available from the Issuer Charged Property to pay in full, in accordance with the provisions of the Issuer Deed of Charge, the Issuer Secured Liabilities,

then the Noteholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

19. FURTHER ISSUES AND NEW NOTES

19.1 The Issuer shall be at liberty, from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders or any Secured Creditors, to create and issue further Notes having terms and conditions the same as the Notes of any Series or the same in all respects save for the amount and date of the first payment of interest thereon, issue date and/or issue price and so that the same shall be consolidated and form a single Series with the outstanding Notes of such Series.

19.2 The Issuer shall be at liberty, from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders or any Secured Creditors, to create and issue new Notes.

20. MISCELLANEOUS

20.1 Governing Law

The Note Trust Deed, the Issuer Deed of Charge, the Notes and the other Issuer 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.

20.2 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.

20.3 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.

20.4 Rights against Issuer

Under the Note Trust Deed, persons shown in the records of DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant Clearing System 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 DTC, Euroclear, Clearstream, Luxembourg or any other relevant Clearing System (as the case may be).

20.5 Clearing System Accountholders

References in the Conditions of the Notes to **Noteholder** are references to the bearer of the relevant Bearer Global Note or the person shown in the Register as the holder of the Registered Global Note.

Each of the persons shown in the records of DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system (the **Clearing Systems**), as the case may be, as being entitled to an interest in a Global Note (each an **Accountholder**) must look solely to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or such other relevant Clearing System (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 bearer or registered holder of the Global Note, as the case may be.

FORMS OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (**Regulation S**) and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States to QIBs in reliance on Rule 144A or otherwise in private transactions that are exempt from the registration requirements of the Securities Act.

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of a Temporary Global Note or, if so specified in the applicable Final Terms, a Permanent Global Note and, together with a Temporary Global Note which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**).

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date will be made only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Global Note of the same Series or (ii) Definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of Definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive Definitive Notes. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for Definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Notes with, where applicable, receipts, interest coupons and talons attached upon either (a) not less than 60 days' written notice given at any time from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Principal Paying Agent as described therein, except that such exchange upon notice will not be expressed to be applicable if the Specified Denomination of the Notes allows for integral multiples of a specified amount in excess thereof or (b) only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Issuer Event of Default has occurred and is continuing or (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 no successor Clearing System satisfactory to the Note Trustee is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 16 (*Note Trustee Protections*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or the common depositary for Euroclear and Clearstream, Luxembourg on their behalf (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes which have an original maturity of more than one year and on all receipts and interest coupons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in the Specified Denomination(s) only. Noteholders who hold Notes in the relevant clearing system in amounts that are not integral multiples of a Specified Denomination may need to purchase or sell, on or before the relevant Exchange Date, a principal amount of Notes such that their holding is an integral multiple of a Specified Denomination.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global Note in registered form (a **Regulation S Global Note**). Prior to expiry of the Distribution Compliance Period applicable to each Series of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 (*Transfers of Registered Notes*) and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Note will bear a legend regarding such restrictions on transfer (See "*Subscription and Sale*").

The Registered Notes of each Tranche sold to QIBs will be represented by a global Note in registered form (a **Rule 144A Global Note** and together with a Regulation S Global Note, each a **Registered Global Note**).

Registered Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, the Depository Trust Company (**DTC**) or (ii) be deposited with a common depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of a nominee of such common depositary as specified in the applicable Final Terms. Persons holding beneficial interests in Registered 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 Notes 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 Registered 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 Registered 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 Registered 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 Registered 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 8 (*Payments*)

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the

occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Issuer Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative Clearing System is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act and no alternative Clearing System is available or (iii) in the case of Notes registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, 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 16 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions (see "*Subscription and Sale*").

General

Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS number assigned to Notes of any other Tranche of the same Series until at least the expiry of the Distribution Compliance Period applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative Clearing System specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Note Trustee.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Note Trustee or the Issuer 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. In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver Definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC's standard operating procedures.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a new Prospectus or a supplement to this Prospectus, 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 Prospectus. 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 DTC, 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 DTC, 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 DTC, 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.*

Book-entry systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (**Participants**) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants**).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the **Rules**), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system (**DTC Notes**) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (**Owners**) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note (**Beneficial Owner**) is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Issuer Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Subscription and Sale*" and "*Transfer Restrictions*".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

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. 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 depository 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 account holder 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 of and payments in respect of DTC Notes

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the

accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

It should be noted that DTC will only process payments of principal and interest in U.S. dollars. Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

Settlement and transfer of Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, 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 may require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant Clearing System in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian (**Custodian**) with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the

Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, 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 Dealer will be responsible for any performance by DTC, 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 Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

PRO FORMA FINAL TERMS

Final Terms dated [●]

ARQIVA FINANCING PLC

Issue of [Aggregate nominal amount of Tranche][Title of Notes] under the [£5,000,000,000] Programme

PART A — CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the prospectus dated [●] [and the supplemental prospectus dated [●]] which [together] constitute[s] a base prospectus (the **Prospectus**) for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) as amended (which includes the amendments made by Directive 2010/73/EU (the **2010 PD Amending Directive**) to the extent that such amendments have been implemented in a relevant Member State). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus has been published on the website of the London Stock Exchange in accordance with Article 14.] / [Terms used herein shall be deemed to be defined as such for the purposes of the conditions (the **Conditions**) set forth in the prospectus dated [●] which are incorporated by reference in the prospectus dated [●]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the prospectus dated [●] [and the supplement[s] to it dated [●]] which [together] constitute[s] a base prospectus (the **Prospectus**) for the purposes of the Prospectus Directive, including the Conditions incorporated by reference in the Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Final Terms and the Prospectus. The Prospectus has been published on the website of the London Stock Exchange in accordance with Article 14.]

References herein to numbered Conditions are to the terms and conditions of the Notes and words and expressions defined in such terms and conditions shall bear the same meaning in these Final Terms, save as where otherwise expressly provided.

1.	(a)	Series Number:	[●]
	(b)	Tranche Number:	[●]
	(c)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [●] on [the Issue Date/ exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [●] below, which is expected to occur on or about [●]][Not Applicable]
2.	Specified Currency or Currencies:		[●]
3.	Aggregate nominal amount of Notes admitted to trading:		
	(a)	Series:	[●]
	(b)	Tranche:	[●]
4.	(a)	Issue Price:	[●]% of the aggregate nominal amount [plus accrued interest from [●]].
	(b)	Net proceeds:	[●]/[Not Applicable]

5.	(a)	Specified Denominations:	[€100,000 and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].] [$200,000 and integral multiples of [$1,000] in excess thereof up to and including [$399,000]. No Notes in definitive form will be issued with a denomination above [$399,000].] [£100,000 and integral multiples of [£1,000] in excess thereof up to and including [£199,000]. No Notes in definitive form will be issued with a denomination above [£199,000].] [€100,000/$200,000/£100,000]
	(b)	Calculation Amount:	[●]
6.	(a)	Issue Date:	[●]
	(b)	Interest Commencement Date:	[Not Applicable/[●]/Issue Date]
7.	Final Maturity Date:		[●]/[Interest Payment Date falling in or nearest to [●]]
8.	Expected Maturity Date:		[●]/[Interest Payment Date falling in or nearest to [●]]/[Not Applicable]
9.	Interest Basis:		[[●]% Fixed Rate] [[●] +/- [●]% Floating Rate] [Zero Coupon] [Dual Currency] [Index Linked Notes] (see paragraph [13/14/15/16/17] below)
10.	Redemption Payment Basis:		[Redemption at par] [Index Linked Notes] [Dual Currency] [Partly Paid] [Instalment]
11.	Change of Interest or Redemption/Payment Basis:		[Not Applicable/Applicable (see paragraph [13/14] below)]
12.	Date Board approval for issuance of Notes obtained:		[●]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.	Fixed Rate Note Provisions:		[Applicable/Not Applicable]
	(a)	Interest Rate:	[●]% per annum payable in arrear on each Interest Payment Date
	(b)	Interest Determination Date:	[●]
	(c)	Interest Payment Date(s):	[●] in each year [adjusted in accordance with [●]/not adjusted]
	(d)	First Interest Payment Date:	[●]
	(e)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(f)	Broken Amount(s):	[[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]][Not Applicable]

	(g)	Day Count Fraction:	[Actual/Actual ICMA] [Actual/Actual (ISDA) or Actual/365 (Sterling) or Actual/Actual] [Actual/365 (Fixed)] [Actual/360] [30/360 (ICMA) 30/360 or 360/360 or Bond Basis] [30E/360 or Eurobond Basis] [30E/360 (ISDA)]
14.	Floating Rate Note Provisions:		[Applicable/Not Applicable]
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[●]
	(b)	First Interest Payment Date:	[●]
	(c)	Business Day Convention:	Floating rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention
	(d)	Business Centre(s):	[●]
	(e)	Manner in which the Rate(s) of Interest is/ are to be determined:	[Screen Rate Determination/ISDA Determination/]
	(f)	Party responsible for calculating the Rate(s) of Interest, Interest Amount(s) and Redemption Amount (if not the Agent Bank):	[Not Applicable/Calculation Agent]
	(g)	Screen Rate Determination:	[Applicable/Not Applicable]
		– Reference Rate:	[●] month [●] [LIBOR/EURIBOR/STIBOR/ HIBOR/SIBOR/TIBOR]
		– Interest Determination Date(s):	[●]
		– Relevant Screen Page:	[●]
		– Relevant Time and time zone:	[●]
	(h)	ISDA Determination:	[Applicable/Not Applicable]
		– Floating Rate Option:	[●]
		– Designated Maturity:	[●]
		– Specified Duration:	[●]
		– Reset Date:	[●]
	(i)	Margin(s):	[+/-][●]% per annum
	(j)	Minimum Interest Rate:	[Not Applicable]/[●]% per annum
	(k)	Maximum Interest Rate:	[Not Applicable]/[●]% per annum
	(l)	Day Count Fraction:	[Actual/Actual ICMA] [Actual/Actual (ISDA) or Actual/365 (Sterling) or Actual/Actual] [Actual/365 (Fixed)] [Actual/360] [30/360 (ICMA) 30/360 or 360/360 or Bond Basis] [30E/360 or Eurobond Basis]
	(m)	Additional Business Centre(s):	[●]
	(n)	Representative Amount:	[●]
	(o)	Reference Banks:	[●]
15.	Zero Coupon Note Provisions:		[Applicable/Not Applicable]
	(a)	Accrual Yield:	[●]% per annum
	(b)	Reference Price:	[●]

	(c)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Condition 6.3 (*Redemption for Index Event*)] [30/360] [Actual/360] [Actual/365]
16.	Dual Currency Interest Notes		[Applicable/Not Applicable]
	(a)	Formula for calculating interest rate including back up provisions:	[●]
	(b)	Specified Period(s)/Specified Interest Payment Dates:	[●]
	(c)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention]
	(d)	Additional Business Centre(s):	[●]
	(e)	Minimum Rate of Interest:	[Not Applicable][[●] per cent. per annum]
	(f)	Maximum Rate of Interest:	[Not Applicable][[●] per cent. per annum]
	(g)	Day Count Fraction:	[Actual/Actual ICMA] [Actual/365 (Sterling) or Actual/Actual] [Actual/365 (Fixed)] [Actual/360] [30/360 or 360/360 or Bond Basis] [30E/360 or Eurobond Basis]
17.	Index Linked Notes:		[Applicable/Not Applicable]
	(a)	Base Index Figure:	[●]
	(b)	Index Figure applicable to:	[[3/8] month lag applies]
	(c)	Reference Gilt:	[[●] per cent. Index-Linked Treasury Stock due [●]]
	(d)	Interest Rate:	[●] per cent.
	(e)	Interest Determination Date(s):	[●] in each year
	(f)	Interest Payment Date(s):	[●] in each year [adjusted in accordance with [●]not adjusted]
	(g)	First Interest Payment Date:	[●]
	(h)	Party responsible for calculating the Interest Amount(s) and Redemption Amount (if not the Calculation Agent):	[Not Applicable/[●]]
	(i)	Day Count Fraction:	[Actual/Actual ICMA] [Actual/Actual (ISDA) or Actual/365 or Actual/Actual] [Actual/365 (Fixed) (Sterling)] [Actual/360] [30/360 (ICMA)][30/360 or 360/360 or Bond Basis] [30E/360 or Eurobond Basis] [30E/360 (ISDA)]
	(j)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention]
	(k)	Additional Business Centre(s):	[●]
	(l)	Minimum Rate of Interest:	[Not Applicable/[●] per cent. per annum]
	(m)	Maximum Rate of Interest:	[Not Applicable/[●] per cent. per annum]
	(n)	Provisions for determining Coupon in the event of changes in circumstances, disruptions, cessation or fundamental changes to the Index:	Applicable — Conditions 7.3 (*Changes in Circumstances Affecting the Index*) and 7.5 (*Cessation of or Fundamental Changes to the Index*) apply

(o)	Minimum Indexation Factor:	[Not Applicable/[●]]
(p)	Maximum Indexation Factor:	[Not Applicable/[●]]
(q)	Limited Indexation Month(s):	[Not Applicable/[●]]

PROVISIONS RELATING TO REDEMPTION

18.	Issuer Call Option:	[Applicable in accordance with Condition 6.2 (*Optional redemption*)] [Not Applicable]
(a)	Optional Redemption Date(s):	Any Interest Payment Date [falling on or after [●] and at a premium of [●]].
(b)	Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
(c)	If redeemable in part:	
(i)	Minimum Redemption Amount:	[●][Not Applicable]
(ii)	Maximum Redemption Amount:	[●][Not Applicable]
(iii)	Notice period (if other than as set out in the Conditions):	[●][Not Applicable]
19.	Put Option:	[Applicable] [Not Applicable]
(a)	Optional Redemption Date(s):	Any Interest Payment Date [falling on or after [●] and at a premium of [●]].
(b)	Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
(i)	If redeemable in part:	
(ii)	Minimum Redemption Amount:	[Not Applicable]
(iii)	Maximum Redemption Amount:	[Not Applicable]
20.	Final Redemption Amount:	[●] per Calculation Amount
21.	Early Redemption Amount payable on redemption for taxation reasons or on event of default:	[●] per Calculation Amount
22.	Alternative Redemption Amount:	[●][Not Applicable]
23.	Reference Gilt:	[●]
24.	Comparable German Bund Issue:	[●]
25.	Details relating to Partly Paid Notes (amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment):	[Applicable — [●] [Not Applicable]
26.	Details relating to Instalment Notes:	[Applicable][Not Applicable]
	Instalment Date(s) and Instalment Amounts:	[●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

27.	Form of Notes:	[Bearer/Registered]
	(a) If issued in Bearer form:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note.] [Temporary Global Note exchangeable for Definitive Notes on 60 days' notice given at any time/only upon an Exchange Event.] [Permanent Global Note exchangeable for Definitive Notes on 60 days' notice/upon the occurrence of an Exchange Event/at any time at the request of the Issuer.]
	(b) If Registered Notes:	[Regulation S Global Note (U.S.$[ ] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg.]] [Rule 144A Global Note (U.S.$[ ] nominal amount) registered in the name of a nominee for [DTC/a nominee of the common depositary for Euroclear and Clearstream, Luxembourg.]]
28.	Relevant Financial Centre(s):	[Applicable — [●] [Not Applicable/[●]]
29.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes — [●]/No.]

DISTRIBUTION

30.	(a) If syndicated, names of Managers:	[Not Applicable/[●]]
	(b) Date of [Subscription] Agreement:	[●]
	(c) Stabilising Manager (if any):	[Not Applicable/[●]]
	(d) Lead Manager:	
31.	If non-syndicated, name of Dealer:	[Not Applicable/[●]]
32.	Additional selling and transfer restrictions:	[Not Applicable/[●]]

THIRD PARTY INFORMATION

[[●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By:
Duly authorised

PART B — OTHER INFORMATION

1. Listing

(a) Listing:	London
(b) Admission to trading:	[Application for admission to the Official List and for admission to trading [has been/is expected to be made to trading on the London Stock Exchange's Regulated Market on or about [●]].]
(c) Date from which admission effective:	[●]
(d) Estimate of total expenses related to admission to trading:	[●]

2. Ratings

Ratings:	[The Notes to be issued [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to the Notes of this type issued under the Programme generally]: [S&P: [BBB]] [Fitch: [BBB]]

3. Issuer Hedge Counterparties

[Not Applicable]
[Abbey National Treasury Services plc]
[Bank of America, N.A.]
[Barclays Bank PLC]
[Canadian Imperial Bank of Commerce]
[Commerzbank Aktiengesellschaft]
[Deutsche Bank Aktiengesellschaft]
[HSBC Bank plc]
[ING Bank N.V.]
[JPMorgan Chase Bank, N.A.]
[Lloyds TSB Bank plc]
[Mitsubishi UFJ Securities International plc]
[National Australia Bank Limited]
[Société Générale]
[The Bank of Nova Scotia]
[The Royal Bank of Scotland plc]
[UBS AG, London Branch]

4. Borrower Hedge Counterparties

[Not Applicable]
[Abbey National Treasury Services plc]
[Bank of America, N.A.]
[Barclays Bank PLC]
[Canadian Imperial Bank of Commerce]
[Commerzbank Aktiengesellschaft]
[Deutsche Bank Aktiengesellschaft]
[HSBC Bank plc]
[ING Bank N.V.]
[JPMorgan Chase Bank, N.A.]
[Lloyds TSB Bank plc]
[Mitsubishi UFJ Securities International plc]
[National Australia Bank Limited]
[Société Générale]
[The Bank of Nova Scotia]
[The Royal Bank of Scotland plc]
[UBS AG, London Branch]

5. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]

[Save for any fees payable to the Dealers, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business].

6. [REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(a) Reasons for the offer:	[●]
(b) Estimated net proceeds:	[●]
(c) Estimated total expenses:	[●]]

7. [INDICATION OF YIELD FOR FIXED RATE NOTES

Indication of yield:	[●]]

8. OPERATIONAL INFORMATION

Any Clearing System(s) other than Euroclear Bank SA/NV and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/[●]]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[●]
ISIN Code:	[●]
Common Code:	[●]
CUSIP	[●]
Deemed delivery of clearing system notices for the purposes of Condition 16 (*Notices*):	Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the day on which it was given to Euroclear and Clearstream, Luxembourg

9. DISTRIBUTION

U.S. Selling Restrictions:	[Reg. S Compliance Category [1/2/3]; [TEFRA D/TEFRA C/TEFRA not applicable]]

DESCRIPTIONS OF THE HEDGE COUNTERPARTIES AND THE FACILITY PROVIDERS

Abbey National Treasury Services plc

Abbey National Treasury Services plc (**ANTS**) is a public limited liability company incorporated and registered in England and Wales under the Companies Act 1985. ANTS was incorporated on 24 January 1989 with registered number 2338548, is regulated by the Financial Services Authority and is an authorised person with permission to accept deposits under the FSMA.

ANTS is a direct wholly-owned subsidiary of Santander UK plc (**Santander UK**), which has given a full and unconditional guarantee in respect of the liabilities of ANTS incurred prior to 30 June 2015. ANTS has given a reciprocal guarantee in respect of the liabilities of Santander UK. Banco Santander, S.A. and its subsidiary company Santusa Holding, S.L. own the entire issued ordinary share capital of Santander UK.

ANTS's registered office is at 2 Triton Square, Regent's Place, London, NW1 3AN. The telephone number of ANTS's registered office is 0870 607 6000.

ANTS contains parts of three divisions of the Santander UK plc group (Santander UK Group):

- *Corporate Banking* — offers banking services principally to small and medium-sized (**SME**) UK companies and also to mid and large corporate clients.
- *Markets* — provides financial markets sales, trading and risk management services.
- *Asset and Liability Management (**ALM**)* — responsible for managing the Santander UK Group's structural balance sheet.

Corporate Banking provides a range of banking services principally to UK companies, with a focus on services for SMEs, providing a broad range of banking products including loans, bank accounts, deposits, treasury services, invoice discounts, cash transmission and asset finance. In addition, Corporate Banking includes specialist teams servicing Real Estate, Social Housing and UK infrastructure clients. Within Corporate Banking, the Large Corporates business is responsible for larger multinational corporate clients, including related activities principally comprising foreign exchange, money market and credit activities. These related activities are structured into two main product areas: foreign exchange and money markets, and Credit. Foreign exchange offers a range of foreign exchange products and money markets runs the securities lending/borrowing and repo businesses. Credit originates loan and bond transactions in primary markets as well as their intermediation in secondary markets.

Markets is a financial markets business focused on providing value-added financial services to financial institutions, as well as to the rest of Santander UK Group's business. It is structured into two main product areas: Fixed Income and Equity. Fixed Income covers sales and trading activity for fixed income products. Equity covers equity derivatives including the manufacture of structured products sold to both the Santander UK Group and other financial institutions who sell or distribute them on to their customers.

ALM is responsible for managing the Santander UK Group structural balance sheet composition and, in conjunction with Santander UK Group's Risk Division, strategic and tactical liquidity risk management. ALM's responsibilities also include management of Santander UK Group's banking products and structural exposure to interest rates and, in that role, is a link between Markets and all other Santander UK Group divisions.

The information contained in the preceding paragraphs has been provided by ANTS for use in this Prospectus. Except for the foregoing paragraphs in this section entitled "Abbey National Treasury Services plc", ANTS and its respective affiliates have not been involved in the preparation of, and do not accept responsibility for, this Prospectus.

Banca IMI S.p.A. — London Branch

Banca IMI S.p.A. is the investment bank of the Intesa Sanpaolo Group, operating in the Investment Banking, Capital Markets and Structured Finance sectors. It was formed through the merger of Banca d'Intermediazione Mobiliare S.p.A. and Banca Caboto S.p.A., which formed part of a broader

rationalisation of the business and companies belonging to the former Banca Intesa and Sanpaolo IMI banking groups. Banca IMI S.p.A. London Branch is authorised by the Banca d'Italia and subject to limited regulation by the Financial Services Authority. It is registered in England and Wales as a branch of Banca IMI S.p.A. under number BR007363 and is subject to the control of and coordination from the holding company Intesa Sanpaolo S.p.A.

Bank of America, N.A. and Bank of America, N.A., London branch

Bank of America, N.A. (**Bank of America**) is a national banking association organised under the laws of the United States, with its principal executive offices located in Charlotte, North Carolina. Bank of America is a wholly-owned indirect subsidiary of Bank of America Corporation (the **Bank of America Corporation**) and is engaged in a general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of September 30, 2012, Bank of America had consolidated assets of $1.45 trillion, consolidated deposits of $1.08 trillion and stockholder's equity of $180.43 billion based on regulatory accounting principles.

Bank of America, N.A., London branch is a registered branch in England under number FC 2984, authorised and regulated by the Financial Services Authority and part of the Bank of America Corporation group.

The Corporation is a bank holding company and a financial holding company, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding the Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2011, together with its subsequent periodic and current reports filed with the SEC.

Filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, United States, at prescribed rates. In addition, the SEC maintains a website at http://www.sec.gov, which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning the Corporation and Bank of America is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the referenced documents and financial statements referenced therein.

Bank of America will provide copies of the most recent Bank of America Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case as filed with the SEC pursuant to the Exchange Act), and the publicly available portions of the most recent quarterly Call Report of Bank of America delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Bank of America Corporate Communications
100 North Tryon Street, 18th Floor
Charlotte, North Carolina 28255
Attention: Corporate Communication

The delivery of this information shall not create any implication that there has been no change in the affairs of the Corporation or Bank of America since the date of the most recent filings referenced herein.

Barclays Bank PLC

Barclays Bank PLC is a public limited company registered in England and Wales under number 1026167. The liability of the members of Barclays Bank PLC is limited. It has its registered head office at 1 Churchill Place, London, E14 5HP, United Kingdom (telephone number +44 (0)20 7116 1000). Barclays Bank PLC was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Acts 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, Barclays Bank was re-registered as a public limited company and its name was changed from "Barclays Bank International Limited" to "Barclays Bank PLC".

Barclays Bank PLC and its subsidiary undertakings (taken together, and for the purposes of this section entitled "*Barclays Bank PLC*" only, the **Group**) is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC, which is the ultimate holding company of the Group.

The short term unsecured obligations of Barclays Bank PLC are rated A-1 by Standard & Poor's Credit Market Services Europe Limited, P-1 by Moody's Investors Service Ltd. and F1 by Fitch Ratings Limited and the long-term obligations of Barclays Bank PLC are rated A+ by Standard & Poor's Credit Market Services Europe Limited, A2 by Moody's Investors Service Ltd. and A by Fitch Ratings Limited.

Based on the Group's unaudited financial information for the year ended 31 December 2012, the Group had total assets of £1,490,747 million (2011: £1,563,402 million), total net loans and advances[1] of £466,627 million (2011: £478,726 million), total deposits[2] of £462,806 million (2011: £457,161 million) and total shareholders' equity of £62,894 million (2011: £65,170 million) (including non-controlling interests of £2,856 million (2011: £3,092 million)). The profit before tax from continuing operations of the Group for the year ended 31 December 2012 was £99 million (2011: £5,974 million) after credit impairment charges and other provisions of £3,596 million (2011: £3,802 million). The financial information in this paragraph is extracted from the unaudited consolidated financial statements of Barclays Bank PLC for the year ended 31 December 2012.

Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce (**CIBC**) is a diversified financial institution governed by the Bank Act (Canada) (the **Canada Bank Act**). CIBC was formed through the amalgamation of The Canadian Bank of Commerce and Imperial Bank of Canada in 1961. The Canadian Bank of Commerce was originally incorporated as Bank of Canada by special act of the legislature of the Province of Canada in 1858. Subsequently, the name was changed to The Canadian Bank of Commerce and it opened for business under that name in 1867. Imperial Bank of Canada was incorporated in 1875 by special act of the Parliament of Canada and commenced operations in that year. The address of the registered and head office of CIBC is Commerce Court, 199 Bay St., Toronto, Canada M5L 1A2 and the telephone number is 1-416-980-3096.

CIBC will be acting through its London Branch CIBC's London Branch, which is currently located at 150 Cheapside, London EC2V 6ET.

As extracted from its latest audited consolidated financial statements, as at 31 October 2012 CIBC had total assets of C$393.4 billion, total average deposits of C$299.2 billion and common shareholders' equity of C$7.8 billion. These financial statements were prepared in accordance with IFRS.

CIBC is a leading Canadian-based global financial institution. Through its three major businesses — Retail and Business Banking, Wealth Management and Wholesale Banking — CIBC provides a full range of financial products and services to 11 million individual, small business, commercial, corporate and institutional clients in Canada and around the world.

Commerzbank AG and Commerzbank AG, London Branch

Commerzbank was founded in Hamburg as "Commerz- und Disconto-Bank" in 1870. Following temporary decentralisation, Commerzbank was re-established on 1 July 1958 after a re-merger of the successor institutions created as part of the post-war breakup in 1952. Commerzbank's registered office is Frankfurt am Main and its head office is at Kaiserstrasse 16 (Kaiserplatz), 60311 Frankfurt am Main, Germany. It is entered in the commercial register of the Local Court of Frankfurt am Main under the number HRB 32000. The Bank was established under German law for an indefinite period.

In accordance with Article 2 of the Articles of Association, Commerzbank's corporate purpose is to engage in banking transactions and to offer all types of financial services and other related services and transactions, including acquiring, holding and disposing of interests in other entities.

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1 Total net loans and advances include balances relating to both bank and customer accounts.

2 Total deposits include deposits from bank and customer accounts.

Commerzbank may realise its corporate purpose itself, through affiliated companies and equity participations or through the conclusion of affiliation and cooperation agreements with third parties. It is entitled to have recourse to all transactions and measures which are suitable for promoting its corporate purpose, in particular the establishment of branches in Germany and abroad and the acquisition, management and disposal of interests in other enterprises.

The London Branch of Commerzbank has its principal office at 30 Gresham Street, London EC2V 7PG and is registered with UK Companies House under number BR001025.

Deutsche Bank Aktiengesellschaft

Deutsche Bank Aktiengesellschaft (**Deutsche Bank**) originated from the reunification of Norddeutsche Bank Aktiengesellschaft, Hamburg, Rheinisch-Westfälische Bank Aktiengesellschaft, Duesseldorf and Süddeutsche Bank Aktiengesellschaft, Munich; pursuant to the Law on the Regional Scope of Credit Institutions, these had been disincorporated in 1952 from Deutsche Bank which was founded in 1870. The merger and the name were entered in the Commercial Register of the District Court Frankfurt am Main on 2 May 1957. Deutsche Bank is a banking institution and a stock corporation incorporated under the laws of Germany under registration number HRB 30 000. Deutsche Bank has its registered office in Frankfurt am Main, Germany. It maintains its head office at Taunusanlage 12, 60325 Frankfurt am Main and branch offices in Germany and abroad including in London, New York, Sydney, Tokyo and an Asia-Pacific Head Office in Singapore which serve as hubs for its operations in the respective regions.

Deutsche Bank is the parent company of a group consisting of banks, capital market companies, fund management companies, a real estate finance company, instalment financing companies, research and consultancy companies and other domestic and foreign companies (the **Deutsche Bank Group**).

Deutsche Bank AG London is the London branch of Deutsche Bank AG. On 12 January 1973, Deutsche Bank AG filed in the United Kingdom the documents required pursuant to section 407 of the Companies Act 1948 to establish a place of business within Great Britain. On 14 January 1993, Deutsche Bank registered under Schedule 21A to the Companies Act 1985 as having established a branch (Registration No. BR000005) in England and Wales. Deutsche Bank AG London is an authorised person for the purposes of section 19 of the Financial Services and Markets Act 2000. In the United Kingdom, it conducts wholesale banking business and through its Private Wealth Management division, it provides holistic wealth management advice and integrated financial solutions for wealthy individuals, their families and selected institutions.

Export Development Canada (EDC)

EDC is Canada's export credit agency, and provides trade finance and risk management services to Canadian exporters. EDC is a Crown corporation wholly owned by the Government of Canada. EDC's head office is located at 150 Slater Street, Ottawa, Ontario, Canada K1A 1K3.

EDC was established on 1 October 1969 by the Export Development Act, a statute of the Parliament of Canada that was last amended effective 6 July 2012. Prior to that, a predecessor corporation, Export Credits Insurance Corporation had been carrying on activities in Canada since 1944. EDC is accountable for its affairs to the Parliament of Canada through the Minister of International Trade. EDC is committed to conducting business in accordance with the letter and spirit of Canadian law and the applicable laws of the countries in which it conducts business.

EDC was established for the purposes of supporting and developing, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trade and to respond to international business opportunities.

HSBC Bank plc

HSBC Bank plc and its subsidiaries form a UK-based group providing a comprehensive range of banking and related financial services.

HSBC Bank plc (formerly Midland Bank plc) was formed in England in 1836 and subsequently incorporated as a limited company in 1880. In 1923, the company adopted the name Midland Bank Limited which it held until 1982 when it re-registered and changed its name to Midland Bank plc.

During the year ended 31 December 1992, Midland Bank plc became a wholly owned subsidiary undertaking of HSBC Holdings plc, whose Group Head Office is at 8 Canada Square, London E14 5HQ. HSBC Bank plc adopted its current name, changing from Midland Bank plc, in the year ended 31 December 1999.

The HSBC Group is one of the largest banking and financial services organisations in the world, with over 6,900 offices in 80 countries and territories in six geographical regions: Europe; Hong Kong; Rest of Asia-Pacific; Middle East and North Africa; North America and Latin America. Its total assets at 30 September 2012 were U.S.$2,721 billion. HSBC Bank plc is the HSBC Group's principal operating subsidiary undertaking in Europe.

HSBC Bank plc is regulated pursuant to the Financial Services and Markets Act 2000 and is an authorised institution supervised by the Financial Services Authority. HSBC Bank plc's principal place of business in the United Kingdom is 8 Canada Square, London E14 5HQ.

The above disclosure in respect of HSBC Bank plc shall not create any implication that there has been no change in the affairs of HSBC Bank plc since the date hereof or that the information contained or referred to herein is correct as at any time subsequent to its date. The information in the preceding 6 paragraphs has been provided by HSBC Bank plc for use in this Prospectus and HSBC Bank plc is solely responsible for the accuracy of the preceding 6 paragraphs. Except for the foregoing 6 paragraphs, HSBC Bank plc, in its capacity as Hedge Counterparty and in its capacity as Facility Provider, and its affiliates have not been involved in the preparation of, and do not accept responsibility for, this Prospectus.

ING Bank N.V. and ING Bank N.V., London Branch

ING Bank N.V.'s registered address is at Bijlmerplein 888, 1102 MG Amsterdam Zuidoost, The Netherlands.

The London Branch of ING Bank N.V. has its principal office at 60 London Wall, London EC2M 5TQ and is registered with UK Companies House under number FC010062.

ING Bank N.V. is the 100 per cent. owned, non-listed subsidiary of ING Groep N.V. ING Groep N.V. was incorporated as a *Naamloze Vennootschap* (public limited liability company) under the laws of the Netherlands on 21 January 1991 to effect the merger between Nationale-Nederlanden, which was the largest insurer in the Netherlands, and NMB Postbank Group, which was one of the largest banks in the Netherlands, by way of a public offering for the shares of the latter companies. This public offering was successfully completed on 4 March 1991. ING Groep N.V. is registered as number 33231073 in the Dutch Company Registry and its Articles of Association are available in the Netherlands. ING Groep N.V. operates under several commercial names, including "ING Groep N.V.", "ING Groep", "ING Group" and "ING". ING Groep has its statutory and head office in Amsterdam, the Netherlands and operates under Dutch law. Shares in ING Groep are traded on the Amsterdam Exchange and the New York Stock Exchange.

ING Groep is a global financial institution offering banking, investments, life insurance and retirement products and services. As of 30 September 2012, ING Groep had total assets of EUR 1,248 billion and shareholders' equity of EUR 53 billion. With a diverse workforce of about 93,000 people, ING is dedicated to setting the standard in helping their clients manage their financial future.

JPMorgan Chase Bank, National Association

JPMorgan Chase Bank, National Association (for the purposes of this section entitled "*JPMorgan Chase Bank, National Association*" only, the **Bank**) is a wholly owned subsidiary of JPMorgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. The Bank offers a wide range of banking services to its customers, both domestically and internationally. It is chartered and its business is subject to examination and regulation by the Office of the Comptroller of the Currency.

As of September 30th, 2012, JPMorgan Chase Bank, National Association, had total assets of $1,850.2 billion, total net loans of $592.0 billion, total deposits of $1,186.7 billion, and total

stockholder's equity of $142.6 billion. These figures are extracted from the Bank's unaudited Consolidated Reports of Condition and Income (the **Call Report**) as of 30 September 2012, prepared in accordance with regulatory instructions that do not in all cases follow U.S. generally accepted accounting principles. The Call Report including any update to the above quarterly figures is filed with the Federal Deposit Insurance Corporation and can be found at www.fdic.gov.

Additional information, including the most recent annual report on Form 10-K for the year ended 31 December 2011, of JPMorgan Chase & Co., the 2011 Annual Report of JPMorgan Chase & Co., and additional annual, quarterly and current reports filed with or furnished to the Securities and Exchange Commission (the **SEC**) by JPMorgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Official Statement is delivered upon the written request of any such person to the Office of the Secretary, JPMorgan Chase & Co., 270 Park Avenue, New York, New York 10017 or at the SEC's website at www.sec.gov.

The information contained in the preceding 3 paragraphs relates to and has been obtained from the Bank. The above disclosure shall not create any implication that there has been no change in the affairs of the Bank since the date of this Prospectus, or that the information contained or referred to in the preceding 3 paragraphs is correct as of any time subsequent to its date.

Lloyds TSB Bank plc

Lloyds TSB Bank plc (**Lloyds TSB Bank**) was incorporated in England and Wales on 20 April 1865 (registration number 2065). Lloyds TSB Bank's registered office is at 25 Gresham Street, London EC2V 7HN, United Kingdom. Lloyds TSB Bank is authorised and regulated by the Financial Services Authority. Lloyds TSB Bank is a wholly owned subsidiary of Lloyds Banking Group plc (the **Company**, and together with its subsidiary undertakings from time to time, **Lloyds Banking Group**).

Lloyds Banking Group is a leading UK based financial services group providing a wide range of banking and financial services, primarily in the UK, to personal and corporate customers. The businesses of Lloyds Banking Group are in or owned by Lloyds TSB Bank. Lloyds Banking Group owns Lloyds TSB Bank directly which in turn owns HBOS plc (**HBOS**) directly.

Lloyds Bank plc was incorporated in 1865 and has undertaken a number of mergers and acquisitions, including the merger with TSB Group plc in 1995, the acquisition of Cheltenham & Gloucester Building Society in 1995, the acquisition of Scottish Widows in 2000 and the acquisition of HBOS in 2009. Lloyds TSB Group plc changed its name to Lloyds Banking Group plc at the time of the HBOS acquisition.

Additional information, including copies of the most recent publicly available financial results of Lloyds TSB Bank plc and Lloyds Banking Group, is available from Investor Relations, Lloyds Banking Group, 25 Gresham Street, London EC2V 7HN or from the following internet website address: http://www.lloydsbankinggroup.com. The information available on this website does not form part of this Prospectus.

Mitsubishi UFJ Securities International plc

Mitsubishi UFJ Securities International plc (**MUSI**) was incorporated in England and Wales on 11 February 1983 pursuant to the Companies Act 1948 to 1985 as a company with liability limited by shares, and changed its name from Alnery No. 180 Limited to Mitsubishi Finance International Limited on 16 May 1983 prior to commencing business on 3 October 1983. MUSI was re-registered as a public limited company on 3 August 1989. MUSI's registered office is located at Ropemaker Place, 25 Ropemaker Street, London EC2Y 9AJ, and its telephone number is 44 20-7628-5555. MUSI's registration number is 01698498.

On 1 April 1996, MUSI changed its name from Mitsubishi Finance International plc to Tokyo-Mitsubishi International plc, following the merger of its then parent The Mitsubishi Bank, Limited with The Bank of Tokyo, Ltd., the merged entity being named The Bank of Tokyo-Mitsubishi, Ltd. (**BTM**), which is now known as The Bank of Tokyo-Mitsubishi UFJ, Ltd. (**BTMU**). BTM subsequently became a wholly owned subsidiary of Mitsubishi Tokyo Financial Group, Inc (**MTFG**, which is now known as Mitsubishi UFJ Financial Group, Inc. (**MUFG**) following its merger with The Mitsubishi Trust and Banking Corporation (**MTBC**) in 2001.

As part of a restructuring of the securities subsidiaries of BTM, on 1 July 2004 BTM transferred its 100 per cent. shareholding in MUSI to Mitsubishi Securities Co., Ltd. (**Mitsubishi Securities**, which became known as Mitsubishi UFJ Securities Co., Ltd. (**MUS**) following the merger of MTFG and UFJ Holdings, Inc. which created MUFG), which at that time was a 52 per cent. owned subsidiary of BTMU. On 5 July 2004, MUSI changed its name from Tokyo-Mitsubishi International plc to Mitsubishi Securities International plc. Further to the global merger between MTFG and UFJ Holdings, Inc., MUSI changed its name from Mitsubishi Securities International plc to Mitsubishi UFJ Securities International plc on 3 October 2005.

The information in the preceding 3 paragraphs has been provided by Mitsubishi UFJ Securities International plc for use in this Prospectus and Mitsubishi UFJ Securities International plc is solely responsible for the accuracy of the preceding 3 paragraphs. Except for the foregoing 3 paragraphs, Mitsubishi UFJ Securities International plc in its capacity as a Hedge Counterparty, and its affiliates, have not been involved in the preparation of, and does not accept responsibility for, this Prospectus.

National Australia Bank Limited

National Australia Bank Limited (**NAB**) is registered in the State of Victoria with Australian Business Number 12 004 044 937. NAB was incorporated on 23 June 1893.

NAB is a public limited company incorporated in the Commonwealth of Australia and it operates under Australian legislation including the Corporations Act 2001 of Australia. Its registered office is Level 4 (UB4440), 800 Bourke Street, Docklands, Victoria 3008, Australia (telephone number +61 3 8634 2345).

NAB and its controlled entities (**NAB Group**) is an international financial services group, providing a comprehensive and integrated range of financial products and services. The principal activities of the NAB Group are banking services, credit and access card facilities, leasing, housing and general finance, international banking, investment banking, wealth management, funds management, life insurance, and custodian, trustee and nominee services.

Société Générale and Société Générale, London Branch

Société Générale is a French limited liability company (*societe anonyme*) having the status of a bank and is registered in France in the Commercial Register under number 552 120 222. It has its registered office at 29 Boulevard Haussmann 75009 Paris and its head office at Tour S.G., 17 Cours Valmy, 97872 Paris La Defense. Société Générale was incorporated by deed approved by the decree of 4 May 1864. As of 8 January 2013, Société Générale has a share capital of EUR 975,341,533.75 divided into 780,273,227 shares, each with a nominal value of EUR 1.25. Société Générale is authorised and supervised by the Autorite de Controle Prudentiel and the Autorite des Marches Financiers in France to act as a credit institution and investment firm entitled to perform any banking activity or to provide any investment service except the operation of Multilateral Trading Facilities, under the provisions of the French Code Monétaire et Financier and is subject to limited regulation in the UK by the Financial Services Authority. The London Branch of Société Générale has its principal office at SG House, 41 Tower Hill, London EC3N 4SG and is registered with UK Companies House under number BR000021.

Société Générale is one of the largest European financial services groups. Based on a diversified universal banking model, the Group combines financial solidity with a strategy of sustainable growth, and aims to be the reference for relationship banking, recognised on its markets, close to clients, chosen for the quality and commitment of its teams.

Its 160,000 employees based in 77 countries accompany more than 33 million clients throughout the world on a daily basis. Société Générale's teams offer advice and services to individual, corporate and institutional customers in three core businesses:

- Retail banking in France with the Société Générale branch network, Credit du Nord and Boursorama

- International retail banking, with a presence in Central and Eastern Europe and Russia, in the Mediterranean basin, in Sub-Saharan Africa, in Asia and in the French Overseas Territories
- Corporate and investment banking with a global expertise in investment banking, financing and global markets.

Société Générale is also a significant player in specialised financing and insurance, private banking, asset management and securities services.

The Bank of Nova Scotia

The Bank of Nova Scotia was granted a charter under the laws of the Province of Nova Scotia in 1832 and commenced operations in Halifax, Nova Scotia in that year. Since 1871, the Bank of Nova Scotia has been a chartered bank under the Bank Act (Canada) (the **Canadian Bank Act**). The Bank of Nova Scotia is a Schedule 1 bank under the Canadian Bank Act and the Canadian Bank Act is its charter. The head office of the Bank of Nova Scotia is located at 1709 Hollis Street, Halifax, Nova Scotia, B3J 3B7 and its executive offices are at Scotia Plaza, 44 King Street West, Toronto, Ontario, M5H 1H1. A copy of the Bank's by-laws is available on www.sedar.com.

The Bank of Nova Scotia is one of North America's premier financial institutions and Canada's most international bank. Through its team of more than 81,000 employees, the Bank of Nova Scotia and its affiliates offer a broad range of products and services, including retail, commercial, corporate and investment banking to more than 19 million customers in more than 55 countries around the world.

Information on the Bank of Nova Scotia's business lines is available in the 2012 Management's Discussion and Analysis found on pages 44 to 54 inclusive of the Bank of Nova Scotia's Annual Report for the year ended 31 October 2012.

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

The Bank of Tokyo-Mitsubishi UFJ, Ltd. (**BTMU**, and together with its consolidated subsidiaries, for the purposes of this section entitled "*The Bank of Tokyo-Mitsubishi UFJ, Ltd.*" only, the **Group**) is a major commercial banking organisation in Japan and provides a broad range of domestic and international banking services from its offices in Japan and around the world. BTMU is a "city" bank, as opposed to a regional bank. BTMU's registered head office is located at 7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8388, Japan, and its telephone number is 81-3-3240-1111. BTMU is a joint stock company (kabushiki kaisha) incorporated in Japan on 15 August 1919 for an indefinite duration under the Company Law of Japan (Law No. 86 of 2005, also known as the **Corporation Act**).

BTMU was formed through the merger, on 1 January 2006, of BTM and UFJ Bank, after their respective parent companies, Mitsubishi Tokyo Financial Group, Inc. (**MTFG**) and UFJ Holdings, Inc. (**UFJ Holdings**) had merged to form Mitsubishi UFJ Financial Group, Inc. (**MUFG**) on 1 October 2005. BTMU is a wholly owned subsidiary of MUFG.

BTM was formed through the merger, on 1 April 1996, of The Mitsubishi Bank, Limited and The Bank of Tokyo, Ltd. The origins of Mitsubishi Bank can be traced to the Mitsubishi Exchange Office, a money exchange house established in 1880 by Yataro Iwasaki, the founder of the Mitsubishi industrial, commercial and financial group. In 1895, the Mitsubishi Exchange Office was succeeded by the Banking Division of the Mitsubishi Goshi Kaisha, the holding company of the "Mitsubishi group" of companies. Mitsubishi Bank had been a principal bank to many of the Mitsubishi group companies, but broadened its relationships to cover a wide range of Japanese industries, small and medium-sized companies and individuals. Bank of Tokyo was established in 1946 as a successor to The Yokohama Specie Bank, Ltd., a special foreign exchange bank established in 1880. When the government of Japan promulgated the Foreign Exchange Bank Law in 1954, Bank of Tokyo became the only bank licensed under that law. Because of its licence, Bank of Tokyo received special consideration from the Ministry of Finance in establishing its offices abroad and in many other aspects relating to foreign exchange and international finance.

UFJ Bank was formed through the merger, on 15 January 2002, of The Sanwa Bank, Limited (**Sanwa Bank**) and The Tokai Bank, Limited (**Tokai Bank**).

Sanwa Bank was established in 1933 when the three Osaka-based banks, the Konoike Bank, the Yamaguchi Bank, and the Sanjyushi Bank merged. Sanwa Bank was known as a city bank having the longest history in Japan, since the foundation of Konoike Bank can be traced back to the Konoike Exchange Office established in 1656. The origin of Yamaguchi Bank was also a money exchange house, established in 1863. Sanjyushi Bank was founded by influential fibre wholesalers in 1878. The corporate philosophy of Sanwa Bank had been the creation of the premier banking services especially for small and medium-sized companies and individuals.

Tokai Bank was established in 1941 when three Nagoya-based banks, the Aichi Bank, the Ito Bank, and the Nagoya Bank merged. In 1896, Aichi Bank took over businesses of the Jyuichi Bank established by wholesalers in 1877 and the Hyakusanjyushi Bank established in 1878. Ito Bank and Nagoya Bank were established in 1881 and 1882, respectively. Tokai Bank had expanded the commercial banking business to contribute to economic growth mainly of the Chubu area in Japan, which is known for the manufacturing industry, especially automobiles.

The Royal Bank of Scotland plc

The Royal Bank of Scotland plc (**RBS plc**) is a wholly-owned subsidiary of The Royal Bank of Scotland Group plc (the **holding company**), a large banking and financial services group. The **Group** (for the purposes of this section entitled "*The Royal Bank of Scotland plc*" only) comprises RBS plc and its subsidiary and associated undertakings. The Group has a large and diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers.

RBS Group comprises the holding company and its subsidiary and associated undertakings.

RBS Group had total assets of £1,415 billion and owners' equity of £74 billion as at 30 June 2012. RBS Group's capital ratios, as at 30 June 2012, were a total capital ratio of 14.6 per cent., a Core Tier 1 capital ratio of 11.1 per cent. and a Tier 1 capital ratio of 13.4 per cent.

The Group had total assets of £1,359 billion and owners' equity of £62 billion as at 30 June 2012. As at 30 June 2012, the Group's capital ratios were a total capital ratio of 15.4 per cent., a Core Tier 1 capital ratio of 9.9 per cent. and a Tier 1 capital ratio of 11.6 per cent.

UBS AG, London Branch

UBS AG, a company incorporated with limited liability in Switzerland on 28 February 1978 registered at the Commercial Registry Office of the Canton of Zurich and the Commercial Registry Office of the Canton of Basel-City with Identification No: CH-270.3.004.646-4, having its registered offices at Bahnhofstrasse 45, 8001 Zurich and Aeschenvorstadt 1, 4051 Basel, Switzerland and having established in the United Kingdom a branch office situated at 1 Finsbury Avenue, London EC2M 2PP registered at Companies House, Cardiff, as a UK Establishment pursuant to Part 34 (Sections 1044 to 1052) of the Companies Act 2006 and the Overseas Companies Regulations 2009 [SI 2009/1801] (being successor legislation to Schedule 21A to the Companies Act 1985 under which that branch office was originally registered on 16 June 1998) with Company No: FC021146 and UK Establishment (formerly referred to as Branch) No: BR004507 (**UBS AG, London Branch**) acting through, and by, UBS AG, London Branch.

INDEX LINKED NOTES — PERFORMANCE OF INDEX/FORMULA

Index Linked Notes

General

RPI is one of the most familiar general purpose domestic measures of inflation in the UK. RPI has been used as a measure of inflation since 1947 and measures the average change from month to month in the prices of goods and services purchased by most households in the UK. The spending pattern on which the RPI is based is revised each year, mainly using information from official expenditure and food surveys.

RPI is compiled by the UK Office of National Statistics (**ONS**) using a large and representative selection of separate goods and services for which price movements are regularly measured in various areas throughout the UK. If prices rise compared to the previous month, the RPI goes up and if prices fall compared to the previous month, the RPI goes down. It takes two or three weeks for the ONS to compile the index, so each month's RPI figure is published during the following month (e.g. the figure relating to July will be published in August). The RPI figures used in the calculation of payments of interest on, and the redemption amount of, the Index Linked Notes are numerical representations of where prices on a list of items bought by an average family stand at a point in time, in relation to their past values.

More information on RPI, including past and current levels, can be found at the following website: www.statistics.gov.uk.

Payments of principal and interest on Index Linked Notes will be adjusted to take into account changes in RPI from the Base Index Figure specified in the applicable Final Terms.

In respect of each Series of Index Linked Notes, a rate of interest will be specified in the applicable Final Terms. The interest amount due on each Interest Payment Date (such dates to be specified in the applicable Final Terms) will be that rate multiplied by the ratio which reflects the change in RPI between the Base Index Figure and the RPI figure relating to a particular month or date (as specified in the applicable Final Terms) prior to the relevant Interest Payment Date.

Subject to any early redemption of Index Linked Notes, such Index Linked Notes will be redeemed on their specified Final Maturity Date at a Final Redemption Amount specified in the applicable Final Terms, provided that:

(a) if the RPI figure applicable to the relevant month or date, as the case may be, in or on which such payment falls to be made is higher than the Base Index Figure, an additional amount reflecting such increase in RPI will also be paid (subject to any Maximum Final Redemption Amount specified in the applicable Final Terms); and

(b) if the RPI figure applicable to the relevant month or date, as the case may be, in or on which such payment falls to be made is lower than the Base Index Figure, the amount payable on redemption of the Index Linked Notes will be reduced to reflect such decrease in RPI (subject to any Minimum Final Redemption Amount specified in the applicable Final Terms).

Index figure applicable

The RPI figure (or "Index Figure applicable") relating to a particular month or date will be the figure either 3 months or 8 months prior to the particular month or date (3 months or 8 months to be specified in the applicable Final Terms). If an 8 month period is specified as the Index Figure applicable it will be the first day of the month that is 8 months prior to the month in which the relevant payment falls due.

Interest

The real rate of interest offered on a Series of Index Linked Notes (i.e. the rate before taking inflation into account) is fixed when the first Tranche of such Series of Index Linked Notes is issued. This amount will be adjusted upwards or downwards to take into account the effect of inflation or deflation.

To calculate any inflation adjustment that might apply, two inflation index "fixing" figures are required — one that relates to the start of the Index Linked Note's life (i.e. the "Base Index Figure") and

one that relates to the relevant Interest Payment Date. The "fixing" figures can be taken either 3 months or 8 months prior to the relevant Issue Date or relevant Interest Payment Date (commonly referred to as a "lag" period). The "lag" period will be the "Relevant Period" specified in the applicable Final Terms.

Interest amounts are calculated with reference to each Calculation Amount as set out in the applicable Final Terms.

Redemption

The Index Linked Notes will be redeemed either (a) on their specified Final Maturity Date as specified in the applicable Final Terms at the Final Redemption Amount specified in the applicable Final Terms or (b) in certain limited circumstances described in the Terms and Conditions of the Index Linked Notes upon expiry of the notice required by the Terms and Conditions, at 100 per cent. of their nominal amount, in the case of each of (a) and (b) above, plus or minus an additional amount to take into account the effect of inflation or deflation. To calculate any inflation adjustment that might apply, two inflation index "fixing" figures are required — one that relates to the start of the Index Linked Note's life (i.e. the "Base Index Figure") and one that relates to the relevant Final Maturity Date or early redemption date, as applicable, of the Index Linked Notes. The "fixing" figures can be taken either 3 months or 8 months prior to the relevant Issue Date or relevant Final Maturity Date or early redemption date, as applicable (commonly referred to as a "lag" period). The "lag" period will be the "Relevant Period" specified in the applicable Final Terms.

The amount so payable to an Investor is calculated with reference to each Calculation Amount as set out in the applicable Final Terms.

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
July 2012	1.5874	1.5506
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)	1.5333	1.5802

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.

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 HM Revenue and Customs practice relating only to United Kingdom withholding tax treatment of payments of interest on the Notes. The comments below may not apply to certain classes of person (such as dealers). 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 London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the FSMA) and admitted to trading on the London 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 HM Revenue and Customs (**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.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the Notes is less than 365 days and those Notes do not form part of a scheme or arrangement of borrowing capable of remaining outstanding for more than 364 days.

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. HMRC also has power, in certain circumstances, to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of Notes which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 to or receives such amounts for the benefit of another person, although HMRC published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of amounts payable on the redemption of deeply discounted securities where such amounts are paid on or before 5 April 2013. 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 described 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 (IRS) 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 (as defined below) that will hold the Notes as capital assets (generally, property held for investment). This summary is based on the U.S. Internal Revenue Code of 1986 (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 address the material U.S. federal income tax consequences of every type of Note which may be issued under the Program, and the relevant Final Terms may contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note as appropriate. This summary does not discuss all aspects of US 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 US Holders; (ix) investors that hold Notes as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for US federal income tax purposes; (x) investors that have a functional currency other than the U.S. Dollar and (xi) US 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-US, state or local tax considerations. This discussion applies only to holders of Registered Notes. Bearer Notes are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Note may be subject to limitations under U.S. federal income tax laws, including the limitations provided in Section 165(j) and 1287 of the Code. Moreover, the summary deals only with Notes with a term of 30 years or less. The U.S. federal income tax consequences of owning Notes with a longer term may be discussed in the applicable Final Terms.

For the purposes of this summary, a "**US 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 US 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.

This summary should be read in conjunction with any discussion of U.S. federal income tax consequences in the applicable Final Terms. To the extent there is any inconsistency in the discussion of U.S. tax consequences to holders between this Prospectus and the applicable Final Terms, holders should rely on the tax consequences described in the applicable Final Terms instead of this Prospectus.

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. Unless otherwise indicated in the applicable Final Terms, the Issuer generally 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.

If the treatment of the Notes as indebtedness is not upheld, they may 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 Issuer/Borrower 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, whether payable in U.S. Dollars or a currency other than U.S. Dollars (a **foreign currency**), other than interest on a “Discount Note” that is not “qualified stated interest” (each as defined below under “Original Issue Discount — General”), 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 and OID (as defined below), if any, accrued with respect to the Notes (as described below under “Original Issue Discount”) will generally constitute income from sources outside the United States

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 IRS.

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.

Original Issue Discount

General

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Notes issued with original issue discount (**OID**). The following summary does not discuss Notes that are characterised as contingent payment debt instruments for U.S. federal income tax purposes. In the event that the Issuer issues contingent payment debt instruments, the applicable Final Terms may describe the material U.S. federal income tax consequences thereof.

A Note, other than a Note with a term of one year or less (a "**Short-Term Note**"), will be treated as issued with OID (a "**Discount Note**") if the excess of the Note's "stated redemption price at maturity" over its issue price is at least a *de minimis* amount (0.25% of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an "**instalment obligation**") will be treated as a Discount Note if the excess of the Note's stated redemption price at maturity over its issue price is equal to or greater than 0.25% of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. Generally, the **"issue price**" of a Note under the applicable Final Terms will be 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. The "**stated redemption price at maturity**" of a Note is the total of all payments provided by the Note that are not payments of "qualified stated interest". A "**qualified stated interest**" payment is generally any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under "Variable Interest Rate Notes"), applied to the outstanding principal amount of the Note. Solely for the purpose of determining whether a Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note. If a Note has *de minimis* OID, a U.S. Holder must include the *de minimis* amount in income as stated principal payments are made on the Note, unless the holder makes the election described below under "— Election to Treat All Interest as Original Issue Discount". A U.S. Holder can determine the includible amount with respect to each such payment by multiplying the total amount of the Note's *de minimis* OID by a fraction equal to the amount of the principal payment made divided by the stated principal amount of the Note.

U.S. Holders of Discount Notes must generally include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and will generally have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note (**accrued OID**). The daily portion is determined by allocating to each day in any "accrual period" a *pro rata* portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Discount Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the

payments of qualified stated interest on the Discount Note allocable to the accrual period. The "**adjusted issue price**" of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

Acquisition Premium

A U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being "**acquisition premium**") and that does not make the election described below under "Election to Treat All Interest as Original Issue Discount", is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Note immediately after its purchase over the Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's adjusted issue price.

Market Discount

A Note, other than a Short-Term Note, will generally be treated as purchased at a market discount (a "**Market Discount Note**") if the Note's stated redemption price at maturity or, in the case of a Discount Note, the Note's "revised issue price", exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25% of the Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity (or, in the case of a Note that is an instalment obligation, the Note's weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes "*de minimis* market discount" and such Note is not subject to the rules discussed in the following paragraphs. For this purpose, the "**revised issue price**" of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Any gain recognised on the maturity or disposition of, a Market Discount Note (including any payment on a Note that is not qualified stated interest) will be treated as ordinary income to the extent that the gain does not exceed the accrued market discount on the Note. Alternatively, a U.S. Holder of a Market Discount Note may elect to include market discount in income currently over the life of the Note. This election shall apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS. A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently will generally be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Note includible in the U.S. Holder's income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder.

Market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. This election applies only to the Note with respect to which it is made and is irrevocable.

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under "Original Issue Discount — General" with certain modifications. For purposes of this election, interest includes stated interest, OID, *de minimis* OID,, as adjusted by any amortisable bond premium (described below under "Notes Purchased at a Premium") or acquisition premium. If a U.S. Holder makes this election for the Note, then, when the constant-yield method is applied, the issue price of the Note will equal its cost, the issue date of the Note will be the date of acquisition, and no payments on the Note will be treated as payments of qualified stated interest. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. However, if the Note has amortisable bond premium, the

U.S. Holder will be deemed to have made an election to apply amortisable bond premium against interest for all debt instruments with amortisable bond premium, other than debt instruments the interest on which is excludible from gross income, held as of the beginning of the taxable year to which the election applies or any taxable year thereafter.

Variable Interest Rate Notes

Notes that provide for interest at variable rates (**Variable Interest Rate Notes**) will generally bear interest at a "qualified floating rate" and thus will be treated as "variable rate debt instruments" under U.S. Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total non-contingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount and (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate.

A "**qualified floating rate**" is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate unless the cap or floor is fixed throughout the term of the Note.

An "**objective rate**" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note's term. A "**qualified inverse floating rate**" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "**current value**" of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument", then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" will generally not be treated as having been issued with OID unless the

Variable Interest Rate Note is issued at a "true" discount (i.e., at a price below the Note's stated principal amount) in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Note arising from "true" discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules to the "equivalent" fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a "variable rate debt instrument", then the Variable Interest Rate Note will be treated as a contingent payment debt obligation, as described below under "Original Issue Discount — Contingent Payment Debt Instruments".

Contingent Payment Debt Instruments

Certain Notes may be treated as contingent payment debt instruments for U.S. federal income tax purposes ("**Contingent Notes**"). Under applicable U.S. Treasury Regulations, interest on Contingent Notes is treated as OID and must be accrued on a constant-yield basis based on a yield to maturity that reflects the rate at which the Issuer would issue a comparable fixed-rate instrument with no contingent payments but with terms and conditions otherwise similar to the Contingent Notes (the "**comparable yield**"), based on a projected payment schedule determined by the Issuer (the "**projected payment schedule**"). This projected payment schedule must include each non-contingent payment on the Contingent Note and an estimated amount for each contingent payment, and must produce the comparable yield.

The Issuer is required to provide to holders, solely for U.S. federal income tax purposes, a schedule of the projected amounts of payments on the Contingent Notes. The applicable Final Terms will either contain the comparable yield and projected payment schedule, or will provide an address to which a U.S. Holder of a Contingent Note can submit a written request for this information.

THE COMPARABLE YIELD AND PROJECTED PAYMENT SCHEDULE ARE NOT DETERMINED FOR ANY PURPOSE OTHER THAN FOR THE DETERMINATION OF INTEREST ACCRUALS AND ADJUSTMENTS THEREOF IN RESPECT OF THE CONTINGENT NOTES FOR U.S. FEDERAL INCOME TAX PURPOSES. THEY ARE BASED UPON A NUMBER OF ASSUMPTIONS AND ESTIMATES AND DO NOT CONSTITUTE A PROJECTION OR REPRESENTATION REGARDING THE ACTUAL AMOUNTS PAYABLE TO THE HOLDERS OF, OR THE ACTUAL YIELD ON, THE CONTINGENT NOTES.

A U.S. Holder will generally be bound by the comparable yield and the projected payment schedule determined by the Issuer unless the U.S. Holder determines its own comparable yield and projected payment schedule and explicitly and timely justifies and discloses such schedule to the IRS. The Issuer's determination, however, is not binding on the IRS, and it is possible that the IRS could conclude that some other comparable yield or projected payment schedule should be used instead.

The amount of OID includible in income by a U.S. Holder of a Contingent Note is the sum of the daily portions of OID with respect to the Contingent Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Contingent Note ("**accrued OID**"). The daily portion is determined by allocating to each day in any "accrual period" a *pro rata* portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by a U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Contingent Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Contingent Note's adjusted issue price at the beginning of the accrual period and the Contingent Note's comparable yield (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The "**adjusted issue price**" of a Contingent Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the projected amount of any payments previously made on the Contingent Note. No additional income will be recognised upon the receipt of payments of stated interest in amounts equal to the annual payments included in the projected payment schedule described above. Any differences between actual payments received by the U.S. Holder on the Contingent Notes in a taxable year and the projected amount of those payments will be accounted for as additional OID (in the case of a positive adjustment) or as an offset to interest income in respect of the Contingent Note (in the case of a negative adjustment), for the taxable year in which the actual payment is made. If the negative adjustment for any taxable year exceeds the amount of OID on the Contingent Note for that year, the excess will be treated as ordinary loss, but only to the extent the U.S. Holder's total OID inclusions on the Contingent Note exceed the total amount of any ordinary loss in respect of the Contingent Note claimed by the U.S. Holder under this rule in prior taxable years. Any negative adjustment that is not allowed as an ordinary loss for the taxable year is carried forward to the next taxable year, and is taken into account in determining whether the U.S. Holder has a net positive or negative adjustment for that year. However, any negative adjustment that is carried forward to a taxable year in which the Contingent Note is sold, exchanged or retired reduces the U.S. Holder's amount realised on the sale, exchange or retirement.

Gain from the sale or other disposition of a Contingent Note will be treated as interest income taxable at ordinary income (rather than capital gains) rates. Any loss will be ordinary loss to the extent that the U.S. Holder's total interest inclusions to the date of sale or retirement exceed the total net negative adjustments that the U.S. Holder took into account as ordinary loss, and any further loss will be capital loss.

Foreign Currency Contingent Notes

Special rules apply to determine the accrual of OID and the amount, timing, source and character of any gain or loss on a Note that is a contingent payment debt instrument denominated in a foreign currency (a "**Foreign Currency Contingent Note**").

Under these rules, a U.S. Holder of a Foreign Currency Contingent Note will generally be required to accrue OID in the foreign currency in which the Foreign Currency Contingent Note is denominated (i) at a yield at which the Issuer would issue a comparable fixed-rate debt instrument denominated in the same foreign currency with terms and conditions otherwise similar to those of the Foreign Currency

Contingent Note, and (ii) in accordance with a projected payment schedule determined by the Issuer, under rules similar to those described above under *"Original Issue Discount — Contingent Payment Debt Instruments."* The amount of OID on a Foreign Currency Contingent Note that accrues in any accrual period (prior to and including the maturity date of the Notes) will be the product of the comparable yield of the Foreign Currency Contingent Note (adjusted to reflect the length of the accrual period) and the adjusted issue price of the Foreign Currency Contingent Note at the beginning of the accrual period. The adjusted issue price of a Foreign Currency Contingent Note will generally be determined under the rules described above, and will be denominated in the foreign currency of the Foreign Currency Contingent Note.

OID on a Foreign Currency Contingent Note will be translated into U.S. dollars under translation rules similar to those described above under "Payments of Interest — Foreign Currency Denominated Interest". Any positive adjustment (i.e. the excess of actual payments over projected payments) in respect of a Foreign Currency Contingent Note for a taxable year will be translated into U.S. dollars at the spot rate on the last day of the taxable year in which the adjustment is taken into account. The amount of any negative adjustment on a Foreign Currency Contingent Note (i.e. the excess of projected payments over actual payments) that is offset against accrued but unpaid OID will be translated into U.S. dollars at the same rate as which such OID was accrued. To the extent a net negative adjustment exceeds the amount of accrued but unpaid OID, the negative adjustment will be treated as offsetting OID that has accrued and been paid on the Foreign Currency Contingent Note, and will be translated into U.S. dollars at the spot rate on the date the Foreign Currency Contingent Note was issued. Any net negative adjustment carry forward will be carried forward in the relevant foreign currency.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (calculated as set forth below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or other disposition of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or other disposition. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Foreign Currency Notes

OID for any accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency will be determined in the foreign currency and then translated into U.S. Dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above under "Payments of Interest". Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or other disposition of a Note), a U.S. Holder will generally recognise exchange gain or loss, which will be ordinary gain or loss measured by the difference between the amount received (translated into U.S. Dollars at the exchange rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. Dollars.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of its principal amount, or for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as "amortisable bond

premium", in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortisable bond premium allocable (based on the Note's yield to maturity) to that year. In the case of a Note that is denominated in, or determined by reference to, a foreign currency, bond premium (including acquisition premium) will be computed in units of foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency. On the date bond premium offsets interest income, a U.S. Holder will generally recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date, and on the date the Notes were acquired by the U.S. Holder. Any election to amortise bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) 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 is irrevocable without the consent of the IRS. See also "Original Issue Discount — Election to Treat All Interest as Original Issue Discount". A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognise a capital loss when the Note matures.

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, increased by the amount of any OID included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID included in the U.S. Holder's income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable Note premium applied to reduce interest on the Note. A U.S. Holder's tax basis in a Foreign Currency 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 realised on the sale or other disposition and the tax basis of the Note. The amount realised 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 IRS. Except to the extent described above under "Original Issue Discount — Short-Term Notes" or 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 realised 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, interest and accrued OID 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 IRS 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 IRS 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 Foreign Currency Note. Persons considering the purchase of such Notes should consult with their tax advisers to determine the tax return obligations, if any, with respect to an investment in such Notes, including any requirement to file IRS 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 U.S. Internal Revenue Service (**IRS**) to provide the IRS 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 (i) any Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or after the “grandfathering date”, which is 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 defining the term foreign passthru payment are filed with the Federal Register or which are materially modified on or after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued.

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 IRS. The United States and the United Kingdom have entered into an agreement (the **US-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 US-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 will 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 such 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.

ERISA CONSIDERATIONS

Unless otherwise provided in any supplement to this Prospectus, the Notes should be eligible for purchase by employee benefit plans and other plans subject to Title I of the 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 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, the Exchange Agent or any other party to the transactions referred to in this Prospectus 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, the Exchange 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 United States 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 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. If, as a result of any investment, 25% or more of the value of any class of equity interests in the Issuer is being held by Benefit Plan Investors, the applicable Notes may be redeemed by the Issuer.

Accordingly, except as otherwise provided in any supplement to this Prospectus, each purchaser and subsequent transferee of any Notes will 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, the Exchange 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.

SUBSCRIPTION AND SALE

Programme Agreement

Notes may be issued from time to time by the Issuer to any one or more of the Dealers in each case acting as principal or to subscribers from whom subscriptions have been procured by the Dealers, in each case pursuant to the Programme Agreement. The arrangements under which a particular Tranche of Notes may from time to time be agreed to be issued by the Issuer to, and subscribed by, Dealers or subscribers are set out in the Programme Agreement and the Subscription Agreements relating to each Tranche of Notes. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be subscribed by the Dealers or subscribers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

In the Programme Agreement, the Issuer, failing whom the Borrower, has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and maintenance of the Programme and the issue of Notes under the Programme Agreement and the Issuer and each of the Obligors has agreed to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

In order to facilitate the offering of any Tranche of Notes, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Under UK laws and regulations stabilising activities may only be carried on by the Stabilising Manager(s) named in the applicable Final Terms (or persons acting on behalf of any Stabilising Manager(s)) and only for a limited period following the Issue Date of the relevant Tranche of Notes.

The Dealers 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. Certain of the Dealers are lenders under such existing credit facilities. All of the Dealers are lenders under certain of the Group's new senior term facilities. In addition, certain of the Dealers 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.

United States of America

The Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act and, in each case, in circumstances that will not require the Issuer to register under the Investment Company Act. Terms used in this paragraph have the meaning given to them in Regulation S.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and the U.S. Treasury regulations promulgated thereunder.

(A) Where the D Rules are specified in the relevant Final Terms as being applicable in relation to any Tranche of Notes, each Dealer will be required to represent, undertake and agree (and each additional Dealer appointed under the Programme will be required to represent, undertake and agree) that:

   (i) except to the extent permitted under the D Rules (a) it has not offered or sold, and will not offer or sell, any Bearer Notes to a person who is within the United States or its possessions or to a U.S. person, and (b) it has not delivered and will not deliver within the United States or its possessions Bearer Notes in definitive form that are sold during the restricted period;

   (ii) it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees and agents who are directly engaged in selling Bearer Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a U.S. person, except as permitted by the D Rules;

   (iii) if it is a U.S. person, it is acquiring the Bearer Notes for purposes of resale in connection with their original issuance and, if it retains Bearer Notes for its own account, it will only do so in accordance with the requirements of United States Treasury Regulations §1.163-5(c)(2)(i)(D)(6);

   (iv) with respect to each affiliate (if any) that acquires Bearer Notes from such Dealer for the purposes of offering or selling such Notes during the restricted period, such Dealer either repeats and confirms the representations, undertakings and agreements contained in sub-clauses (i), (ii), (iii) and (v) on such affiliate's behalf or agrees that it will obtain from such affiliate for the benefit of the Issuer the representations, undertakings and agreements contained in such sub-clauses (i), (ii), (iii) and (v); and

   (v) shall obtain for the benefit of the Issuer the representations, undertakings and agreements contained in sub-clauses (i), (ii), (iii), (iv) and (v) of this paragraph from any person other than its affiliate with whom it enters into a written contract (a "distributor" as defined in United States Treasury Regulations §1.163-5(c)(2)(i)(D)(4)), for the offer or sale during the restricted period of the Bearer Notes.

(B) In addition, where the C Rules are specified in the relevant Final Terms as being applicable in relation to any Tranche of Notes, such Notes must in their original issuance, be issued and delivered outside the United States and its possessions and, accordingly, each Dealer will be required to represent, undertake and agree (and each additional Dealer will be required to represent, undertake and agree) that, in connection with the original issuance of the Notes:

   (i) it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Bearer Notes within the United States or its possessions; and

   (ii) it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or such Dealer is within the United States or its possessions and will not otherwise involve the United States office of such Dealer in the offer and sale of Bearer Notes.

Terms used in sub-clauses (A) and (B) have the meanings given to them by the Code and the regulations thereunder, including the C Rules and the D Rules.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable Tranche of which Notes are a part, as determined and certified to the Principal Paying Agent by the relevant Dealer (or, in the case of a sale of an identifiable Tranche of Notes to or through more than one relevant Dealer, by each of such relevant Dealers as to the Notes of such identifiable Tranche purchased by or through it, in which case the Principal Paying Agent shall notify each such

relevant Dealer when all such relevant Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons (other than Notes sold pursuant to Rule 144A). Each Dealer and its affiliates will also agree that, at or prior to confirmation of sale of Notes to a distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period, it will send to such purchaser a confirmation or notice stating that such purchaser is subject to the foregoing restrictions on offers and sales within the United States or to, of for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S. Due to the restrictions set forth above and in the relevant Final Terms, purchasers of the Notes are advised to consult legal counsel prior to making an offer to purchase or to re-sell, pledge or otherwise transfer the Notes.

In addition, until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may 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.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Programme Agreement provides that the Dealers may directly or through their respective agents or affiliates arrange for the offer and resale of the Notes in the United States only to QIBs in reliance on Rule 144A.

Purchasers of Notes shall be deemed to have made the representations set forth under "*Transfer Restrictions*".

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

(a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons other than qualified investors as defined in the Prospectus Directive, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer;

(d) at any time to any legal entity which has two or more of: (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43 million; and (3) an annual net turnover of more than €50 million, as shown in its last annual or consolidated accounts; or

(e) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3(2) of the Prospectus Directive,

provided that no such offer of any Notes referred to in paragraphs (b) to (d) (inclusive) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplemental prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of

sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

United Kingdom

Each Dealer has severally represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) ***No deposit-taking***: in relation to any Notes having a maturity of less than one year:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

(ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

(b) ***Financial Promotion***: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(c) ***General Compliance***: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Australia

Each Dealer acknowledges that neither the Prospectus nor any other disclosure document (as defined in the Corporations Act 2001 (Cth)) in relation to the Notes has been or will be lodged with the Australian Securities and Investments Commission (**ASIC**) or the Australian Securities Exchange Limited (the **ASX**), and the Notes may not be offered for sale, nor may application for the sale or purchase of any Notes be invited in Australia (including an offer or invitation which is received by a person in Australia), and neither the Prospectus nor any other offering material or advertisement relating to the Notes may be distributed or published in Australia unless, in each case:

(a) the minimum aggregate consideration payable on acceptance of the offer or invitation by each offeree or invitee is at least A$500,000 (or its equivalent in another currency, in either case, disregarding moneys lent by the person offering the Notes or making the invitation or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or 7.9 of the Corporations Act;

(b) the offer, invitation or distribution complies with the conditions of the Australian financial services license of the person making the offer, invitation or distribution or an applicable exemption from the requirement to hold such license;

(c) the offer, invitation or distribution complies with all applicable Australian laws, regulations and directives; and

(d) such action does not require any document to be lodged with ASIC or the ASX.

General

Each Dealer acknowledges that other than having obtained the approval of the Prospectus by the UKLA in accordance with Part VI of the FSMA for the Notes to be admitted to listing on the Official List of the UKLA and to trading on the Market or the Professional Securities Market of the London Stock Exchange, no action has been or will be taken in any jurisdiction by the Issuer that would permit a public offering of Notes, or possession or distribution of the Prospectus or any other offering material, in any jurisdiction where action for that purpose is required. Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it shall (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in each jurisdiction in or from which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Prospectus or any other offering material, in all cases at its own expense unless agreed otherwise.

The Programme Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific country or jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) in the official interpretation, after the date of the Programme Agreement, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) in a supplement to this Prospectus.

TRANSFER RESTRICTIONS

Regulation S Notes

Each purchaser of a beneficial interest in the Regulation S Notes, by accepting delivery of this Prospectus 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 a 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 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 of the Code or (iv) a governmental, church or non-US plan which is subject to any U.S. federal, state, local or non-U.S. law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code.
5. It acknowledges that the Issuer, the Registrar, the relevant Dealer(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 Dealer(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 and any Regulation S Individual Certificates issued in exchange thereof, unless otherwise agreed between the Issuer and the 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 (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN OF REGULATION S UNDER SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.

   EACH PURCHASER OF THIS NOTE (OR ANY INTEREST THEREIN) WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT 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 OF THE CODE OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE.

Registered Notes / Rule 144A Notes

Each purchaser of a beneficial ownership interest in a Rule 144A Note, by accepting delivery of this Prospectus 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 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 of the Code or (iv) a governmental, church or non U.S. plan which is subject to any U.S. federal, state, local or non U.S. law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or (B) it is a plan or entity described in clause A(i), (ii), (iii) or (iv) above and its acquisition, holding and deposition 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, church or non U.S. plan, any such substantially similar U.S. federal, state, local or non U.S. law) for which an exemption is not available.

4. It understands that the Rule 144A Global Note and any Definitive Notes issued in exchange thereof, unless otherwise agreed between the Issuer and the 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 WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES 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) IN AN OFFSHORE TRANSACTION TO A PERSON WHO IS NOT A U.S. PERSON WITHIN THE MEANING OF REGULATION S UNDER SECURITIES ACT IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) 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. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THE NOTES.

EACH PURCHASER OF THIS NOTE (OR ANY INTEREST THEREIN) WILL 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 OF THE CODE OR (IV) A GOVERNMENTAL, CHURCH OR NON U.S. BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR (B) IT IS A PLAN OR ENTITY DESCRIBED IN CLAUSE A(I), (II), (III) OR (IV) ABOVE AND ITS ACQUISITION, HOLDING AND DISPOSITION 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, CHURCH OR NON U.S. PLAN, ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, LOCAL OR NON U.S. LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

5. It acknowledges that the Issuer, the Registrar, the relevant Dealer(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 Dealer(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 a 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.

GENERAL INFORMATION

Authorisation

The establishment of the Programme, the granting of the Issuer Security and the issue of Notes thereunder have been duly authorised by resolutions of the Board of Directors of the Issuer passed at a meeting of the Board held on 1 February 2013.

The borrowings of the Borrower and the security provided by the Borrower in favour of the Obligor Security Trustee, the Issuer and the other Obligor Secured Creditors have been duly authorised by resolutions of the Board of Directors of the Borrower at a meeting of the Board held on 1 February 2013.

The provision of the guarantee by Arqiva Services Limited in favour of the Obligor Security Trustee, the Issuer and the other Obligor Secured Creditors have been duly authorised by resolutions of the Board of Directors of Arqiva Services Limited at a meeting of the Board held on 1 February 2013.

The provision of the guarantee by Arqiva Limited in favour of the Obligor Security Trustee, the Issuer and the other Obligor Secured Creditors have been duly authorised by resolutions of the Board of Directors of Arqiva Limited at a meeting of the Board held 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

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes. Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the Market. The listing of the Programme in respect of Notes is expected to be granted on or before 26 February 2013.

However, Notes may also be issued pursuant to the Programme which will not be listed on the London Stock Exchange or any other stock exchange or which will be listed on such stock exchange as the Issuer and the relevant Dealer(s) may agree.

Documents Available

For so long as the Programme remains in effect or any Notes shall be outstanding, copies of the following documents may (when published) be inspected during normal business hours (in the case of Bearer Notes) at the specified office of the Principal Paying Agent, (in the case of Registered Notes) at the specified office of the Registrar and the Transfer Agent and (in all cases) at the registered office of the Note Trustee:

(a) the Memorandum and Articles of Association of each of the Issuer, the Borrower, Arqiva Services Limited and Arqiva Limited;

(b) the consolidated audited financial statements of the Borrower for the years ended 30 June 2010, 30 June 2011 and 30 June 2012;

(c) the report of PricewaterhouseCoopers LLP in respect of the consolidated audited financial statements of the Borrower for the financial years ended 30 June 2010, 30 June 2011 and 30 June 2012;

(d) the consolidated unaudited interim financial statements for the Borrower for the six months ended 31 December 2012;

(e) the audited financial statements of Arqiva Services Limited for the years ended 30 June 2011 and 30 June 2012;

(f) the report of PricewaterhouseCoopers LLP in respect of the audited financial statements of Arqiva Services Limited for the financial years ended 30 June 2011 and 30 June 2012;

(g) the audited financial statements of Arqiva Limited for the years ended 30 June 2011 and 30 June 2012;

(h) the report of PricewaterhouseCoopers LLP in respect of the audited financial statements of Arqiva Limited for the financial years ended 30 June 2011 and 30 June 2012;

(i) a copy of this Prospectus;

(j) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms (save that a Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Prospectus and any other documents incorporated herein or therein by reference;

(k) each Final Terms relating to Notes which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system (in the case of any Notes which are not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available for inspection by the relevant Noteholders);

(l) each Investor Report; and

(m) each Issuer Transaction Document and Obligor Transaction Documents (as the same may be amended, varied, supplemented or novated from time to time).

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg as specified in the relevant Final Terms. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer may make an application for any Registered Notes to be accepted for trading in book entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Notes, together with the relevant ISIN and Common Code, will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative Clearing System (including Sicovam) the appropriate information will be specified in the applicable Final Terms.

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. The address of any alternative Clearing System will be specified in the applicable Final Terms. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

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 no significant change in the financial or trading position of the Borrower and its subsidiaries since 30 June 2012. There has been no material adverse change in the prospects of the Borrower and its subsidiaries since 30 June 2012, the date of its last published audited financial statements.

There has been no significant change in the financial or trading position of Arqiva Services Limited and its subsidiaries since 30 June 2012, the date of its last published audited financial statements. There has been no material adverse change in the prospects of Arqiva Services Limited and its subsidiaries since 30 June 2012, the date of its last published audited financial statements.

There has been no significant change in the financial or trading position of Arqiva Limited and its subsidiaries since 30 June 2012. There has been no material adverse change in the prospects of Arqiva Limited and its subsidiaries since 30 June 2012, the date of its last published audited financial statements.

Litigation

Save as disclosed in this Prospectus, 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.

Save as disclosed in this Prospectus, 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 Borrower is aware) within a period of 12 months preceding the date of this Prospectus which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Borrower and its subsidiaries.

Save as disclosed in this Prospectus, there are no and have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Arqiva Services Limited is aware) within a period of 12 months preceding the date of this Prospectus which may have, or have had in the recent past, a significant effect on the financial position or profitability of Arqiva Services Limited and its subsidiaries.

Save as disclosed in this Prospectus, there are no and have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Arqiva Limited is aware) within a period of 12 months preceding the date of this Prospectus which may have, or have had in the recent past, a significant effect on the financial position or profitability of Arqiva Limited and its subsidiaries.

Availability of Financial Statements

The audited consolidated annual financial statements of the Borrower and the audited annual financial statements the Issuer, Arqiva Services Limited and Arqiva Limited will be prepared as of 30 June in each year, with the first set of accounts to be prepared by the Issuer for the period ended 30 June 2013. The Issuer has not published and does not intend to publish any interim financial information, but the Borrower will provide semi-annual unaudited interim financial information to various parties under the terms of the Common Terms Agreement. The unaudited interim financial information of the Borrower will be prepared as of 31 December in each year. As of the date of this Prospectus and since the incorporation of the Issuer, the Issuer has not commenced operations. Accordingly, no financial statements have been prepared by the Issuer as of the date of this Prospectus. All future audited annual financial statements (and any published interim financial information) of the Issuer, the Borrower, Arqiva Services Limited and Arqiva Limited will be available free of charge in accordance with "— *Documents Available*" above.

Auditors

The auditors of the Issuer are PricewaterhouseCoopers LLP, chartered accountants, of 1 Embankment Place, London WC2N 6RH.

The auditors of the Borrower are PricewaterhouseCoopers LLP, chartered accountants, of 1 Embankment Place, London WC2N 6RH, who have audited the Borrower's accounts, without qualification, in accordance with generally accepted auditing standards in the UK for each of the financial years ended 30 June 2010, 30 June 2011 and 30 June 2012. The audited accounts include reports prepared by the auditors.

The auditors of Arqiva Services Limited are PricewaterhouseCoopers LLP, chartered accountants, of 1 Embankment Place, London WC2N 6RH, who have audited Arqiva Services Limited's accounts, without qualification, in accordance with generally accepted auditing standards in the UK for each of the financial years ended 30 June 2011 and 30 June 2012. The audited accounts include reports prepared by the auditors.

The auditors of Arqiva Limited are PricewaterhouseCoopers LLP, chartered accountants, of 1 Embankment Place, London WC2N 6RH, who have audited Arqiva Limited's accounts, without qualification, in accordance with generally accepted auditing standards in the UK for each of the financial years ended 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 Borrower, Arqiva Services Limited and Arqiva Limited.

Financial Information

The audited consolidated accounts of the Borrower for the periods ended 30 June 2010, 30 June 2011 and 30 June 2012, the unaudited accounts of the Borrower for the six months ended 31 December 2012, the audited accounts of Arqiva Limited for the periods ended 30 June 2011 and 30 June 2012 and the audited accounts of Arqiva Services Limited for the periods ended 30 June 2011 and 30 June 2012 are reproduced in Appendix 1 below.

Appendix 1 forms part of this Prospectus.

Information in respect of the Notes

The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on then prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes except for the Investor Report which will be prepared by the Borrower on a semi-annual basis and published on the designated website of the Borrower, being www.arqiva.com and which will also be made available (in the case of Bearer Notes) at the specified office of the Principal Paying Agent, (in the case of Registered Notes) at the specified office of the Registrar and the Transfer Agent and (in all cases) at the registered office of the Note Trustee. No reports in respect of the Issuer/Borrower Facilities Agreement and the Issuer/Borrower Loans will be prepared.

Material Contracts

None of the Issuer, the Borrower, Arqiva Services Limited and Arqiva Limited have entered into any contract not being in the ordinary course of its business.

Other Activities of the Dealers

The Dealers and their respective affiliates (i) have provided, and may in the future provide, investment banking, commercial lending, consulting and financial advisory services to, (ii) have entered into and may, in the future enter into, other related transactions with, and (iii) have made or assisted or advised any party to make, and may in the future make or assist or advise any party to make, acquisitions and investments in or related to, the Issuer or the Obligors and their respective subsidiaries and affiliates or other parties that may be involved in or related to the transactions contemplated in this Prospectus, in each case in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Obligors or their respective affiliates. Specifically, all the Dealers will act as Liquidity Facility Providers in respect of the Liquidity Facility made available to the Issuer and the Borrower under the Liquidity Facility Agreement and will act as Capex Facility Providers and Working Capital Facility Providers in respect of the Capex Facility and the Working Capital Facility (respectively), each made available to the Borrower under the Capex and Working Capital Facilities Agreement. The Dealers and their respective affiliates may, in the future, act as Hedge Counterparties to the Issuer or the Borrower consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

GLOSSARY

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.

Account Bank means either (a) the Borrower Account Bank; (b) the Issuer Account Bank; or (c) the FinCo Account Bank, or all as the context requires.

Accounting Principles means accounting principles, policies, standards, bases and practices which, from time to time, are generally accepted under UK GAAP or IFRS.

Additional FinCo Secured Creditor means any person that as at the Closing Date is not already a FinCo Secured Creditor and which becomes a FinCo Secured Creditor pursuant to the provisions of Clause 2.8 (Accession of Additional FinCo Secured Creditor) of the STID.

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.

AF1 Liquidity Shortfall means, in respect of any Payment Date, a determination that there will be an AF1 Liquidity Shortfall Amount in accordance with Schedule 10 of the CTA.

AF1 Liquidity Shortfall Amount means (after taking into account funds available for drawing from the Borrower Liquidity DSR Account but excluding amounts available pursuant to this Agreement), with respect to any Payment Date, the amount as determined by the Borrower Cash Manager or, in the absence of determination by the Borrower Cash Manager, the Borrower by which the funds in the Borrower Debt Service Payment Account on such Payment Date are or are projected to be less than the amounts scheduled to be paid in respect of items (a) to (h) (inclusive) of schedule 8 (Borrower Pre Enforcement Pre-Acceleration Priorities of Payment) of the CTA but excluding, for the avoidance of doubt, final bullet principal repayments on maturity, mandatory prepayments, any termination payments, accretion or other pay as you go payments and all other unscheduled amounts payable to any Borrower Hedge Counterparty and any amount arising under any Issuer/Borrower Facility Agreement and any Issuer/Borrower Hedging Agreements.

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**).

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.

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.

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.

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.

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.

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, putable, or convertible), unless full payment of principal is paid in cash upon the exercise of the embedded option, that (i) is issued or guaranteed by the government of the United States of America, the United Kingdom, 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 the terms of the CTA.

Change of Control means:

(a) If either:

(i) the Current Shareholders or their Shareholder Affiliates cease to control (directly or indirectly) the Ultimate Parent, the Securitisation Parent, FinCo or Intermediate HoldCo; or

(ii) at any time while any Facility A Loan is outstanding, the Shareholder Controllers/Affiliates cease to control (directly or indirectly) the Ultimate Parent, the Securitisation Parent, FinCo or Intermediate HoldCo; or

(iii) any person or group of persons acting in concert (other than the Shareholder Controllers/ Affiliates) gains direct or indirect control of the Ultimate Parent, the Securitisation Parent, FinCo or Intermediate HoldCo,

then:

(A) FinCo shall promptly notify the TF Agent upon becoming aware of that event and the TF Agent shall promptly notify the Lenders upon receiving such notification from FinCo; and

(B) if a Lender so requires and notifies the TF Agent within 30 days of FinCo notifying the TF Agent of the event, the TF Agent shall, by not less than 30 days notice to FinCo, cancel the Commitment of that Lender and declare the participation of that Lender in all outstanding Loans, together with accrued interest, and all other amounts accrued under the Finance Documents immediately due and payable, whereupon the Commitment of that Lender will be cancelled and all such outstanding amounts will become immediately due and payable.

(b) For the purpose of paragraph (a)(i) above, control means the right to vote, or control the casting of voting in respect of, at least 50.1 per cent. of the issued share capital of the Ultimate Parent, the Securitisation Parent, FinCo and Intermediate HoldCo as the Current Shareholders or their Affiliates (together or separately) see fit (whether by way of ownership of shares, proxy, contract, agency or otherwise).

(c) For the purpose of paragraph (a)(ii) above, control means the right to vote, or control the casting of voting in respect of, at least 20.1 per cent. of the issued share capital of the Ultimate Parent, the Securitisation Parent, FinCo and Intermediate HoldCo as the Shareholder Controllers/Affiliates (together or separately) see fit (whether by way of ownership of shares, proxy, contract, agency or otherwise).

(d) For the purposes of paragraph (a)(iii) above:

(i) **control** means:

(A) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to:

I. cast, or control the casting of, more than 50 per cent. of the maximum number of votes that might be cast at a general meeting of the Ultimate Parent, the Securitisation Parent, FinCo and Intermediate HoldCo; or

II. appoint or remove all, or the majority, of the directors or other equivalent officers of the Ultimate Parent, the Securitisation Parent, FinCo and Intermediate HoldCo; or

(B) the holding beneficially of more than 50 per cent. of the issued share capital of the Ultimate Parent, the Securitisation Parent, FinCo and Intermediate HoldCo (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital); and

(ii) **acting in concert** means, a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition, directly or indirectly of shares in the Ultimate Parent, the Securitisation Parent, FinCo or Intermediate HoldCo by any of them, either directly or indirectly, to obtain or consolidate control of the Ultimate Parent, the Securitisation Parent, FinCo or Intermediate HoldCo.

Commitments means, in relation to a Borrower Bank Facility Provider at any time and save as provided in the relevant Borrower Bank Facility Agreement, the commitment specified in the relevant Borrower Bank Facility Agreement in respect of the applicable Borrower Bank Facility Provider, to the extent not cancelled, reduced or transferred by it under the relevant Borrower Bank Facility Agreement.

Compliance Certificate Date means the date on which a Compliance Certificate is dated.

Currency means sterling, US 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.

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).

Debt Service Payment Account means a debt service payment account in the name of the Borrower held with the Borrower Account Bank.

Default means:

(a) an Obligor Event of Default; or

(b) a Potential Obligor Event of Default.

Defeasance Account means each account opened by the Borrower with the Borrower Account Bank in accordance with the CTA and the Borrower Account Bank Agreement in respect of Defeased Debt.

Defeasance Account Ledger means a ledger established on the Defeasance Account corresponding to each Issuer/Borrower Loan corresponding to a Fixed Rate Note or an Index Linked Note, in respect of which the Borrower has deposited an amount into the Defeasance Account in accordance with the CTA, to record credits and debits to the Defeasance Account made in respect of the relevant Issuer/Borrower Loan.

Defeased Debt means any Issuer/Borrower Loan corresponding to Fixed Rate Notes or Indexed Linked Notes in respect of which the Borrower has elected to deposit amounts into the Defeasance Account that would otherwise have been used to prepay any such Issuer/Borrower Loan corresponding to Fixed Rate Notes or Indexed Linked Notes in accordance with the CTA.

Directive means EC Council Directive 2003/48/EC.

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.

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 debt;

(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 (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/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);

(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:

(i) any increase to, or waiver in respect of, the maximum percentage specified in such Subparagraph 4.1(a) such that the amount equal to:

(A) 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

(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,

would be permitted to be greater than 110 per cent. 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:

(A) 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

(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,

would be permitted to be greater than 115 per cent. 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).

Environmental Permits or **Environmental Approvals** in either case means any permit, licence, consent, approval or other authorisation and the filing of any notification, report or assessment required under any Environmental Law for the operation of the business conducted on or from the properties owned or used by the Senior Financing Group Company.

Equivalent Amount means the amount in question expressed in the terms of pounds sterling, calculated on the basis of the Exchange Rate.

EURIBOR means the Euro-Zone inter-bank offered rate.

Euro-Zone means the region comprised of Member States of the European Economic Area that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

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 (i) and (ii) 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 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 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 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).

Expected Maturity Date means the expected maturities as may be agreed between:

(a) in respect of each Issuer/Borrower Loan, the Issuer and the Borrower (and reflected in the relevant Issuer/Borrower Loan Tranche Supplement);

(b) 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

(c) 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.

Existing Hedging Agreements means each of the ISDA Master Agreements, related schedules, credit support annexes and confirmations with the Existing Hedge Counterparties existing on the day immediately prior to the Signing Date.

Facility A Commitment means:

(a) in relation to an original term facilities provider, the amount set opposite its name under "Facility A Commitment" in the Term Facilities Agreement and the amount of any other Commitment transferred to it under the Term Facilities Agreement; and

(b) in relation to any other Lender, the amount of any Commitment transferred to it under the Term Facilities Agreement,

to the extent not cancelled, reduced or transferred by it under the Term Facilities Agreement.

Facility A Loan means a loan made or to be made under Facility A or the principal amount outstanding for the time being of that loan.

Facility B Commitment means:

(a) in relation to an original term facilities provider, the amount set opposite its name under "Facility B Commitment" in the Term Facilities Agreement and the amount of any other Commitment transferred to it under the Term Facilities Agreement; and

(b) in relation to any other Lender, the amount of any Commitment transferred to it under the Term Facilities Agreement,

to the extent not cancelled, reduced or transferred by it under the Term Facilities Agreement.

Facility B Loan means a loan made or to be made under Facility B or the principal amount outstanding for the time being of that loan.

FATCA means:

(a) sections 1471 to 1474 of the US Internal Revenue Code of 1986 (the **Code**) or any associated regulations or other official guidance;

(b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (a) above; or

(c) any agreement pursuant to the implementation of paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.

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.

Finance Document means the Term Facilities Agreement, the FinCo Intercreditor Agreement, the FinCo Security Documents, any FinCo Bank/Hedging Agreement, the Intermediate HoldCo Senior Guarantee, the Intermediate HoldCo Intercreditor Agreement, the Intermediate HoldCo Security Agreement, any fee letter dated on or about the Signing Date between the TF Arrangers and FinCo, any selection notice under the Term Facilities Agreement, any utilisation request under the Term Facilities Agreement and any other document designated as a Finance Document by the TF Agent and FinCo provided that where the term “Finance Document” is used in, and construed for the purposes of the Term Facilities Agreement or the FinCo Intercreditor Agreement, a FinCo/Bank Hedging Agreement shall be a TF Finance Document only for the purposes of:

(a) the definition of “Material Adverse Effect”;

(b) the definition of “FinCo Transaction Document”;

(c) the definition of “FinCo Security Document”; and

(d) those clauses referring to construction, events of default and amendments and waivers in the Term Facilities Agreement.

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.

Finance Party means the TF Agent, a TF Arranger, the FinCo Security Trustee, a FinCo/Bank Hedge Counterparty or a Lender provided that where the term “Finance Party” is used in, and construed for the purposes of, the Term Facilities Agreement or the FinCo Intercreditor Agreement, a FinCo/Bank Hedge Counterparty shall be a Finance Party only for the purposes of:

(a) the definition of “FinCo Secured Creditors”;

(b) those clauses referring to construction, the FinCo Intercreditor Agreement or Intermediate HoldCo Intercreditor Agreement, the role of the TF Agent and the TF Arrangers, the conduct of business by the Finance Parties and amendments and waivers in the Term Facilities Agreement; and

(c) paragraph (c) of the definition of “Material Adverse Effect”.

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 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 Document means:

(a) the FinCo Deed of Charge; and

(b) any other document evidencing or creating security over any asset of FinCo in favour of the FinCo Security Trustee to secure any obligation of FinCo to a Finance Party under the TF Finance Documents.

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/Bank Hedge Counterparty means:

(a) any financial institution listed in the Term Facilities Agreement as an "Original FinCo/Bank Hedge Counterparty"; or

(b) any bank or financial institution which becomes a FinCo/Bank Hedge Counterparty under the Term Facilities Agreement,

which, in each case, is or has become, a party to the FinCo Intercreditor Agreement as a FinCo/Bank Hedge Counterparty in accordance with the provisions of the FinCo Intercreditor Agreement.

FinCo/Bank Hedging Agreement means any master agreement, confirmation, transaction, schedule or other agreement in the form of an ISDA Master Agreement entered into or to be entered into by FinCo for the purpose of hedging interest rate exposure, index exposure or currency risk in relation to the Term Facilities which the FinCo/Bank Hedging Policy requires or permits to be hedged.

FinCo/Bank Hedging Policy means the hedging policy in respect of the interest rate liabilities of FinCo of, and in relation to, the Term Facilities, as appended to the FinCo Intercreditor Agreement.

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.

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).

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.

Hedges means the Existing Hedges together with the New Hedges.

Hedging Agreements means the Issuer Hedging Agreements, the FinCo Hedging Agreements and the Borrower Hedging Agreements.

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.

HIBOR means the Hong Kong inter-bank offered rate.

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.

Inflation Rate means the rate of inflation specified in the relevant Inflation Linked Hedge.

IH HoldCo INED Event means if there is one independent director appointed to the board of Intermediate HoldCo and that independent director resigns without a replacement independent director being appointed and no replacement independent director has been appointed within 45 days of the date of such resignation.

Insolvency Event means, in respect of any company:

(a) the initiation of or consent to Insolvency Proceedings by such company or any other person or the presentation of a petition or application for the making of an administration order which proceedings (other than in the case of the Issuer) are not, in the opinion of the Obligor Security Trustee, being disputed in good faith with a reasonable prospect of success;

(b) an encumbrancer (excluding, in relation to the Issuer, the Issuer Security Trustee or any receiver appointed by the Issuer Security Trustee) taking possession of the whole or any part of the undertaking or assets of such company;

(c) any distress, execution, attachment, diligence or other process being levied or enforced or imposed upon or against the whole or any substantial part of the undertaking or assets of such company (excluding, in relation to the Issuer, by the Issuer Security Trustee or any receiver appointed by the Issuer Security Trustee) and such order, appointment, possession or process (as the case may be) not being discharged or otherwise ceasing to apply within 30 days;

(d) the making of an arrangement, composition, scheme of arrangement, reorganisation with or conveyance to or assignment or assignation for the creditors of such company generally or the making of an application to a court of competent jurisdiction for protection from the creditors of such company generally;

(e) the passing by such company of an effective resolution or the making of an order by a court of competent jurisdiction for the winding up, liquidation or dissolution of such company (except, in the case of the Issuer, a winding up for the purpose of a merger, reorganisation or amalgamation the terms of which have previously been approved either in writing by the Issuer Security Trustee or by an Extraordinary Resolution of the Noteholders of each Series of Notes);

(f) subject to the other Paragraphs of this definition, the appointment of an Insolvency Official in relation to such company or in relation to the whole or any substantial part of the undertaking or assets of such company;

(g) save as permitted in the STID, the cessation or suspension of payment of its debts generally or a public announcement by such company of an intention to do so; or

(h) save as provided in the STID, a moratorium is declared in respect of any indebtedness of such company.

Interest Determination Date, in respect of any Series of Notes, has the meaning given to it in the applicable Final Terms.

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 Profit Amount means £5,000 per annum in equal instalments on each Interest Payment Date, to be retained by the Issuer as profit.

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 (a) to (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 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 to which the Issuer is a party.

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:

(a) the Note Trust Deed;

(b) the Issuer Deed of Charge;

(c) the Issuer Cash Management Agreement;

(d) the Agency Agreement;

(e) each Calculation Agency Agreement;

(f) the Issuer Account Bank Agreement;

(g) the Liquidity Facility Agreement;

(h) the Issuer/Borrower Facilities Agreement;

(i) the Issuer Hedging Agreements;

(j) the Issuer/Borrower Hedging Agreements;

(k) the Issuer Corporate Officer Agreement;

(l) the Master Definitions Agreement;

(m) the Common Terms Agreement;

(n) the Security Trust and Intercreditor Deed;

(o) the Borrower Account Bank Agreement

(p) each Final Terms;

(q) each Global Note and each Definitive Note; and

(r) any other agreement, instrument or deed designated by the Issuer and the Issuer Security Trustee as an Issuer Transaction Document.

Issuer/Borrower Loan Tranche Supplement means a loan tranche supplement substantially in the form set out in the Issuer/Borrower Facilities Agreement.

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 or **JV** 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 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.

Lender means:

(a) any financial institution listed in the Term Facilities Agreement as an "Original Term Facilities Provider"; and

(b) any bank, financial institution, trust, fund or other entity which has become a party to the Term Facilities Agreement as a Lender in accordance with the Term Facilities Agreement,

which in each case has not ceased to be a Lender in accordance with the terms of this Agreement.

LIBOR means the London Interbank Offered Rate.

Liquidity Facility Provider Requisite Ratings 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 Borrower, 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 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, with the consent of the Borrower Account Bank, if such Liquidity Facility Provider does not have the Liquidity Facility Provider Requisite Rating, at the Borrower Account Bank.

Loan means a Facility A Loan or a Facility B Loan.

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.

Majority Lenders means a Lender or Lenders whose Commitments aggregate 66 2/3% or more of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated 66 2/3% or more of the Total Commitments immediately prior to that reduction).

Material Adverse Effect means a material adverse effect on:

(a) the business, assets, financial condition or prospects of the Senior Financing Group taken as a whole;

(b) (taking into account the resources available to an Obligor from other Obligors and/or Senior Financing Group Companies and any guarantees given by other Obligors and/or Senior Financing Group Companies) the ability of such Obligor to perform any of its payment obligations under any of the Obligor Transaction Documents; or

(c) the legality, validity or enforceability of any of the Obligor Transaction Documents in a manner which is prejudicial to the interests of the Obligor Secured Creditors or, in the case of FinCo, the FinCo Secured Creditors or, in the case of the Issuer, the Issuer Secured Creditors.

Material Contracts means the contracts to be designated as such in a schedule 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 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.

New Hedging Agreements means the new hedging agreements entered into by the Borrower and/or the Issuer and/or FinCo with a New Hedge Counterparty in relation to the New Hedges.

New Proceeds means any proceeds received by the Borrower after the Closing Date pursuant to any New Term Financial Indebtedness or any Authorised Facility in the form of an issuance of notes pursuant to a U.S. private placement or new term facilities.

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.

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 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.

Ofcom means the Office of Communications in the UK.

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).

Other Party means any party to any of the transactions described in this Prospectus (other than the Issuer and the Obligors).

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 acquisition "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).

***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 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 as 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 thereof 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* Issuer Hedge Counterparty** means an Issuer Hedge Counterparty that is party to a *Pari Passu* Issuer Hedging Agreement.

***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 as 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 as a "Pari Passu Issuer/Borrower Hedging Agreement" in the schedule to such ISDA Master Agreement.

Participating Junior Creditor means the applicable 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.

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 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 per cent. 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 per cent. of EBITDA.

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 by 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 the 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 sub-paragraph (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.

Potential Obligor Event of Default means any event which, with the lapse of time and/or the giving of any notice and/or the making of any determination (in each case where the lapse of time and/or giving of notice and/or determination is provided for in the terms of such Obligor Event of Default and assuming no intervening remedy), will become an Obligor Event of Default.

Primary Hedge shall have the meaning given to such term in the definition "Offsetting Hedge".

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 unless remedied pursuant to the CTA.

For the purposes of the Principal Subsidiaries Test, assets means total gross assets excluding:

(a) goodwill;

(b) inter-company balances between members of the Group;

(c) investments in subsidiaries, associates and joint ventures; and

(d) 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.

Proceeds Account means the account in the name of the Borrower into which certain Disposal Proceeds, Insurance Proceeds, and the Report Recovery Proceeds are deposited which, as and when such an account is necessary, the Borrower is required to have opened and maintained with the Borrower Account Bank.

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.

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.

Reference Rate means the relevant LIBOR, EURIBOR, STIBOR, HIBOR, SIBOR or TIBOR rate specified in the applicable Final Terms.

Repayment Costs means:

(a) in respect of repayment in connection with a Series of Notes (i) any amounts of interest required to be paid by the Issuer under any Note that the Issuer has not received under the corresponding Issuer/Borrower Loan as a result of a prepayment of an Issuer Borrower Loan on any date on which the corresponding Note is not also redeemed (that is not otherwise provided for under the relevant Issuer/Borrower Loan) (ii) any additional amount payable by the Issuer in respect of any related swap termination amounts and break costs and (iii) any additional amount payable by the Issuer in respect of the repayment of Fixed Rate Notes and Index Linked Notes in accordance with Condition 6 (Redemption, Purchase and Cancellation); and

(b) in respect of the repayment or prepayment of all or part of an Authorised Facility which is not a Series of Notes, the associated costs of such prepayment (including any related swap termination amounts, break costs and redemption premium payable by the Borrower).

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.

Requisite Rating means a minimum long-term rating of at least BBB- from S&P, BBB- from Fitch or such other minimum rating required by such other rating agencies that are appointed by the Issuer from time to time, as applicable, or, in each case, such other lower rating which is consistent with the published criteria (relevant for the applicable counterparty) of the relevant Rating Agencies required to maintain the then current ratings of the Notes.

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).

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.

Securitisation Parent means Arqiva Group Parent Limited.

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.

Semi-Annual Test Period means the six month period ending on any Test Date;

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 means the senior financing arrangements pursuant to which, *inter alia*,:

(a) the Borrower will enter into the Issuer/Borrower Facilities, the FinCo/Borrower Facilities and the Borrower Bank Facilities;

(b) the Issuer will issue Notes and on-lend the proceeds to the Borrower under the Issuer/Borrower Facilities; and

(c) FinCo will enter into the Term Facilities and on-lend the proceeds to the Borrower under the FinCo/Borrower Facilities,

and all related transactions under or pursuant to the Obligor Transaction Documents, the Issuer Transaction Documents and the FinCo Transaction Documents.

Shareholder means, as at the Closing Date, the Current Shareholders and, from time to time, the shareholders in ABHL.

Shareholder Affiliate means:

(a) any manager or adviser (including as trustee, general partner or limited partner) of: (1) the Current Shareholder, or (2) the persons listed in paragraph (a) of the definition of Shareholder Controllers/ Affiliates;

(b) any direct or indirect Holding Company or Subsidiary of: (1) the Current Shareholder, or (2) the persons listed in paragraph (a) of the definition of Shareholder Controllers/Affiliates, or (3) any person referred to in paragraph (a) above; or

(c) 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 (a) or (b) above,

and 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:

(a) 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;

(b) in each case, any Shareholder Affiliate; and

(c) any other person approved by the Majority Lenders from time to time.

SIBOR means the Singapore inter-bank offered rate.

Signing Date means 21 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 Currency means the currency specified as such in the applicable Final Terms or, if none is specified, the currency in which the Notes are denominated.

Specified Denomination means, in respect of a Series of Notes, the denomination or denominations of such Notes 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 the Liquidity Facility Agreement or the principal amount outstanding of that drawing.

STIBOR means the Stockholm inter-bank offered rate.

STID Notice means any STID Voting Request (except for any STID Voting Requests that gives rise to an Entrenched Right) or any other requests for directions pursuant to the STID.

Stock Exchange means the London Stock Exchange or any other or further stock exchange(s) on which any Notes may from time to time be listed or admitted to trading, and references in the Note Trust Deed (and the schedules to the Note Trust Deed and any trust deed supplemental thereto and the schedules (if any) thereto and the Notes, the Receipts, the Coupons, the Talons, the Conditions and, unless the context otherwise requires, the Final Terms, all as from time to time modified in accordance with the provisions therein contained or in the Note Trust Deed) to the **relevant Stock Exchange** shall, in relation to any Notes, be references to the Stock Exchange on which such Notes are, from time to time, or are intended to be, listed or admitted to trading.

Structure Paper means the steps paper in the agreed form, setting out certain transactions to be entered into in connection with the refinancing.

Subordinated Creditors means each of the Subordinated Lender and the FinCo/Borrower Capitalisation Loan Provider.

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.

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.

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, 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 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 "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 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 as 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 as a "Super Senior Issuer/Borrower Hedging Agreement" in the Schedule to such ISDA Master Agreement.

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 Credit means a credit, relief or remission for, or repayment of, any Tax (and shall include any relief, rebate or repayment of any Tax by virtue of a double taxation treaty).

TIBOR means the Tokyo inter-bank offered rate.

Total Commitments means, at any time, the aggregate Commitments of the Borrower Bank Facility Providers.

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.

Ultimate Parent means Arqiva Broadcast Holdings Limited.

Voted Qualifying Debt means the Outstanding Principal Amount of the Qualifying Debt of the Participating Secured Creditors voting in accordance with the STID.

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APPENDIX 1

FINANCIAL STATEMENTS

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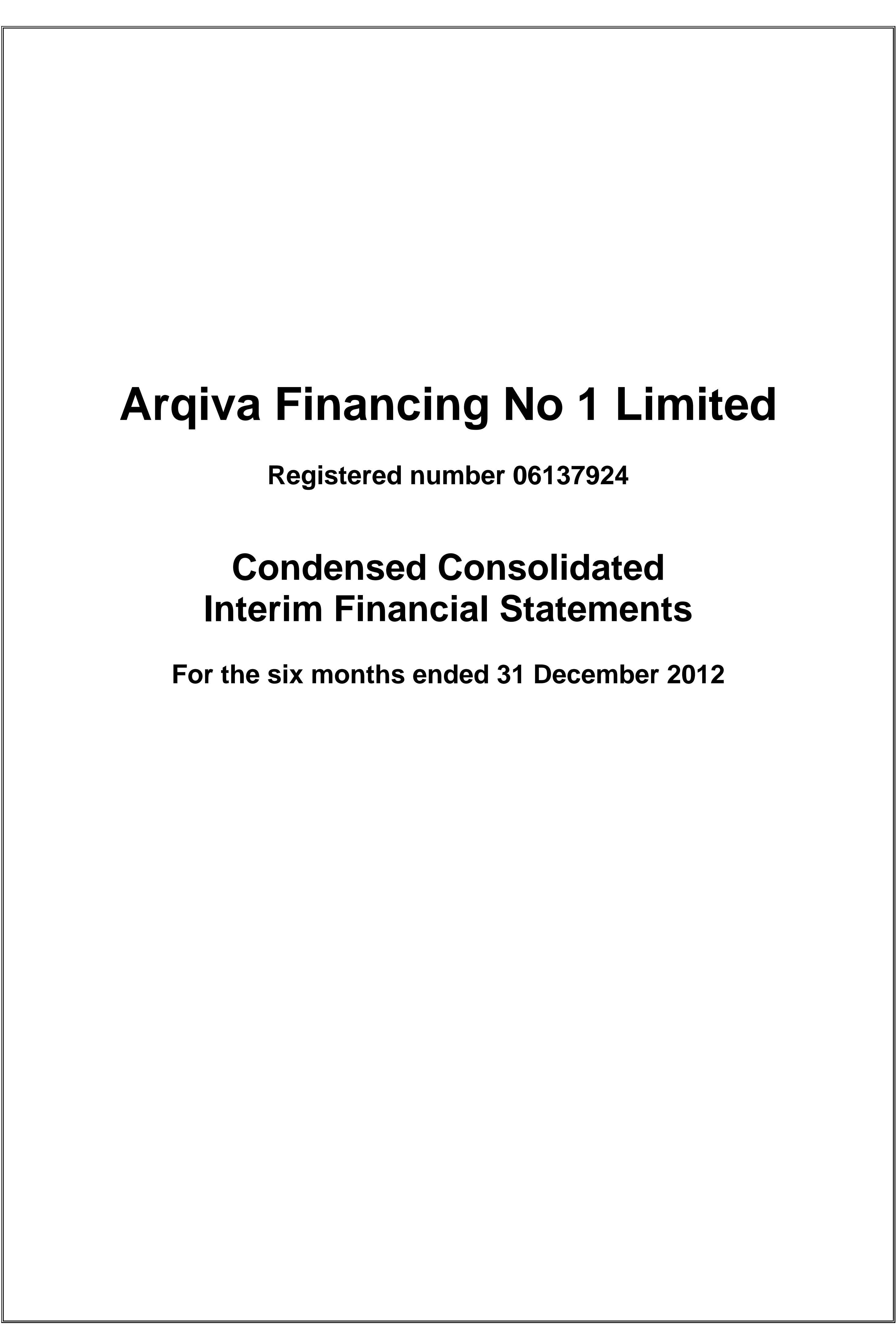

Arqiva Financing No 1 Limited

Registered number 06137924

Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2012

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Directors' report

The Directors of Arqiva Financing No 1 Limited, registered company number 06137924, ('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.

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 £'000	Six months ended 31 December 2011 £'000	Year ended 30 June 2012 £'000
Operating profit before exceptional items	72,147	71,712	147,757
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)	(1,341)
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.

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

1 February 2013
……………………………

Consolidated interim profit and loss account

	Note	Six months to 31 December 2012 Unaudited			Six months to 31 December 2011 Unaudited			Year ended 30 June 2012 Audited		
		Pre exceptional items £'000	Exceptional items £'000	Total £'000	Pre exceptional items £'000	Exceptional items £'000	Total £'000	Pre exceptional items £'000	Exceptional items £'000	Total £'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)	(369,381)	(23,677)	(393,058)
Group operating profit		72,147	(11,879)	**60,268**	71,712	(8,406)	**63,306**	147,757	(23,677)	**124,080**
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**	151,704	(23,677)	**128,027**
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**	151,764	(23,677)	**128,087**

The profit and loss account is continued on the following page.

		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
Profit on ordinary activities before interest and taxation		72,583	(11,879)	**60,704**	74,240	(8,406)	**65,834**	151,764	(23,677)	**128,087**
Interest receivable and similar income	8	246	-	246	217	-	217	1,740	-	1,740
Interest payable and similar charges	9	(262,115)	-	(262,115)	(267,578)	-	(267,578)	(520,621)	-	(520,621)
Share of joint venture interest payable		(1,152)	-	(1,152)	(1,416)	-	(1,416)	(2,264)	-	(2,264)
Loss on ordinary activities before taxation		(190,438)	(11,879)	**(202,317)**	(194,537)	(8,406)	**(202,943)**	(369,381)	(23,677)	**(393,058)**
Tax on loss on ordinary activities	10			9,998			8,529			16,543
Loss on ordinary activities after taxation				**(192,319)**			**(194,414)**			**(376,515)**
Equity minority interests				(60)			(60)			(120)
Loss for the financial period	18			**(192,379)**			**(194,474)**			**(376,635)**

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				
Investments in joint venture				
- *Share of gross assets*		15,943	20,793	15,626
- *Share of gross liabilities*		(16,357)	(21,001)	(15,204)
- *Goodwill on acquisition*		9,006	10,523	10,523
Investment in associated undertakings		110	110	110
		8,702	10,425	11,055
		3,735,896	**3,838,942**	**3,788,698**
Current assets				
Debtors	13	251,947	205,888	211,908
Cash at bank and in hand	14	28,448	31,509	78,355
Total current assets		**280,395**	**237,397**	**290,263**
Creditors: amounts falling due within one year	15	(1,927,589)	(1,819,144)	(1,850,725)
Net current liabilities		**(1,647,194)**	**(1,581,747)**	**(1,560,462)**
Total assets less current liabilities		**2,088,702**	**2,257,195**	**2,228,236**
Creditors: amounts falling due after more than one year	16	(4,608,317)	(4,403,416)	(4,555,328)
Provisions for liabilities and charges	17	(59,991)	(55,406)	(60,511)
Net liabilities excluding pension deficit		**(2,579,606)**	**(2,201,627)**	**(2,387,603)**
Pension deficit	24	(2,812)	(6,882)	(2,280)
Net liabilities including pension deficit		**(2,582,418)**	**(2,208,509)**	**(2,389,883)**
Capital and reserves				
Called up share capital		-	-	-
Merger reserve		(188,523)	(188,523)	(188,523)
Profit and loss reserve		(2,394,231)	(2,020,378)	(2,201,636)
Total shareholders' deficit	18	**(2,582,754)**	**(2,208,901)**	**(2,390,159)**
Minority interest		336	392	276
Capital employed		**(2,582,418)**	**(2,208,509)**	**(2,389,883)**

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 1 February 2013 and were signed on its behalf by:

Peter Shore - Director

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	(191,543)	(195,526)	(378,318)
- Joint Ventures	(836)	1,052	1,683
Loss for the financial period	**(192,379)**	**(194,474)**	**(376,635)**
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	**(192,595)**	**(205,862)**	**(387,120)**
Total recognised losses for the period			
- Group	(191,759)	(206,914)	(388,803)
- Joint Ventures	(836)	1,052	1,683
Total recognised losses for the period	**(192,595)**	**(205,862)**	**(387,120)**

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	**88,306**	**103,310**	**378,492**
Returns on investment and servicing of finance				
Interest received		246	217	540
Interest paid to external sources		(75,929)	(72,090)	(146,557)
Interest element of finance lease rentals		(577)	(600)	(1,183)
Dividends from associates		120	60	60
Dividends paid to minority interests		-	-	(176)
		(76,140)	**(72,413)**	**(147,316)**
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		(74,711)	(97,017)	(253,346)
Increase in external borrowings		91,942	148,479	232,731
		16,983	**51,260**	**(21,038)**
(Decrease) / increase in net cash	20	**(49,907)**	**(561)**	**46,285**

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.

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 £28,448,000 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 Unaudited £'000	Six months to 31 December 2011 Unaudited £'000	Year ended 30 June 2012 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**

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.

8 Interest receivable and similar income

	Six months to 31 December 2012 Unaudited £'000	Six months to 31 December 2011 Unaudited £'000	Year ended 30 June 2012 Audited £'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 Unaudited £'000	Six months to 31 December 2011 Unaudited £'000	Year ended 30 June 2012 Audited £'000
Bank loan interest	97,717	106,434	198,913
Less: Capitalised interest	(240)	(1,185)	(1,936)
Net bank loan interest	**97,477**	**105,249**	**196,977**
Amortisation of debt issue costs	9,298	7,512	14,969
Interest payable to parent undertakings	147,566	148,445	293,626
Finance lease interest payable	577	600	1,183
Other interest	7,197	5,772	13,866
Total interest payable	**262,115**	**267,578**	**520,621**

10 Tax on loss on ordinary activities

	Six months to 31 December 2012 Unaudited £'000	Six months to 31 December 2011 Unaudited £'000	Year ended 30 June 2012 Audited £'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	(10,590)	(7,156)	(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	-	(2,230)	(4,325)
Total deferred tax	**(10,260)**	**(8,842)**	**(17,150)**
Tax on loss on ordinary activities	**(9,998)**	**(8,529)**	**(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 4.9% (the estimated tax rate for the six months to 31 December 2011 was 4.2%). This rate is less than the statutory tax rate mainly due to current year tax losses surrendered to other group companies for nil consideration.

11 Intangible assets

	Licences	Development costs	Access rights	Goodwill	Total
	£'000	£'000	£'000	£'000	£'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	Leasehold buildings	Plant and equipment	Total
	£'000	£'000	£'000	£'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.

13 Debtors

	31 December 2012 Unaudited £'000	31 December 2011 Unaudited £'000	30 June 2012 Audited £'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	28,034	7,166	16,586
Total debtors	**251,947**	**205,888**	**211,908**

14 Cash at bank and in hand

	31 December 2012 Unaudited £'000	31 December 2011 Unaudited £'000	30 June 2012 Audited £'000
Cash at bank	4,109	5,009	4,616
Short term deposits	24,339	26,500	73,739
Total cash at bank and in hand	**28,448**	**31,509**	**78,355**

15 Creditors: amounts falling due within one year

	31 December 2012 Unaudited £'000	31 December 2011 Unaudited £'000	30 June 2012 Audited £'000
Bank loans – working capital facility	64,300	-	-
Trade creditors	43,850	57,453	65,430
Amounts owed to Group undertakings	1,575,472	1,513,444	1,502,301
Other taxes and social security costs	11,549	15,659	12,114
Other creditors	14,765	13,829	16,172
Accruals and deferred income	217,107	218,312	254,233
Finance lease obligations	546	447	475
Total creditors: amounts falling due within one year	**1,927,589**	**1,819,144**	**1,850,725**

16 Creditors: amounts falling due after more than one year

	31 December 2012 Unaudited £'000	31 December 2011 Unaudited £'000	30 June 2012 Audited £'000
Bank Loans			
Senior debt	2,776,473	2,664,579	2,748,831
Accrued liability on inflation rate swap	277,344	236,328	255,208
Less: issue costs	(5,730)	(22,461)	(15,015)
	3,048,087	**2,878,446**	**2,989,024**
Finance lease obligations	14,248	14,749	14,500
Other creditors	1,321	2,128	1,658
Amounts owed to Group undertakings	1,422,516	1,422,516	1,422,516
Less: issue costs	(8)	(33)	(22)
Accruals and deferred income	122,153	85,610	127,652
Total creditors: amounts falling due after more than one year	**4,608,317**	**4,403,416**	**4,555,328**

	31 December 2012 Unaudited £'000	31 December 2011 Unaudited £'000	30 June 2012 Audited £'000
Maturity of loans			
Within one year	64,846	447	475
In more than one year, but not more than five years	3,057,905	2,905,064	3,008,163
In more than five years	12,757	13,189	12,973
Total loans	**3,135,508**	**2,918,700**	**3,021,611**

All senior debt represents amounts borrowed by the Company 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.

The senior debt has certain covenants attached, principally an interest cover ratio and a debt leverage ratio, and are secured by way of fixed and floating charge over the Group's assets. The Group continues to comply with all covenant requirements.

The Company 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, the Company 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.

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 Unaudited £'000	Six months to 31 December 2011 Unaudited £'000	Year ended 30 June 2012 Audited £'000
Loss for the financial period	(192,379)	(194,474)	(376,635)
Other recognised gains and losses relating to the period	(216)	(11,388)	(10,485)
Net change in shareholders' deficit	**(192,595)**	**(205,862)**	**(387,120)**
Opening shareholders' deficit	(2,390,159)	(2,003,039)	(2,003,039)
Closing shareholders' deficit	**(2,582,754)**	**(2,208,901)**	**(2,390,159)**

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	124,080
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	(73,634)	(66,043)	10,134
(Decrease) / increase in provisions	(1,444)	(350)	260
Net cash inflow from operating activities	**88,306**	**103,310**	**378,492**

20 Analysis of changes in net debt

		At 30 June 2012	Cash flows	Non-cash changes	At 31 December 2012
		£'000	£'000	£'000	£'000
Cash at bank and in hand	14	78,355	(49,907)	-	28,448
Amounts owed by Group undertakings	13	225	-	172	397
Debt due within one year	15	(1,502,301)	10,411	(147,882)	(1,639,772)
Debt due after one year	16	(4,411,518)	(27,642)	(31,435)	(4,470,595)
Finance leases	15,16	(14,975)	248	(67)	(14,794)
Total		**(5,850,214)**	**(66,890)**	**(179,212)**	**(6,096,316)**

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	31 December 2011	30 June 2012
	Unaudited	Unaudited	Audited
	£'000	£'000	£'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**

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 2 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.

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**

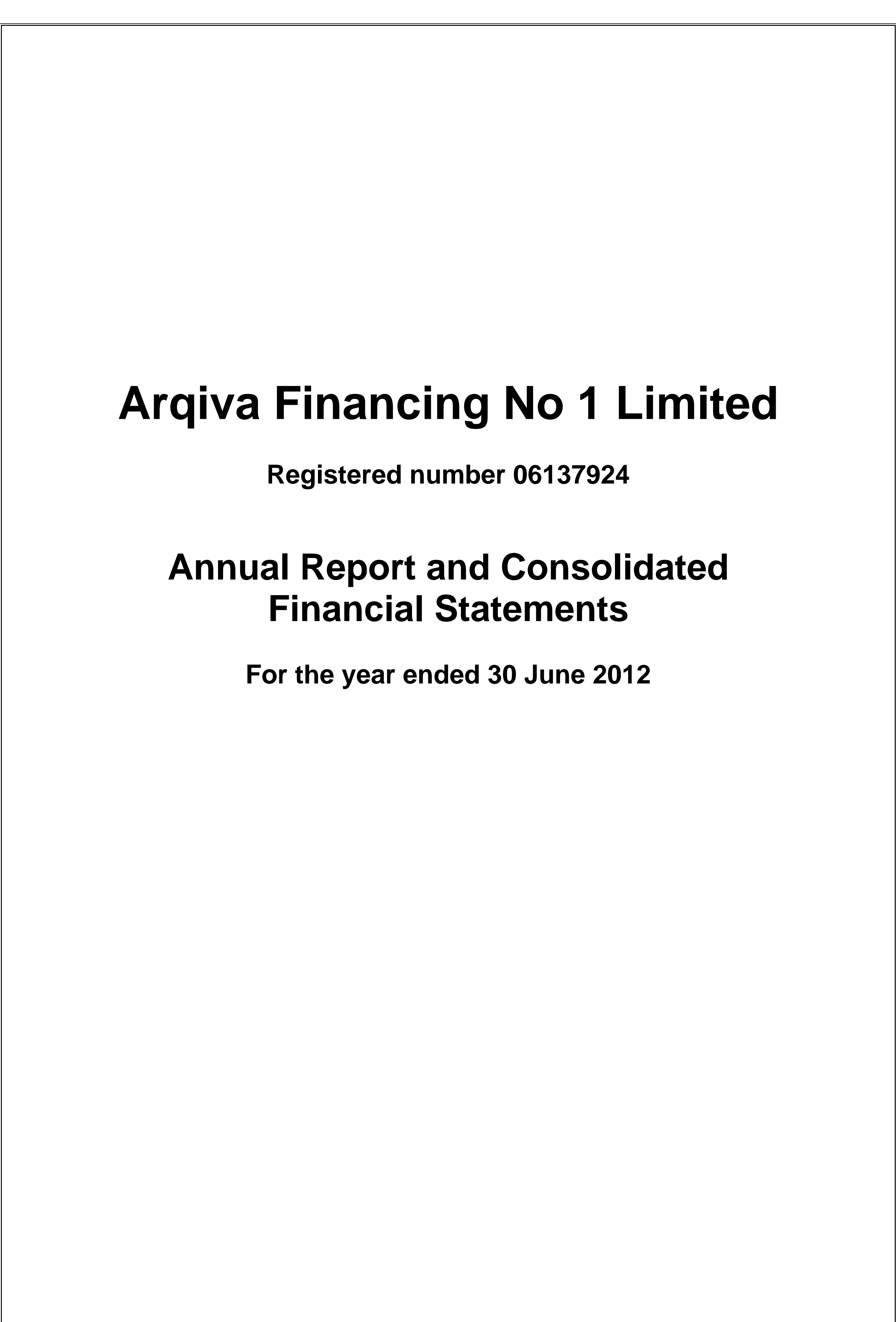
The amounts recognised in the balance sheet were as follows:

	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 2 Limited. 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 1 Limited

Registered number 06137924

Annual Report and Consolidated Financial Statements

For the year ended 30 June 2012

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Directors' report and statement of Directors' responsibilities

The Directors of Arqiva Financing No 1 Limited, registered company number 06137924, ('the Company') and its subsidiaries ('the Group') submit the following annual report and audited consolidated financial statements ('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 £124,080,000 (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%.

A reconciliation of the reported EBITDA to the financial statements is provided below:

	Year ended 30 June 2012 £'000
Operating profit before exceptional items	147,757
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)	(1,341)
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 £376,635,000 (2011: £406,864,000) 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.

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.

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 £378,492,000 in the year (2011: £315,932,000).

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 2 Limited ('AF2'), Arqiva UK Broadcast Holdings 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 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.

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.

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 £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.

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

6 September 2012

Independent Auditors' Report to the Members of Arqiva Financing No 1 Limited

We have audited the Group and parent company financial statements (the 'financial statements') of Arqiva Financing No 1 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

6 September 2012

Consolidated profit and loss account

	Note	Year ended 30 June 2012			Year ended 30 June 2011		
		Pre exceptional items	Exceptional items	**Total**	Pre exceptional items	Exceptional items	**Total**
		£'000	£'000	**£'000**	£'000	£'000	**£'000**
Continuing operations							
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		(369,381)	(23,677)	(393,058)	(374,588)	-	(374,588)
Group operating profit	3	147,757	(23,677)	**124,080**	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		151,704	(23,677)	**128,027**	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		151,764	(23,677)	**128,087**	115,847	(10,937)	**104,910**
Interest receivable and similar income	7	1,740	-	1,740	392	-	392
Interest payable and similar charges	8	(520,621)	-	(520,621)	(521,283)	-	(521,283)
Share of joint venture interest payable		(2,264)	-	(2,264)	-	-	-
Loss on ordinary activities before taxation	4	(369,381)	(23,677)	**(393,058)**	(405,044)	(10,937)	**(415,981)**
Tax on loss on ordinary activities	9			16,543			9,244
Loss on ordinary activities after taxation				**(376,515)**			**(406,737)**
Equity minority interests				(120)			(127)
Loss for the financial year	19, 20			**(376,635)**			**(406,864)**

There are no material differences between loss on ordinary activities for the year above and the comparative year and their historical cost equivalent.

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		
Investments in joint venture			
- Share of gross assets		15,626	20,224
- Share of gross liabilities		(15,204)	(21,606)
- Goodwill on acquisition		10,523	5,849
Investment in associated undertakings		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	78,355	32,070
Total current assets		**290,263**	**222,256**
Creditors: amounts falling due within one year	16	(1,850,725)	(1,828,134)
Net current liabilities		**(1,560,462)**	**(1,605,878)**
Total assets less current liabilities		**2,228,236**	**2,268,333**
Creditors: amounts falling due after more than one year	17	(4,555,328)	(4,216,260)
Provisions for liabilities and charges	18	(60,511)	(57,444)
Net liabilities excluding pension (deficit) / asset		**(2,387,603)**	**(2,005,371)**
Pension (deficit) / asset	25	(2,280)	2,664
Net liabilities including pension (deficit) / asset		**(2,389,883)**	**(2,002,707)**
Capital and reserves			
Called up share capital	19	-	-
Merger reserve	19	(188,523)	(188,523)
Profit and loss reserve	19	(2,201,636)	(1,814,516)
Total shareholders' deficit	20	**(2,390,159)**	**(2,003,039)**
Minority interest		276	332
Capital employed		**(2,389,883)**	**(2,002,707)**

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 6 September 2012 and were signed on its behalf by:

Peter Shore - Director

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	(378,318)	(406,531)
- Joint Ventures	1,683	(333)
Loss for the financial year	**(376,635)**	**(406,864)**
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	**(387,120)**	**(397,966)**
Total recognised losses for the year		
- Group	(388,803)	(397,633)
- Joint Ventures	1,683	(333)
Total recognised losses for the year	**(387,120)**	**(397,966)**

Consolidated cash flow statement

	Note	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Net cash inflow from operating activities	21	**378,492**	**315,932**
Returns on investment and servicing of finance			
Interest received		540	370
Interest paid to external sources		(146,557)	(141,322)
Interest element of finance lease rentals		(1,183)	(1,216)
Dividends from investments		60	198
Dividends paid to minority interests		(176)	(85)
		(147,316)	**(142,055)**
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		(253,346)	(107,685)
Loans to joint ventures		-	(288)
Repayment of external borrowings		-	(54,426)
Increase in external borrowings		232,731	173,310
		(21,038)	**10,525**
Increase in net cash	22	**46,285**	**7,023**
Reconciliation of net cash flow to movement in net debt			
Net debt at 1 July		(5,548,891)	(5,170,143)
Increase in net cash		46,285	7,023
Movement in financing		21,038	(10,525)
Other non-cash changes		(368,646)	(375,246)
Net debt at 30 June	22	**(5,850,214)**	**(5,548,891)**

Company balance sheet

	Note	30 June 2012 £'000	30 June 2011 £'000
Fixed assets			
Investments	13	2,153,321	2,153,321
		2,153,321	**2,153,321**
Current assets			
Debtors (including £nil (2011: £362,259,000) due after more than one year)	14	2,932,404	1,443,898
Cash at bank and in hand	15	34,552	10,807
Total current assets		**2,966,956**	**1,454,705**
Creditors: amounts falling due within one year	16	(2,017,102)	(516,534)
Net current assets		**949,854**	**938,171**
Total assets less current liabilities		**3,103,175**	**3,091,492**
Creditors: amounts falling due after more than one year	17	(4,411,518)	(4,109,782)
Net liabilities		**(1,308,343)**	**(1,018,290)**
Capital and reserves			
Called up share capital	19	-	-
Profit and loss reserve	19	(1,308,343)	(1,018,290)
Total shareholders' deficit	20	**(1,308,343)**	**(1,018,290)**

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 6 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 Companies Act 2006 from the requirement to present its own profit and loss account. The Company made a loss for the year to 30 June 2012 of £290,053,000 (2011: £294,778,000).

On 3 April 2007, the Group acquired the entire share capital of AUKBH from Arqiva Financing No 3 Plc; 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 has inter-company agreements with AF2, 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 economic 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 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'.

(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 re-valued 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 high quality corporate bonds 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.

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.

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	73	67
Fees payable for the audit of the Company's subsidiaries	329	288
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	**1,139**	**1,247**

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).

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 Number	Group Year ended 30 June 2011 * 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 £'000	Group Year ended 30 June 2011 £'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 £'000	Group Year ended 30 June 2011 £'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.

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	198,913	215,419
Less: Capitalised interest	(1,936)	(3,458)
Net bank loan interest	**196,977**	**211,961**
Amortisation of debt issue costs	14,969	14,821
Interest payable to parent undertakings	293,626	281,278
Finance lease interest payable	1,183	1,216
Other interest	13,866	12,007
Total interest payable	**520,621**	**521,283**

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 £142,941,000 (2011: £135,138,000).

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	(393,058)	(415,981)
Loss before taxation multiplied by standard rates of corporation tax in the United Kingdom of 25.5% (2011: 27.5%)	(100,230)	(114,395)
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	27,859	62,920
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 in future years (see note 14).

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 Feb 2012 of £30 per share (2011: none)	143	-
South West Digital Radio Limited		
Interim dividend declared on 27 Feb 2012 of £10 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 economic life once the product or service has been commercially launched.

The Company has no intangible fixed assets (2011: nil).

12 Tangible assets

Group	Freehold land and buildings	Leasehold buildings	Plant and equipment	Total
	£'000	£'000	£'000	£'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 1 July 2011	8,450

The Company has no tangible fixed assets (2011: nil).

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 UK Broadcast Holdings Limited - held directly	United Kingdom	Holding company	30 June	100%
Arqiva Telecoms Investment Limited – held directly	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 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 (formerly Canvas Pro Term Limited)	United Kingdom	Open source IPTV development	31 March	14.3%
Associate Undertakings:				
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	31 Dec	25%
DTV Services Limited	United Kingdom	Freeview market services co-ordination	31 May	20%

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**

Company	
	£'000
At 1 July 2011 and 30 June 2012	**2,153,321**

The Directors believe that the carrying value of the investments are supported by its underlying trade and assets.

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	2,931,551	1,443,898
Amounts owed by joint ventures (note 26)	-	4,808	-	-
Other debtors	10,099	13,359	253	-
Prepayments and accrued income	100,387	81,243	600	-
Deferred tax asset	16,586	-	-	-
Total debtors	**211,908**	**190,186**	**2,932,404**	**1,443,898**

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).

Amounts owed to Group undertakings are unsecured. Interest has been charged at 0% for Group balances (2011: 0%) and £2,686,525,000 at 9.75%, £74,888,000 at 2.65%, and £170,138,000 at 0% for Company balances (2011: £1,246,570,000 at 9.75%, £27,680,000 at 2.5%, and £169,648,000 at 0%). Of the above Company balances £nil is in respect of amounts due in greater than one year (2011: £362,259,000 at 9.75%).

Under the terms of the inter-company agreements the Company is only entitled to demand repayment of the loans to the extent surplus cash is available to do so and if this would not cause any of the Group undertakings to become insolvent.

The Company and Group have inter-company agreements with AF2, 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	4,616	10,299	107	7
Short term deposits	73,739	21,771	34,445	10,800
Total cash	**78,355**	**32,070**	**34,552**	**10,807**

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	1,502,301	1,461,998	2,015,292	515,927
Other taxes and social security costs	12,114	18,676	-	-
Other creditors	16,172	15,177	301	607
Accruals and deferred income	254,233	253,042	1,509	-
Finance lease obligations	475	423	-	-
Total creditors: amounts falling due within one year	**1,850,725**	**1,828,134**	**2,017,102**	**516,534**

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 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.

Amounts owed to Group undertakings are unsecured. Interest has been charged at 9.75% for Group balances (2011: 9.75%) and £2,015,292,000 at 9.75% for company balances (2011: £511,784,000 at 9.75% and £4,143,000 at 0%).

The Company and Group have inter-company agreements with AF2, 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.

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	1,509,788	1,509,788
Senior debt – A2	581,837	581,837	581,837	581,837
Senior debt – facility C	657,206	424,475	657,206	424,475
Accrued liability on inflation rate swap	255,208	201,172	255,208	201,172
Less: issue costs	(15,015)	(29,962)	(15,015)	(29,962)
	2,989,024	**2,687,310**	**2,989,024**	**2,687,310**
Finance lease obligations	14,500	14,975	-	-
Other creditors	1,658	2,777	-	-
Amounts owed to group undertakings	1,422,516	1,422,516	1,422,516	1,422,516
Less: issue costs	(22)	(44)	(22)	(44)
Accruals and deferred income	127,652	88,726	-	-
Total creditors: amounts falling due after more than one year	**4,555,328**	**4,216,260**	**4,411,518**	**4,109,782**

Amounts owed to Group undertakings are unsecured and are repayable over periods of up to 3 years. Interest has been charged on £1,419,919,000 at 9.75% and £2,597,000 at variable rates linked to LIBOR for Group and Company balances (2011: £1,419,919,000 at 9.75% and £2,597,000 at variable rates linked to LIBOR for Group and Company balances).

	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	3,008,163	2,721,454	3,006,636	2,719,869
In more than five years	12,973	13,390	-	-
Total loans	**3,021,611**	**2,735,267**	**3,006,636**	**2,719,869**

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**

All senior debt represents amounts borrowed by the Company 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 has certain covenants attached, principally an interest cover ratio and a debt leverage ratio, and are secured by way of 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

The Company 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, the Company 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.

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)	(1,814,516)
Actuarial loss on pension scheme	-	-	(13,800)
Movement on deferred tax relating to pension asset	-	-	3,312
Loss for the financial year	-	-	(376,635)
Exchange adjustments offset in reserves (translation of foreign investments)	-	-	3
At 30 June 2012	**-**	**(188,523)**	**(2,201,636)**
Company			
At 1 July 2011	-	-	(1,018,290)
Loss for the financial year	-	-	(290,053)
At 30 June 2012	**-**	**-**	**(1,308,343)**

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**

20 Reconciliation of movement in shareholders' deficit

	Year ended 30 June 2012	Year ended 30 June 2011
	£'000	£'000
Group		
Loss for the financial year	(376,635)	(406,864)
Dividends	-	(15)
Other recognised gains and losses relating to the year	(10,485)	8,898
Net change in shareholders' deficit	**(387,120)**	**(397,981)**
Opening shareholders' deficit	(2,003,039)	(1,605,058)
Closing shareholders' deficit	**(2,390,159)**	**(2,003,039)**
Company		
Loss for the financial year	(290,053)	(294,778)
Net change in shareholders' deficit	**(290,053)**	**(294,778)**
Opening shareholders' deficit	(1,018,290)	(723,512)
Closing shareholders' deficit	**(1,308,343)**	**(1,018,290)**

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	124,080	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	10,134	(23,406)
Net increase in provisions	260	5,465
Net cash inflow from operating activities	**378,492**	**315,932**

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.

22 Analysis of changes in net debt

	Note	At 30 June 2011 £'000	Cash flows £'000	Non-cash changes £'000	At 30 June 2012 £'000
Cash at bank and in hand	15	32,070	46,285	-	78,355
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	(1,461,998)	253,346	(293,649)	(1,502,301)
Debt due after one year	17	(4,109,782)	(232,731)	(69,005)	(4,411,518)
Finance leases	16,17	(15,398)	423	-	(14,975)
Total		**(5,548,891)**	**67,323**	**(368,646)**	**(5,850,214)**

Major non-cash changes include £293,626,000 movements in inter-company balances representing interest charges rolled-up into loan capital, £54,036,000 increase in accrued liability on interest rate and inflation swaps and £14,969,000 decrease in unamortised 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.

Other annual lease commitments expiring:

	30 June 2012 £'000	30 June 2011 £'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 AF2, 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).

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.

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

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'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 £'000	Year ended 30 June 2011 £'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 £'000	Year ended 30 June 2011 £'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**

The following amounts have been included within operating profit:

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'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 £'000	Year ended 30 June 2011 £'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 £'000	Year ended 30 June 2011 £'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 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).

The history of experience gains and losses is:

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'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.

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 company is AF2, which is the parent undertaking of the smallest group to consolidate these financial statements.

ABHL is the ultimate UK parent undertaking and is the parent undertaking of the largest UK group to consolidate these financial statements.

Copies of the ABHL and AF2 consolidated financial statements, can be obtained from the Company Secretary of each Company, at Crawley Court, Crawley, Winchester, Hampshire, SO21 2QA.

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 1 Limited

(formerly Macquarie UK Broadcast Ventures Limited)

Registered number 06137924

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 1 Limited (formerly Macquarie UK Broadcast Ventures Limited), registered company number 06137924, ('the Company') and its subsidiaries ('the Group') submit the following annual report and audited consolidated financial statements ('financial statements'), in respect of the year ended 30 June 2011.

During the year the Company changed its name to Arqiva Financing No 1 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 £415,981,000 (2010: £385,088,000). The Group has net current liabilities of £1,605,878,000 (2010: £1,538,264,000) and capital employed of £2,002,707,000 (2010: £1,604,853,000).

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 £406,864,000 (2010: loss £375,588,000) 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 £315,932,000 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 2 Limited (formerly Macquarie UK Broadcast Enterprise Limited) ('AF2'), Arqiva UK Broadcast Holdings Limited (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 the Group's accounting 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

25 October 2011
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Independent Auditors' Report to the Members of Arqiva Financing No 1 Limited (formerly Macquarie UK Broadcast Ventures Limited)

We have audited the Group and parent company financial statements (the 'financial statements') of Arqiva Financing No 1 Limited (formerly Macquarie UK Broadcast Ventures 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

26 October 2011
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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	1,501
Interest payable and similar charges	8	(521,283)	(483,477)
Loss on ordinary activities before taxation		**(415,981)**	**(385,088)**
Tax on loss on ordinary activities	9	9,244	9,641
Loss on ordinary activities after taxation		**(406,737)**	**(375,447)**
Equity minority interests		(127)	(141)
Loss for the financial year	19,20	**(406,864)**	**(375,588)**

There is no material difference between loss 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		
Investments in joint venture			
- *Share of gross assets*		20,224	3,970
- *Share of gross liabilities*		(21,606)	(5,019)
- *Goodwill on acquisition*		5,849	5,849
Investment in associated undertakings		110	110
		4,577	4,910
		3,874,211	**3,945,507**
Current assets			
Debtors	14	190,186	203,056
Cash at bank and in hand	15	32,070	25,047
Total current assets		**222,256**	**228,103**
Creditors: amounts falling due within one year	16	(1,828,134)	(1,766,367)
Net current liabilities		**(1,605,878)**	**(1,538,264)**
Total assets less current liabilities		**2,268,333**	**2,407,243**
Creditors: amounts falling due after more than one year	17	(4,216,260)	(3,941,475)
Provisions for liabilities and charges	18	(57,444)	(61,765)
Net liabilities excluding pension asset / (deficit)		**(2,005,371)**	**(1,595,997)**
Pension asset / (deficit)	25	2,664	(8,856)
Net liabilities including pension asset / (deficit)		**(2,002,707)**	**(1,604,853)**
Capital and reserves			
Called up share capital	19	-	-
Merger reserve	19	(188,523)	(188,523)
Profit and loss reserve	19	(1,814,516)	(1,416,535)
Total shareholders' deficit	20	**(2,003,039)**	**(1,605,058)**
Minority interest		332	205
Capital employed		**(2,002,707)**	**(1,604,853)**

*Restated to reflect the maturity profile of certain balances with Group undertakings.

The accounting policies and notes on pages 13 to 36 form part of these financial statements.

These financial statements were approved by the Board of Directors on 25 October 2011 and were signed on its behalf by:

Peter Shore - Director

Statement of group total recognised gains and losses

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Loss for the financial year	(406,864)	(375,588)
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	**(397,966)**	**(380,051)**

Consolidated cash flow statement

	Note	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Net cash inflow from operating activities	21	**315,932**	**318,197**
Dividends from associates		**198**	**1,652**
Returns on investment and servicing of finance			
Interest received		370	525
Interest paid to external sources		(141,322)	(140,881)
Interest element of finance lease rentals		(1,216)	(1,244)
		(142,168)	**(141,600)**
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		(107,685)	(100,102)
Loans to joint ventures		(288)	(2,388)
Repayment of external borrowings		(54,426)	-
Increase in external borrowings		173,310	133,647
		10,525	**30,392**
Increase / (decrease) in net cash	22	**7,023**	**(1,737)**
Reconciliation of net cash flow to movement in net debt			
Net debt at 1 July		(5,170,143)	(4,808,559)
Increase / (decrease) in net cash		7,023	(1,737)
Movement in financing		(10,525)	(30,392)
Other non-cash changes		(375,246)	(329,455)
Net debt at 30 June	22	**(5,548,891)**	**(5,170,143)**

Company balance sheet

	Note	30 June 2011 £'000	30 June 2010* £'000
Fixed assets			
Investments	13	2,153,321	2,153,321
		2,153,321	**2,153,321**
Current assets			
Debtors	14	1,443,898	1,460,569
Cash at bank and in hand	15	10,807	452
Total current assets		**1,454,705**	**1,461,021**
Creditors: amounts falling due within one year	16	(516,534)	(493,025)
Net current liabilities		**938,171**	**967,996**
Total assets less current liabilities		**3,091,492**	**3,121,317**
Creditors: amounts falling due after more than one year	17	(4,109,782)	(3,844,829)
Net liabilities		**(1,018,290)**	**(723,512)**
Capital and reserves			
Called up share capital	19	-	-
Profit and loss reserve	19	(1,018,290)	(723,512)
Total shareholders' deficit	20	**(1,018,290)**	**(723,512)**

*Restated to reflect the maturity profile of certain balances with Group undertakings.

The accounting policies and notes on pages 13 to 36 form part of these financial statements.

These financial statements were approved by the Board of Directors on 25 October 2011 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 Companies Act 2006 from the requirement to present its own profit and loss account. The Company made a loss for the year to 30 June 2011 of £294,778,000 (2010: £270,506,000).

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 has inter-company agreements with AF2, 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 economic 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 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 re-valued 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 high quality corporate bonds 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 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 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	67	71
Fees payable for the audit of other Group companies	288	351
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 audit costs	**1,247**	**1,312**

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 monthly average number of persons employed by the Group during the year was as follows:

	Group Year ended 30 June 2011 Number	Group Year ended 30 June 2010* 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	-	472
Other interest	24	533
Total interest receivable	**392**	**1,501**

8 Interest payable and similar charges

	Group Year ended 30 June 2011 £'000	Group Year ended 30 June 2010 £'000
Bank loan interest	215,419	198,406
Less: Capitalised interest	(3,458)	(3,488)
Net bank loan interest	**211,961**	**194,918**
Amortisation of debt issue costs	14,821	10,748
Interest payable to parent undertakings	281,278	266,056
Finance lease interest payable	1,216	1,244
Other interest	12,007	10,511
Total interest payable	**521,283**	**483,477**

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:

	2011	2010
Loss on ordinary activities before taxation	(415,981)	(385,088)
Loss before taxation multiplied by standard rates of corporation tax in the United Kingdom of 27.5% (2010: 28%)	(114,395)	(107,825)
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	62,920	56,994
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 in future years (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 economic 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	Short leasehold land and buildings	Plant and equipment	Total
	£'000	£'000	£'000	£'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	Other
	£'000	£'000
Cost	10,907	1,603
Accumulated depreciation	(2,457)	(1,603)
Net book value		
At 30 June 2011	**8,450**	**-**
At 1 July 2010	8,897	139

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 UK Broadcast Holdings Limited (formerly Macquarie UK Broadcast Limited) - held directly	United Kingdom	Holding company	30 June	100%
Arqiva Telecoms Investment 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 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:				
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	31 Dec	25%
DTV Services Limited	United Kingdom	Freeview market services co-ordination	31 May	20%

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**

Company	AUKBH	ATIL	Total
	£'000	£'000	£'000
At 1 July 2010 and 30 June 2011	**583,168**	**1,570,153**	**2,153,321**

The Directors believe that the carrying value of the investments are supported by its underlying net assets.

14 Debtors

	Group	Group	Company	Company
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
	£'000	£'000	£'000	£'000
Trade debtors	89,367	85,664	-	-
Amounts owed by Group undertakings	1,409	32,479	1,443,898	1,460,569
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**	**203,056**	**1,443,898**	**1,460,569**

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	Group
	30 June 2011	30 June 2010
	£'000	£'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 £1,246,570,000 at 9.75%, £27,680,000 at 2.5%, and £169,648,000 at 0% (2010: £1,210,298,000 at 9.75% and £80,722,000 at 2.35%, and £169,549,000 at 0%). Of the above balances £362,259,000 at 9.75% is in respect of amounts due in greater than one year (2010: £362,259,000 at 9.75%).

The Company and Group have inter-company agreements with AF2, 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	10,299	5,992	7	452
Short term deposits	21,771	19,055	10,800	-
Total cash	**32,070**	**25,047**	**10,807**	**452**

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
	-	**54,426**	-	**54,426**
Trade creditors	78,818	79,520		-
Amounts owed to Group undertakings	1,461,998	1,317,128	515,927	437,837
Other taxes and social security costs	18,676	12,462	-	-
Other creditors	15,177	19,750	607	762
Accruals and deferred income	253,042	282,689	-	-
Finance lease obligations	423	392	-	-
Total creditors: amounts falling due within one year	**1,828,134**	**1,766,367**	**516,534**	**493,025**

*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 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.

Company

Amounts owed to Group undertakings are unsecured and repayable on demand. Interest has been charged on £511,784,000 at 9.75% and £4,143,000 at 0% (2010: £433,694,000 at 9.75% and £4,143,000 at 0%).

The Company and Group have inter-company agreements with AF2, 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.

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	1,509,788	1,509,788
Senior debt – A2	581,837	584,434	581,837	584,434
Senior debt – facility C	424,475	251,165	424,475	251,165
Accrued liability on inflation rate swap	201,172	124,349	201,172	124,349
Less: issue costs	(29,962)	(44,826)	(29,962)	(44,826)
	2,687,310	**2,424,910**	**2,687,310**	**2,424,910**
Finance lease obligations	14,975	15,392	-	-
Other creditors	2,777	4,187	-	-
Amounts owed to group undertakings	1,422,516	1,419,919	1,422,516	1,419,919
Less: issue costs	(44)	-	(44)	-
Accruals and deferred income	88,726	77,067	-	-
Total creditors: amounts falling due after more than one year	**4,216,260**	**3,941,475**	**4,109,782**	**3,844,829**

*Restated to reflect the maturity profile of certain balances with Group undertakings.

Amounts owed to Group undertakings are unsecured. Interest has been charged on £1,419,919,000 at 9.75% and £2,597,000 at variable rates linked to LIBOR for Group balances (2010: £1,419,919,000 at 9.75%) and £1,419,919,000 at 9.75% and £2,597,000 at variable rates linked to LIBOR for Company balances (2010: £1,419,919,000 at 9.75%).

	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	-	54,426
In more than one year, but not more than five years	2,721,454	2,471,354	2,719,869	2,469,736
In more than five years	13,390	13,774	-	-
Total loans	**2,735,267**	**2,539,946**	**2,719,869**	**2,524,162**

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 minimum payments	**15,398**	**15,784**

All senior debt represents amounts borrowed by the Company 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.

The senior debt has certain covenants attached and are secured by way of fixed and floating charge over the Group's assets. The loans have the following interest rates and are repayable as shown below:

	Repayable on	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%	LIBOR + 2.50%
Senior - A2	1 December 2014	LIBOR + 2.00%	LIBOR + 2.25%	LIBOR + 2.50%	LIBOR + 2.75%
Senior - facility C	1 July 2014	LIBOR + 1.75%	LIBOR + 2.00%	LIBOR + 2.25%	LIBOR + 2.50%

The Company 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, the Company 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.

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 reshaping 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 £'000	30 June 2010 £'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 £'000	Merger reserve £'000	Profit and loss reserve £'000
Group			
At 1 July 2010	-	(188,523)	(1,416,535)
Actuarial gain on pension scheme	-	-	12,500
Movement on deferred tax relating to pension asset	-	-	(3,250)
Loss for the financial year	-	-	(406,864)
Dividends	-	-	(15)
Exchange adjustments offset in reserves (translation of foreign investments)	-	-	(352)
At 30 June 2011	**-**	**(188,523)**	**(1,814,516)**
Company			
At 1 July 2010	-	-	(723,512)
Loss for the financial year	-	-	(294,778)
At 30 June 2011	**-**	**-**	**(1,018,290)**

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' deficit

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Group		
Loss for the financial year	(406,864)	(375,588)
Dividends (see note 10)	(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	**(397,981)**	**(380,596)**
Opening shareholders' deficit	(1,605,058)	(1,224,462)
Closing shareholders' deficit	**(2,003,039)**	**(1,605,058)**
Company		
Loss for the financial year	(294,778)	(270,506)
Net change in shareholders' deficit	**(294,778)**	**(270,506)**
Opening shareholders' deficit	(723,512)	(453,006)
Closing shareholders' deficit	**(1,018,290)**	**(723,512)**

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	(23,406)	(20,007)
Net increase in provisions	5,465	334
Net cash inflow from operating activities	**315,932**	**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	25,047	7,023	-	32,070
Amounts owed by group undertakings	14	32,479	(31,070)	-	1,409
Loans to joint ventures	14	4,498	288	22	4,808
Debt due within one year	16	(2,791,473)	193,181	(283,625)	(2,881,917)
Debt due after one year	17	(2,424,910)	(173,310)	(91,643)	(2,689,863)
Finance leases	16,17	(15,784)	386	-	(15,398)
Total		**(5,170,143)**	**(3,502)**	**(375,246)**	**(5,548,891)**

Major non-cash changes include £281,278,000 movements in inter-company balances representing interest charges rolled-up into loan capital, £76,823,000 increase in accrued liability on interest rate and inflation swaps and £14,821,000 decrease in unamortised 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	30 June 2010
	£'000	£'000
Within one year	211	306
Later than one year but not later than 5 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 agreements with AF2, 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.

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

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'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 £'000	Year ended 30 June 2010 £'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 £'000	Year ended 30 June 2010 £'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 £'000	Year ended 30 June 2010 £'000
Current service cost (employer only)	4,700	4,300
Settlement	(100)	-
Total operating charge	**4,600**	**4,300**

The following amounts have been included as net finance expense under FRS 17:

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'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 £'000	Year ended 30 June 2010 £'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 company is AF2, which is the parent undertaking of the smallest group to consolidate these financial statements.

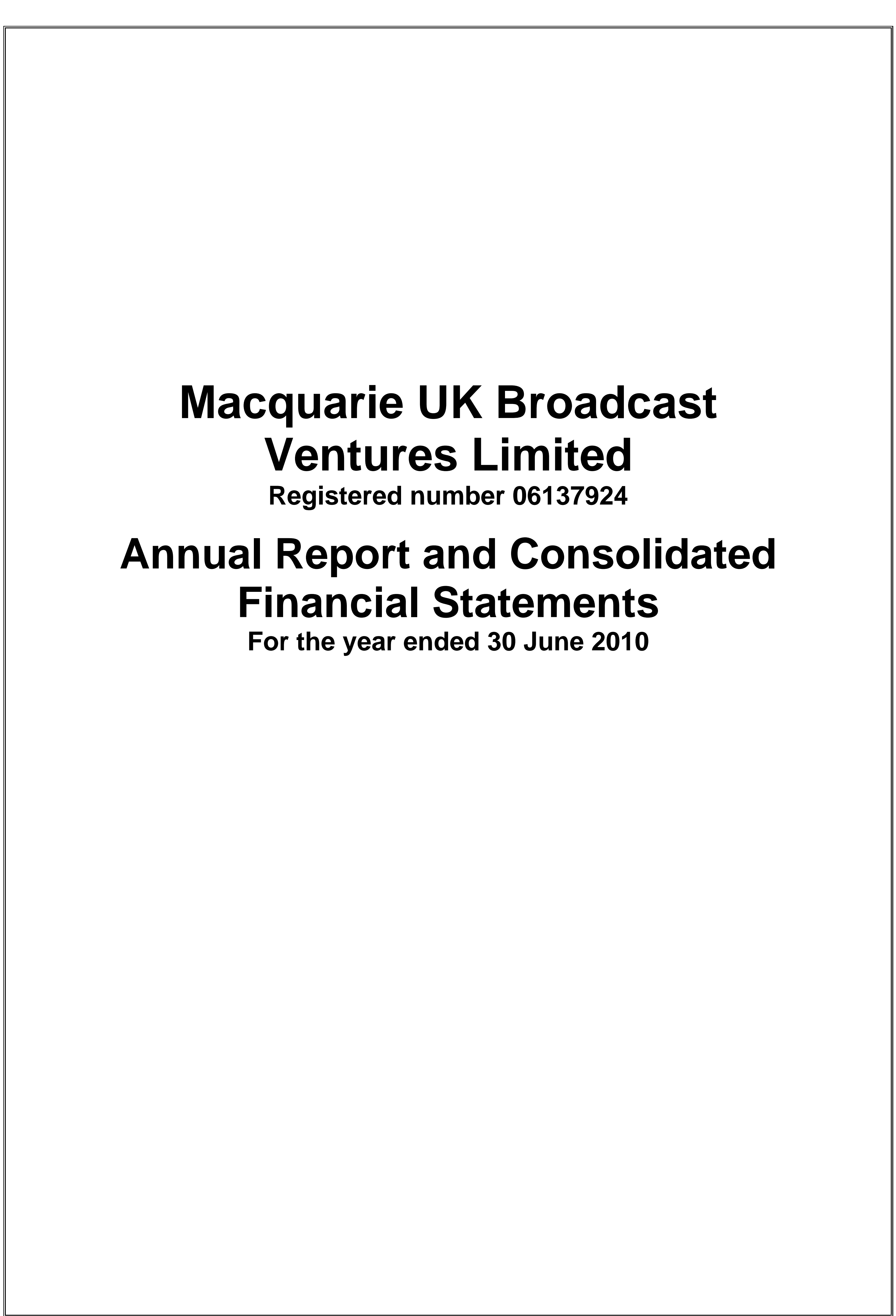
ABHL is the ultimate UK parent undertaking and is the parent undertaking of the largest UK group to consolidate these financial statements.

Copies of the ABHL and AF2 consolidated financial statements, can be obtained from the Company Secretary of each Company, at Crawley Court, Crawley, Winchester, Hampshire, SO21 2QA

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 Ventures Limited

Registered number 06137924

Annual Report and Consolidated Financial Statements

For the year ended 30 June 2010

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Directors' report and statement of Directors' responsibilities

The Directors of Macquarie UK Broadcast Ventures Limited, registered company number 06137924, ('the Company') and its subsidiaries ('the Group') submit the following annual report and audited annual report and consolidated financial statements ('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 £385,088,000 (2009: £336,486,000) and Group turnover of £823,174,000 (2009: £805,520,000). The Group has net current liabilities of £2,958,183,000 (2009: £2,755,196,000) and a capital employed of £1,604,853,000 (2009: £1,224,462,000).

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: £306,675,000). The EBITDA margin (ratio of EBITDA to turnover, expressed as a percentage) for the year ended 30 June 2010 is 41.6% (2009: 38.1%).

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 launching SeeSaw and 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 £375,588,000 (2009: loss £314,646,000) 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 Enterprise Limited ('MUKBE'), 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.

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

On 31 July 2009, Tom O'Connor resigned as Company Secretary and Michael Giles was appointed in his place.

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 Ventures Limited

We have audited the Group and parent company financial statements (the 'financial statements') of Macquarie UK Broadcast Ventures 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

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)	(376,375)
Group operating profit	3	**101,686**	**72,308**
Share of operating (loss) / profit in joint ventures and associates		(744)	256
Total operating profit : Group and share of joint venture and associates		**100,942**	**72,564**
Income from shares in group undertakings		126	-
Exceptional items	4	(4,180)	(28,159)
Profit on ordinary activities before interest		**96,888**	**44,405**
Interest receivable and similar income	7	1,501	6,205
Interest payable and similar charges	8	(483,477)	(387,096)
Loss on ordinary activities before taxation		**(385,088)**	**(336,486)**
Tax on loss on ordinary activities	9	9,641	21,840
Loss on ordinary activities after taxation		**(375,447)**	**(314,646)**
Equity minority interests		(141)	-
Loss for the financial year	19,20	**(375,588)**	**(314,646)**

There is no material difference between loss on ordinary activities for the year above and the comparative year and their historical cost equivalent.

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		
Investments in joint venture			
- *Share of gross assets*		3,970	4,190
- *Share of gross liabilities*		(5,019)	(4,494)
- *Goodwill on acquisition*		5,849	5,849
Investment in associated undertakings		110	2,444
		4,910	**7,989**
		3,945,507	**3,958,153**
Current assets			
Debtors	14	203,056	164,315
Cash at bank and in hand	15	25,047	26,784
Total current assets		**228,103**	**191,099**
Creditors: amounts falling due within one year	16	(3,186,286)	(2,946,295)
Net current liabilities		**(2,958,183)**	**(2,755,196)**
Total assets less current liabilities		**987,324**	**1,202,957**
Creditors: amounts falling due after more than one year	17	(2,521,556)	(2,362,743)
Provisions for liabilities and charges	18	(61,765)	(57,447)
Net liabilities excluding pension deficit		**(1,595,997)**	**(1,217,233)**
Pension deficit	25	(8,856)	(7,229)
Net liabilities including pension deficit		**(1,604,853)**	**(1,224,462)**
Capital and reserves			
Called up share capital	19	-	-
Merger reserve	19	(188,523)	(188,523)
Profit and loss reserve	19	(1,416,535)	(1,035,939)
Total shareholders' deficit	20	**(1,605,058)**	**(1,224,462)**
Minority interest		205	**-**
Capital employed		**(1,604,853)**	**(1,224,462)**

The accounting policies and notes on pages 12 to 37 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

Statement of group total recognised gains and losses

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Loss for the financial year	(375,588)	(314,646)
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 net pension liability	1,697	848
Total recognised losses for the year	**(380,051)**	**(317,440)**

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		525	6,205
Interest paid to external sources		(140,881)	(128,378)
Interest element of finance lease rentals		(1,244)	(1,313)
		(141,600)	**(123,486)**
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		(765)	(622)
Borrowings from parent undertakings		(100,102)	(237,174)
Loans to joint ventures		(2,388)	(1,600)
Repayment of external borrowings		-	(55,778)
Increase in external borrowings	16,17	133,647	153,944
		30,392	**(141,230)**
Decrease in net cash	22	**(1,737)**	**(173,719)**
Reconciliation of net cash flow to movement in net debt			
Net debt at 1 July		(4,808,559)	(4,513,703)
Decrease in net cash		(1,737)	(173,719)
Movement in financing		(30,392)	141,230
Other non cash changes		(329,455)	(262,367)
Net debt at 30 June	22	**(5,170,143)**	**(4,808,559)**

Company balance sheet

	Note	30 June 2010 £'000	30 June 2009 £'000
Fixed assets			
Investments	13	2,153,321	2,153,321
		2,153,321	**2,153,321**
Current assets			
Debtors	14	1,460,569	1,447,565
Cash at bank and in hand	15	452	34
Total current assets		**1,461,021**	**1,447,599**
Creditors : amounts falling due within one year	16	**(1,912,944)**	**(1,799,996)**
Net current liabilities		**(451,923)**	**(352,397)**
Total assets less current liabilities		**1,701,398**	**1,800,924**
Creditors: amounts falling due after more than one year	17	**(2,424,910)**	**(2,253,930)**
Net liabilities		**(723,512)**	**(453,006)**
Capital and reserves			
Called up share capital	19	-	-
Profit and loss reserve	19	(723,512)	(453,006)
Total shareholders' deficit	20	**(723,512)**	**(453,006)**

The accounting policies and notes on pages 12 to 37 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 Companies Act 2006 from the requirement to present its own profit and loss account. The Company made a loss for the year to 30 June 2010 of £270,506,000 (2009: £170,083,000).

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 has inter-company agreements with MUKBE, 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.

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 economic 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 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.

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 re-valued 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 high quality corporate bonds 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) 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**

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	71	73
Fees payable for the audit of other Group companies	351	340
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 audit costs	**1,312**	**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.

5 Staff costs

The Company had no employees during the year (2009: none). The monthly average number of persons employed by the Group during the year was as follows:

	Group Year ended 30 June 2010 Number	Group Year ended 30 June 2009* 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 £'000	Group Year ended 30 June 2009 £'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 £'000	Group Year ended 30 June 2009 £'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.

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	472	-
Other interest	533	3,774
Total interest receivable	**1,501**	**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	198,406	117,216
Less: Capitalised interest	(3,488)	(6,796)
Net bank loan interest	**194,918**	**110,420**
Amortisation of debt issue costs	10,748	10,864
Interest payable to parent undertakings	266,056	252,677
Finance lease interest payable	1,244	1,313
Other interest	10,511	11,822
Total interest payable	**483,477**	**387,096**

Included within bank loan interest is the interest associated with other financial instruments.

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 period is less than the standard rate of tax in the UK (28%). The differences are explained below:

	Group Year ended 30 June 2010 £'000	Group Year ended 30 June 2009 £'000
Loss on ordinary activities before taxation	(385,088)	(336,486)
Loss before taxation multiplied by standard rates of corporation tax in the United Kingdom of 28% (2009: 28%)	(107,825)	(94,216)
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)	(2,433)
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)
Overseas tax in excess of UK tax rate	152	246
Tax losses group relieved	38,874	36,629
Total current tax	**(742)**	**(2,194)**

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 economic 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) Limited ('NDSL') and 100% of the ordinary shares in Now Digital Limited ('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.

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.

12 Tangible fixed assets

	Freehold land and buildings	Short leasehold land and buildings	Plant and equipment	Total Group
	£'000	£'000	£'000	£'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	Other
	£'000	£'000
Cost	10,907	1,603
Accumulated depreciation	(2,010)	(1,464)
Net book value		
At 30 June 2010	**8,897**	**139**
At 1 July 2009	9,344	532

13 Investments

Group	Investments in associates and joint ventures
	£'000
At 1 July 2009	7,989
Share of retained profits	(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**

Company	Macquarie UK Broadcast Ltd	Arqiva Telecoms Investment Ltd	Total
	£'000	£'000	£'000
At 1 July 2009 and 30 June 2010	**583,168**	**1,570,153**	**2,153,321**

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 Limited (held directly)	United Kingdom	Holding company	30 June	100%
Arqiva Telecoms Investment 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 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:				
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	31 Dec	25%
DTV Services Limited	United Kingdom	Freeview market services co-ordination	31 May	20%

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	32,479	-	1,460,569	1,446,100
Amounts owed by joint ventures	4,498	1,607	-	-
Other debtors	9,838	14,256	-	-
Prepayments and accrued income	70,577	63,983	-	-
Deferred tax asset	-	-	-	1,465
Total debtors	**203,056**	**164,315**	**1,460,569**	**1,447,565**

Company

Amounts owed to Group undertakings are unsecured and repayable on demand. Interest has been charged on £1,210,298,000 at 9.75%, £80,722,000 at 2.35%, and £169,549,000 at 0% (2009: £1,254,032,000 at 9.75% and £192,068,000 at 0%).

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 receivable under 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	5,992	26,784	452	34
Short term deposits	19,055	-	-	-
Total cash	**25,047**	**26,784**	**452**	**34**

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
	54,426	**19,813**	**54,426**	**19,813**
Trade creditors	79,520	76,896	-	-
Amounts owed to Group undertakings	2,737,047	2,546,659	1,857,756	1,779,195
Other taxes and social security costs	12,462	1,307	-	100
Other creditors	19,750	21,342	762	869
Accruals and deferred income	282,689	279,528	-	19
Finance lease obligations	392	750	-	-
Total creditors: amounts falling due within one year	**3,186,286**	**2,946,295**	**1,912,944**	**1,799,996**

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 £1,853,613,000 at 9.75% and £4,143,000 at 0% (2009: £1,775,052,000 at 9.75% and £4,143,000 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	1,509,788	1,509,788
Senior debt – A2	584,434	584,434	584,434	584,434
Senior debt – facility C	251,165	152,131	251,165	152,131
Accrued liability on interest rate swap	124,349	63,151	124,349	63,151
Less: issue costs	(44,826)	(55,575)	(44,826)	(55,574)
	2,424,910	**2,253,929**	**2,424,910**	**2,253,930**
Finance lease obligations	15,392	15,799	-	-
Other creditors	4,187	-	-	-
Accruals and deferred income	77,067	93,015	-	-
Total creditors: amounts falling due after more than one year	**2,521,556**	**2,362,743**	**2,424,910**	**2,253,930**

	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	54,426	19,813
In more than one year, but not more than five years	2,471,354	1,759	2,469,736	-
In more than five years	13,744	2,323,544	-	2,309,504
Total loans	**2,539,916**	**2,345,866**	**2,524,162**	**2,329,317**

* 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 minimum payments	**15,784**	**16,549**

All senior debt represents amounts borrowed by the Company 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.

The senior debt has certain covenants attached and are secured by way of 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%

The Company 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, the Company 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.

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:

	Group 30 June 2010 £'000	Group 30 June 2009 £'000	Company 30 June 2010 £'000	Company 30 June 2009 £'000
Accelerated capital allowances	23,881	25,460	-	-
Short term timing differences	666	(518)	-	(1,465)
Tax losses	(11,399)	(3,198)	-	-
Undiscounted provision for deferred tax	**13,148**	**21,744**	**-**	**(1,465)**

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.

The Group has 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.

19 Share capital and reserves

	Share capital	Merger reserve	Profit and loss reserve
	£'000	£'000	£'000
Group			
At 1 July 2009	-	(188,523)	(1,035,939)
Actuarial loss on pension scheme	-	-	(6,060)
Movement on deferred tax relating to pension liability	-	-	1,697
Loss for the financial year	-	-	(375,588)
Dividends	-	-	(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)**	**(1,416,535)**
Company			
At 1 July 2009	-	-	(453,006)
Loss for the financial year	-	-	(270,506)
At 30 June 2010	**-**	**-**	**(723,512)**

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' deficit

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Group		
Loss for the financial year	(375,588)	(314,646)
Dividends (see note 10)	(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	**(380,596)**	**(317,440)**
Opening shareholders' deficit	(1,224,462)	(907,022)
Closing shareholders' deficit	**(1,605,058)**	**(1,224,462)**
Company		
Loss for the financial year	(270,506)	(170,083)
Net change in shareholders' deficit	**(270,506)**	**(170,083)**
Opening shareholders' deficit	(453,006)	(282,923)
Closing shareholders' deficit	**(723,512)**	**(453,006)**

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	72,308
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)	7,046
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	26,784	(1,737)	-	25,047
Amounts owed by group undertakings	14	-	(5,000)	37,479	32,479
Loans to joint ventures	14	1,607	2,388	503	4,498
Debt due within one year	16	(2,566,472)	70,489	(295,490)	(2,791,473)
Debt due after one year	17	(2,253,929)	(99,034)	(71,947)	(2,424,910)
Finance leases	16,17	(16,549)	765	-	(15,784)
Total		**(4,808,559)**	**(32,129)**	**(329,455)**	**(5,170,143)**

Major non-cash changes include £265,584,000 movements in inter-company balances representing interest charges rolled-up into loan capital, £61,198,000 increase in accrued liability on interest rate swap and £10,748,000 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.

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 leases	**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	30 June 2009
	£'000	£'000
Within one year	306	502
Later than one year but not later than 5 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.

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 £'000	Year ended 30 June 2009 £'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 £'000	Year ended 30 June 2009 £'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 £'000	Year ended 30 June 2009 £'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)**

The following amounts have been included within operating profit:

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'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 £'000	Year ended 30 June 2009 £'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 £'000	Year ended 30 June 2009 £'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.

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.

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 company is MUKBE, which is the parent undertaking of the smallest group to consolidate these financial statements.

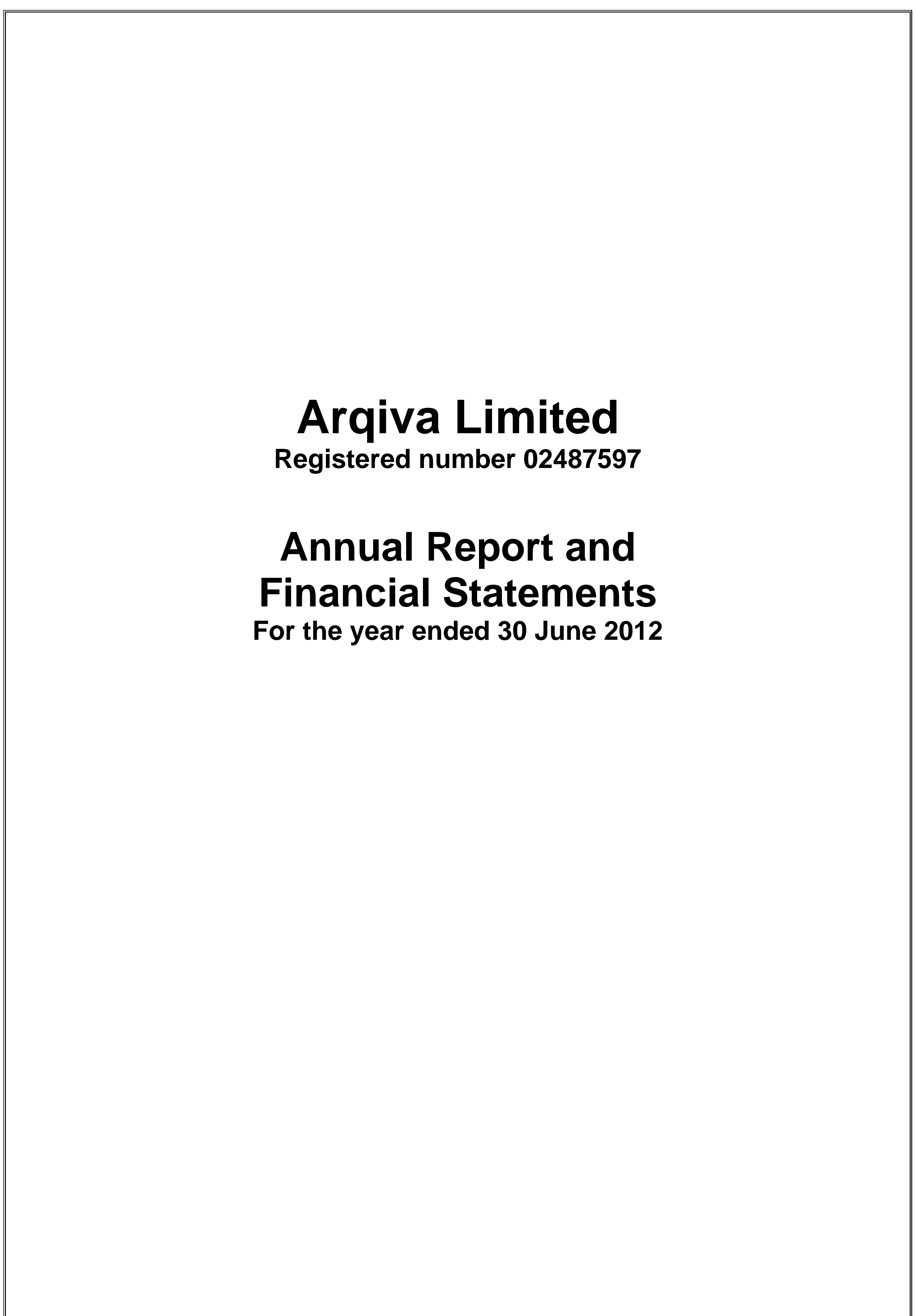
MUKBHL is the ultimate UK parent undertaking and is the parent undertaking of the largest UK group to consolidate these financial statements.

Copies of the MUKBHL and MUKBE consolidated 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.



Arqiva Limited

Registered number 02487597

Annual Report and Financial Statements

For the year ended 30 June 2012

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Directors' report and statement of Directors' responsibilities

The Directors of Arqiva Limited, registered company number 02487597, ('the Company') submit the following annual report and audited financial statements ('financial statements') in respect of the year ended 30 June 2012.

Business review and principal activities

The Company operates within the Arqiva Broadcast Holdings Limited ('ABHL') group ('the Group') of companies.

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 a regulated business. These are regulated by the Office of Communications ('Ofcom') on behalf of the customers. The areas of the business impacted by this regulation are B&M and Business Operations.

The Company operates within the B&M and GME customer facing business units and also provides the Business Operations and Central corporate functions on behalf of all Group companies.

As a capital intensive infrastructure business that provides radio and TV transmission services as well as site sharing for the mobile operators, Arqiva benefits from having a significant number of long term contracts with its customers. However, two key market changes are having a significant impact on the business. The first is the move from analogue to digital transmission technology. The second is the network consolidation in the mobile sector.

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 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, were successfully completed since year end.

The construction of this high power digital network has been financed by Arqiva, supported by long term contracts with key broadcasters, including the BBC, that are all over 20 years in length and have significantly boosted the order book of the Group.

This project has also benefited the Digital Platforms business unit which has had another strong year. The business unit has extended contracts with existing customers and found new customers for the increased number of channels resulting from enhanced compression technology and the roll out of high power digital services, increasing revenue and earnings as a result.

During the year, Arqiva has been working closely with the mobile network operators as they seek to reduce their costs by network consolidation. In 2012, the Group strengthened its position as a key supplier in this market by agreeing revised terms on long term contracts with a number of mobile network operators to ensure it is at the heart of the mobile operators' consolidation plans. Arqiva continues to work with the other mobile operators as they conclude the planning phase of their network consolidation.

The satellite business remains extremely competitive. During 2012, Arqiva has focussed on reducing the cost base of the business by consolidating sites and infrastructure resulting in a more efficient and effective business going forward.

With the TV Digital Switchover project coming to an end and consolidation in the mobile sector moving towards a successful conclusion, Arqiva is now turning its attention to pursuing opportunities that will drive substantial revenue growth in the future. The executive management team has been strengthened to give the company a more customer focussed approach and significant investment has been made in strengthening the Strategy and Product teams.

The Group is now working on a number of substantial opportunities including:

- The national Smart Metering procurement run by the Department of Energy and Climate Change via involvement in the SmartReach consortium which comprises Arqiva, BT, BAE Systems, Detica and Sensus,
- Expansion of the wholesale mobile data offering, supported by the Group's acquisition of Spectrum Interactive Limited. This deal enables Arqiva to accelerate growth in this area by acquiring a well regarded and sizeable independent Wi-Fi portfolio providing a highly scalable platform across the market. This therefore places Arqiva in a strong position to capitalise on the rapidly increasing demand for mobile data services; and
- Growth in Broadcast in such areas as local TV, radio Digital Switchover and usage of the 600 MHZ and 700 MHZ spectrum.

The main elements of the Group's growth strategy are set out under the future developments section below.

In 2012, the Company delivered increased revenues of £512,928,000 (2011: £461,614,000), with a gross profit of £286,876,000 (2011: £233,916,000) and increased operating profit of £156,115,000 (2011: £127,999,000).

Key performance indicators

The key measure of the Group's and Company'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 but after non-interest finance costs including bank charges. EBITDA for the year ended 30 June 2012 is £232,449,000 (2011: £192,199,000) an increase of 20.9%.

A reconciliation of the reported EBITDA of the Company to the financial statements is provided below:

	Year ended 30 June 2012 £'000
Operating profit before exceptional items	174,524
Depreciation of fixed assets	52,064
Amortisation	5,657
Other (including loss on disposal of fixed assets and non-interest finance costs including bank charges)	204
EBITDA	**232,449**

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 circa 99% utilisation with customers including Film4 and UKTV. Channel contracts vary in length but are usually between three and five years duration.

Post balance sheet event

On 2 July 2012, the Group announced that it had agreed terms with the Board of Spectrum Interactive Limited ('Spectrum Interactive'), a leading UK based Wi-Fi 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 ABHL and on 1 October 2012 the Company 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 Wi-Fi hotspot provision in the UK and gives the business 15,500 access points in over 2,100 premium Wi-Fi locations across hotels, restaurants and leisure outlets as well as airports, airline lounges, motorway service station and public locations on high streets. When combined with the Group's existing Wi-Fi and cellular assets it gives the Group a highly scalable platform for meeting the growing demand for wholesale mobile data services.

Spectrum Interactive has become part of the GME business unit.

During September 2012, the Company acquired 100% of the share capital 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. 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.

Connect TV Limited has become part of the Digital Platforms business unit.

Principal risks and uncertainties facing the business

The principal risks and uncertainties of the Group, which include those of the Company, are discussed in the ABHL annual report, a copy of which is available from the address given in note 28 to these financial statements.

Dividends and transfers to reserves

The Company paid an interim dividend of £85,000,000 (2011: £85,000,000), on 6 December 2011. An additional interim dividend of £144,000,000 (2011: £nil) was paid 14 May 2012. There has been no final dividend declared.

The profit for the year of £165,124,000 (2011: £119,797,000) was transferred to reserves.

Going concern

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

ABHL has confirmed its current intention that it will, to the extent it is able, provide such financial assistance to the Company 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 Company at any time to the extent that such repayment would reasonably be expected to result in the Company being unable to pay its creditors when they fall due.

The Company has inter-company agreements with Arqiva Financing No 1 Limited ('AF1'), Arqiva UK Broadcast Holdings Limited ('AUKBH'), 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 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
- Investing in other growth opportunities that leverage the Group's existing assets; and
- Simplifying and standardising to reduce costs and drive efficiencies.

Creditor payment policy

The Company seeks to treat all of its suppliers fairly and it is the Company'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 43 days (2011: 66 days).

Financial risk management

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

Price risk
Energy is a major component of the Company's cost base. A large proportion of this is managed via pass-through arrangements to customers. The Company's residual exposure to fluctuations in the electricity price is managed by forward purchasing the majority of power requirements up to 18 months in advance.

Credit risk
The Company 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 Company is funded through reserves and inter-company debt. The Company has inter-company agreements with AF1, AUKBH, 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.

Foreign exchange risk
The Company 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.

Cash flow interest rate risk
Inter-company loan balances are interest free or at a fixed interest rate. Where a floating rate applies to finance balances the Company reassesses this in the context of longer term interest rate trends.

Environment

The Company 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 Company 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 Company during the year was 1,843 (2011: 1,900). 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.

Directors

The following persons held office as Directors of the Company during the year and up to the date of signing 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.

Freehold land and buildings

The market value of the Company's land and buildings is lower than the carrying amount by £6,570,000 (2011: £11,044,000). 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 2012. The Directors are comfortable the carrying value of the assets in the financial statements is supported by their value in use to the business.

Research and development

The Company performs development into new products and technology, the costs of which are generally capitalised in accordance with the Company'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.

Overseas branches

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

Charitable donations

During the year, the Company made charitable donations of £56,000 (2011: £47,000). 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.

Directors' indemnities

The Company maintains liability insurance for the Company's 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.

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 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Michael Giles
Company Secretary
Crawley Court
Crawley
Winchester
Hampshire
SO21 2QA

10 December 2012
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Independent Auditors' Report to the Members of Arqiva Limited

We have audited the financial statements of Arqiva Limited for the year ended 30 June 2012, which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the note of historical cost profits and losses 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 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 Company's affairs as at 30 June 2012 and its profit 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; 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

13 December 2012
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Profit and loss account

	Note	Year ended 30 June 2012			Year ended 30 June 2011		
		Pre exceptional items £'000	Exceptional items £'000	**Total £'000**	Pre exceptional items £'000	Exceptional items £'000	**Total £'000**
Continuing operations							
Turnover	2	512,928	-	512,928	461,614	-	461,614
Cost of sales		(226,052)	-	(226,052)	(227,698)	-	(227,698)
Gross profit		286,876	**-**	**286,876**	233,916	-	**233,916**
Administrative expenses		(112,352)	(18,409)	(130,761)	(105,917)	-	(105,917)
Total administrative expenses		(112,352)	(18,409)	(130,761)	(105,917)	-	(105,917)
Operating profit	3	174,524	(18,409)	**156,115**	127,999	-	**127,999**
Income from shares in group undertakings	13	515	-	515	1,706	-	1,706
Fundamental reorganisation		-	-	-	-	(8,497)	(8,497)
Loss on disposal of assets		-	-	-	-	(2,136)	(2,136)
Total non-operating profit exceptional items		-	-	-	-	(10,633)	(10,633)
Profit on ordinary activities before interest		175,039	(18,409)	**156,630**	129,705	(10,633)	**119,072**
Interest receivable and similar income	7	1,949	-	1,949	689	-	689
Interest payable and similar charges	8	(2,647)	-	(2,647)	(2,637)	-	(2,637)
Profit on ordinary activities before taxation		174,341	(18,409)	**155,932**	127,757	(10,633)	**117,124**
Tax on profit on ordinary activities	9			9,192			2,673
Profit for the financial year	20,22			**165,124**			**119,797**

Balance sheet

	Note	30 June 2012 £'000	30 June 2011 £'000
Fixed assets			
Intangible assets	11	49,450	53,520
Tangible assets	12	969,995	986,001
Investments	13	66,051	62,843
		1,085,496	**1,102,364**
Current assets			
Debtors	14	197,755	214,876
Cash at bank and in hand	15	41,713	16,656
		239,468	**231,532**
Creditors: amounts falling due within one year	16	**(721,557)**	**(677,016)**
Net current liabilities		**(482,089)**	**(445,484)**
Total assets less current liabilities		**603,407**	**656,880**
Creditors: amounts falling due after more than one year	17	(29,045)	(20,260)
Provisions for liabilities and charges	18	(18,922)	(11,763)
Net assets excluding pension (deficit) / asset		**555,440**	**624,857**
Pension (deficit) / asset	25	(2,280)	2,664
Net assets including pension (deficit) / asset		**553,160**	**627,521**
Capital and reserves			
Called up share capital	19	30,000	30,000
Share premium account	21	90,800	90,800
Revaluation reserve	21	154,648	174,656
Capital reserve	21	13,396	13,396
Profit and loss reserve	20	264,316	318,669
Total shareholders' funds	22	**553,160**	**627,521**

The accounting policies and notes on pages 13 to 34 form part of these financial statements.

These financial statements were approved by the Board of Directors on 10 December 2012 were signed on its behalf by:

Peter Shore - Director

Statement of total recognised gains and losses

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Profit for the financial year	165,124	119,797
Actuarial (loss) / gain on pension scheme (See note 25)	(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	(328)
Total recognised gains and losses for the year	**154,639**	**128,719**

Note of historical cost profits and losses

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Reported profit on ordinary activities before taxation	155,932	117,124
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	2,896	2,297
Historical cost profit on ordinary activities before taxation	**158,828**	**119,421**
Tax on historical cost profit on ordinary activities	9,192	2,673
Historical cost profit retained after taxation	**168,020**	**122,094**

Notes to the financial statements

1 Principal accounting policies

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

(a) Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006 and applicable UK accounting standards, under the historical cost convention, modified by the revaluation of certain tangible fixed assets.

(b) Going concern

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

The Company has inter-company agreements with AF1, AUKBH, 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.

(c) Exemption from consolidation

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of AHL, a company registered in England and Wales.

(d) Cash flow statement

The Company has taken advantage of the exemption under FRS 1 'Cash flow statements (revised 1996)' not to prepare a cash flow statement, as it is a subsidiary which is at least 90% controlled by the ultimate UK parent undertaking, ABHL, which prepares a consolidated cash flow statement.

(e) 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) or historic revalued amount, 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 economic 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 Company'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.

(f) Turnover

The Company's accounting policy in respect of turnover is set out in note 2.

(g) Intangible assets

Intangible fixed assets are stated at original purchase cost, being fair value for acquired assets, less accumulated depreciation 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

Access rights

Access rights are stated at original purchase cost and amortised on a straight line basis over their expected useful life.

(h) 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'.

(i) 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'.

(j) 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 Company, are capitalised in the balance sheet and depreciated over the shorter of their useful economic lives or lease term.

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.

(k) 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.

(l) 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 period. Differences between contributions payable for the period 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 Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on high quality corporate bonds 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.

(m) 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.

(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 and payable on deposits and borrowings, finance leases and inter-company balances respectively.

(p) Derivative financial instruments

The Company 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.

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:

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
UK	462,689	410,758
Continental Europe	28,411	29,476
Rest of world	21,828	21,380
Turnover	**512,928**	**461,614**

3 Operating profit

Operating profit is stated after charging / (crediting):

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Depreciation of owned fixed assets	51,617	58,188
Depreciation of leased assets	447	447
Amortisation of intangible assets	2,025	2,249
Amortisation of goodwill	3,632	3,316
Operating lease rentals		
- Land, buildings and other infrastructure	15,321	11,466
- Plant and machinery	1,613	1,228
Management recharge to Group companies	(56,872)	(56,622)
Loss on disposal of tangible fixed assets	260	-
Foreign exchange losses	1,389	938

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

Services provided by the Auditors and network firms

During the year the Company obtained the following services from the Group's Auditors at costs as detailed below:

	Year ended 30 June 2012	Year ended 30 June 2011
	£'000	£'000
Fees payable to Company Auditor for the audit of the Company financial statements	76	70

Fees paid to the Company's Auditors for services other than the statutory audit of the Company are not disclosed in these financial statements since the consolidated Group financial statements of the ultimate UK parent undertaking, ABHL, disclose the non-audit fees on a consolidated basis.

4 Exceptional items

Profit on ordinary activities before taxation is stated after charging:

	Group Year ended 30 June 2012	Group Year ended 30 June 2011
	£'000	£'000
Administrative expenses		
- Reorganisation and severance	(9,308)	-
- Corporate finance activities	(662)	-
- Other one off activities	(8,439)	-
	(18,409)	**-**
Non-operating profit exceptional items		
- Fundamental reorganisation	-	(8,497)
- Loss on disposal of assets	-	(2,136)
	-	**(10,633)**
Total exceptional items	**(18,409)**	**(10,633)**

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 by the Group 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 £4,694,000 (2011: £2,337,000).

5 Staff costs

The average number of persons employed by the Company during the year was as follows:

	2012 Number	2011* Number
Broadcast and Media	190	194
Digital Platforms	18	10
Government, Mobile and Enterprise	162	162
Business Operations	1,160	1,228
Corporate Support	313	306
Total staff numbers	**1,843**	**1,900**

*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:

	2012 £'000	2011 £'000
Wages and salaries	114,119	107,629
Social security costs	11,633	10,430
Other pension costs	9,489	9,669
Total staff costs	**135,241**	**127,728**

6 Directors' emoluments

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Aggregate emoluments	**142**	**23**

During the year, two Directors (2011: one) were employees of the Company. There are no retirement benefits accruing to any Directors under a defined benefit scheme (2011: £nil).

All other Directors were representatives of the shareholders of the Company's ultimate UK parent and their individual remuneration reflects the services they provide to the Company, other Group companies 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 their service to the Company. Accordingly, the above details include no emoluments in respect of these Directors services.

The Company incurred costs of £nil (2011: £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

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Interest receivable from Group companies	715	582
Bank interest receivable	34	84
Other interest receivable	1,200	23
Total interest receivable	**1,949**	**689**

8 Interest payable and similar charges

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Bank loans and overdrafts	57	58
Interest payable to Group companies	790	2,052
Finance lease interest payable	1,183	1,216
Other interest payable	1,306	647
	3,336	3,973
Less: capitalised interest	(689)	(1,336)
Total interest payable	**2,647**	**2,637**

9 Tax on profit on ordinary activities

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
(a) Analysis of tax credit for the year		
Current tax		
UK corporation tax from prior year	189	-
Overseas tax	1	2
Total current tax	**190**	**2**
Deferred tax		
Origination and reversal of timing differences	(9,156)	(5,578)
Impact of rate change	(2,285)	14
Deferred tax on pension liability charged to profit and loss account	1,728	884
Prior year adjustment	331	2,005
Total deferred tax	**(9,382)**	**(2,675)**
Tax on profit on ordinary activities	**(9,192)**	**(2,673)**

(b) Factors affecting the current tax charge / (credit) 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:

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Profit on ordinary activities before taxation	155,932	117,124
Profit before taxation multiplied by standard rates of corporation tax in the United Kingdom of 25.5% (2011: 27.5%)	39,763	32,209
Expenses not deductible for tax purposes	714	770
Amortisation of goodwill	926	912
Depreciation in excess of capital allowances	9,279	5,900
Non-taxable income	(1,836)	(469)
Other timing differences	423	(935)
Non-qualifying depreciation	3,343	3,567
Corporation tax from prior year	189	-
Group relief receivable for nil consideration	(52,611)	(41,952)
Total current tax	**190**	**2**

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).

10 Dividends

Equity dividends on ordinary shares:

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Interim dividend paid on 6 December 2011 of £2.83 per share (2011: £2.83)	85,000	85,000
Additional interim dividend paid on 14 May 2012 of £4.80 per share (2011: £nil)	144,000	-
	229,000	**85,000**

11 Intangible assets

	Licences £'000	Development costs £'000	Access rights £'000	Purchased goodwill £'000	Total £'000
Cost					
At 1 July 2011	3,638	925	6,957	66,304	77,824
Transfer from investments	-	-	-	1,587	1,587
At 30 June 2012	**3,638**	**925**	**6,957**	**67,891**	**79,411**
Accumulated amortisation					
At 1 July 2011	1,745	751	4,382	17,426	24,304
Charged in the year	352	174	1,499	3,632	5,657
At 30 June 2012	**2,097**	**925**	**5,881**	**21,058**	**29,961**
Net book value					
At 30 June 2012	**1,541**	**-**	**1,076**	**46,833**	**49,450**
At 30 June 2011	1,893	174	2,575	48,878	53,520

Development costs in respect of products and services developed by the Group have been capitalised in accordance with SSAP 13. These are amortised over their expected useful economic life once the product or service has been commercially launched.

During the year, the Company has novated certain contracts from a subsidiary and accordingly the underlying investment has been reclassified as goodwill within these financial statements.

12 Tangible assets

	Freehold land and buildings £'000	Leasehold buildings £'000	Plant and equipment £'000	Total £'000
Cost or valuation				
At 1 July 2011	175,011	59,942	1,242,060	1,477,013
Additions	17,481	366	145,177	163,024
Transfer to Group companies	(15,290)	(72)	(111,262)	(126,624)
Disposals	-	-	(61,275)	(61,275)
At 30 June 2012	**177,202**	**60,236**	**1,214,700**	**1,452,138**
Accumulated depreciation				
At 1 July 2011	29,454	21,684	439,874	491,012
Charge for the year	2,495	922	48,647	52,064
Disposals	-	-	(60,933)	(60,933)
At 30 June 2012	**31,949**	**22,606**	**427,588**	**482,143**
Net book value				
At 30 June 2012	**145,253**	**37,630**	**787,112**	**969,995**
At 30 June 2011	145,557	38,258	802,186	986,001

The Company'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 Company's parent undertakings.

Borrowing costs capitalised during the period totalled £689,000 (2011: £1,336,000) at a capitalisation rate of 2.7% (2011: 2.4%). The aggregate amount of finance costs included in the cost of tangible fixed assets totals £12,710,000 (2011: £12,021,000).

Capital work in progress is developed and held by the Company in relation to the trading activities of all core Group companies. At the point of capitalisation to the Group fixed asset register the capital work in progress is transferred to another Group company at book value, if applicable. The balance of capital work in progress not yet capitalised to the Group fixed asset register is a total cost of £313,641,000 as at 30 June 2012 (2011: £500,396,000). This includes additions of £156,184,000 and the completion of capital work in progress during the year of £342,939,000**.**

Freehold land included above but not depreciated amounts to £77,069,000 (2011: £76,661,000).

Short leasehold land and buildings held under finance leases, capitalised and included within fixed assets above:

	30 June 2012 £'000	30 June 2011 £'000
Cost	10,907	10,907
Accumulated depreciation	(2,904)	(2,457)
Net book value	**8,003**	**8,450**

If fixed assets were stated on a historical cost basis, the amounts would be:

	30 June 2012				30 June 2011			
	Freehold land and buildings	Leasehold buildings	Plant and equipment	Total	Freehold land and buildings	Leasehold buildings	Plant and equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost	81,539	29,616	1,159,214	**1,270,369**	79,348	29,322	1,185,487	**1,294,157**
Accumulated depreciation	27,727	17,872	409,423	**455,022**	23,287	16,712	426,788	**466,787**
Net book value based on historical cost	**53,812**	**11,744**	**749,791**	**815,347**	**56,061**	**12,610**	**758,699**	**827,370**

13 Investments

	Investments in subsidiaries and joint venture
	£'000
Cost	
At 1 July 2011	71,331
Additions (see note 26)	4,795
Transfer to Goodwill (see note 11)	(1,587)
At 30 June 2012	**74,539**
Provision for impairment	
At 1 July 2011 and 30 June 2012	**8,488**
Net book value	
At 30 June 2012	**66,051**
At 30 June 2011	62,843

The Company received dividends of £515,000 from Arqiva SAS (2011: £1,267,000) and £nil from Arqiva SRL (2011: £439,000) in the year.

The Directors believe that the carrying values of the investments are supported by the 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 SAS	France	Transmission services	30 June	100%
Arqiva SRL	Italy	Transmission services	30 June	100%
Arqiva Inc	United States	Transmission services	30 June	100%
Macropolitan Limited	United Kingdom	Site management	30 June	100%
JFMG Limited	United Kingdom	Spectrum and transmission management	30 June	100%
Arqiva (Scotland) Limited	United Kingdom	Transmission services	30 June	100%
Joint venture				
Arts Alliance Media Investment Limited	United Kingdom	Digital cinema distribution	30 June	24.99%
YouView TV Limited	United Kingdom	Open source IPTV development	31 March	14.3%

14 Debtors

	30 June 2012 £'000	30 June 2011 £'000
Trade debtors	80,854	88,302
Amounts owed by Group undertakings	24,535	50,134
Other debtors	5,453	7,293
Deferred tax asset	13,994	2,956
Prepayments and accrued income	72,919	66,191
Total debtors	**197,755**	**214,876**

Amounts owed by Group undertakings are unsecured and repayable on demand. Interest has been charged on £3,741,000 at 9.75% in relation to structured loan balances and £20,794,000 at 0% in relation to trading and working capital loan balances (2011: £7,085,000 at 9.75% in relation to structured loan balances and £43,049,000 at 0% in relation to trading and working capital balances).

The Directors consider that the fair value of debtors closely approximates to book value.

Deferred tax asset	30 June 2012 Asset £'000	30 June 2011 Asset / (liability) £'000
At 1 July	2,956	(849)
Credited to the profit and loss account	11,038	3,805
At 30 June	**13,994**	**2,956**
Accelerated capital allowances	13,168	2,519
Short term timing differences	826	437
Deferred tax asset / (liability)	**13,994**	**2,956**

The deferred tax asset of £13,944,000 has been calculated based on the UK corporation tax rate of 24% (the rate in force at the balance sheet date). There has 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.

No deferred tax has been recognised in respect of future tax on gains arising from the previous revaluation of fixed assets, as the Company is not committed to the disposal of the assets.

15 Cash at bank and in hand

	30 June 2012 £'000	30 June 2011 £'000
Cash at bank	2,419	5,685
Short term deposit	39,294	10,971
Total cash at bank and in hand	**41,713**	**16,656**

16 Creditors: amounts falling due within one year

	30 June 2012 £'000	30 June 2011 £'000
Trade creditors	60,890	78,320
Amounts owed to Group undertakings	512,120	447,146
Other taxes and social security costs	11,694	17,863
Other creditors	13,956	11,159
Accruals and deferred income	122,422	122,105
Finance lease	475	423
Total creditors: amounts falling due within one year	**721,557**	**677,016**

Amounts owed to Group undertakings are unsecured and repayable on demand under the terms of the loan agreements. Interest has been charged on £75,025,000 at 2.65% in relation to specific structured loan balances, £5,034,000 at 9.75% in relation to structured loan balances and £432,061,000 at 0% in relation to trading and working capital balances (2011: £27,680,000 at 2.5% in relation to specific structured loan balances, £5,255,000 at 9.75% in relation to structured loan balances, and £414,211,000 at 0% in relation to trading and working capital balances). Certain Group companies may only demand repayments of loans provided that such a repayment would not cause the Company to become insolvent (note 24).

The Directors consider that the fair value of creditors: amounts falling due within one year closely approximates to book value.

17 Creditors: amounts falling due after more than one year

	30 June 2012 £'000	30 June 2011 £'000
Amounts owed to Group undertakings	5,285	5,285
Accruals and deferred income	9,260	-
Finance lease	14,500	14,975
Total creditors: amounts falling due after more than one year	**29,045**	**20,260**

Amounts owed to Group undertakings are unsecured, interest free and repayable in more than five years.

The Directors consider that the fair value of creditors: amounts falling due after more than one year closely approximates to book value.

Maturity of loans	30 June 2012 £'000	30 June 2011 £'000
Within one year	475	423
In more than one year, but not more than five years	1,527	1,585
In more than five years	12,973	13,390
	14,975	**15,398**

Finance leases

Future minimum payments under finance leases are as follows:

	30 June 2012 £'000	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**

18 Provisions for liabilities and charges

	Decommissioning £'000	Onerous contracts £'000	Restructuring £'000	Total £'000
At 1 July 2011	10,650	813	300	11,763
Addition created through fixed assets	1,802	-	-	1,802
Released to profit and loss account	(478)	-	-	(478)
Charged to profit and loss account	336	864	5,006	6,206
Changes relating to movements in the discounted amount	863	-	-	863
Utilised in the year	-	(605)	(629)	(1,234)
At 30 June 2012	**13,173**	**1,072**	**4,677**	**18,922**

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.

19 Share capital

	30 June 2012 £'000	30 June 2011 £'000
Authorised:		
30,000,300 (2011: 30,000,300) ordinary shares of £1 each	30,000	30,000
Allotted, called up and fully paid:		
30,000,201 (2011: 30,000,201) ordinary shares of £1 each	**30,000**	**30,000**

20 Profit and loss reserve

	£'000
At 1 July 2011	318,669
Transfer from the revaluation reserve	20,008
Actuarial loss on pension scheme	(13,800)
Movement on deferred tax relating to pension liability	3,312
Exchange adjustment offset in reserves (translation of foreign investments)	3
Dividends paid	(229,000)
Profit for the financial year	165,124
At 30 June 2012	**264,316**

21 Other reserves

	Share premium account £'000	Revaluation reserve £'000	Capital reserve £'000	Total £'000
At 1 July 2011	90,800	174,656	13,396	278,852
Transfer to profit and loss account	-	(20,008)	-	(20,008)
At 30 June 2012	**90,800**	**154,648**	**13,396**	**258,844**

22 Reconciliation of movement in shareholders' funds

	30 June 2012 £'000	30 June 2011 £'000
Profit for the financial year	165,124	119,797
Dividends	(229,000)	(85,000)
Other recognised gains and losses relating to the year	(10,485)	8,922
Net (decrease) / increase in shareholders' funds	(74,361)	43,719
Opening shareholders' funds	627,521	583,802
Closing shareholders' funds	**553,160**	**627,521**

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	19,407	26,742
Later than one year but not later than five years	2,794	87
Later than five years	-	-
Total	**22,201**	**26,829**

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	291	249
Later than one year but not later than five years	3,174	1,879
Later than five years	6,598	7,306
Total	**10,063**	**9,434**

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.

Other annual lease commitments in relation to transmission activities expiring:

	30 June 2012 £'000	30 June 2011 £'000
Within one year	93	211
Later than one year but not later than five years	1,449	1,072
Total	**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 has inter-company agreements with AF1, AUKBH, ASL, ATIL, AHL, 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.

The Company is the head lessee for two properties occupied by companies forming part of the Virgin Media (formerly NTL) group. The Company 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 the Company for these costs, the Company remains ultimately liable for the costs concerned.

25 Pension commitments

Defined benefit scheme

In the year to June 2012, there was one defined benefit scheme, sponsored by the Company. The assets of the scheme are held separately from the Company in trustee administered funds.

Triennial valuation

The triennial valuation of the Company'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. The Company 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).

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.

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

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'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 £'000	Year ended 30 June 2011 £'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 surplus / deficit under FRS 17 moved over the year as follows:

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'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**

The following amounts have been included within operating profit:

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Current service cost (employer only)	4,600	4,700
Settlement	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 £'000	Year ended 30 June 2011 £'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 £'000	Year ended 30 June 2011 £'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 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 £14,580,000 (2011: £780,000).

The history of experience gains and losses is:

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Present value of scheme liabilities	(131,300)	(109,500)	(101,800)	(78,520)	(21,800)
Fair value of scheme assets	128,300	113,100	89,500	68,480	16,600
(Deficit) / surplus on scheme	(3,000)	3,600	(12,300)	(10,040)	(5,200)
Actual return less expected return on scheme assets	(3,300)	10,600	7,620	(6,350)	(2,600)
Percentage of Scheme's assets	(3%)	9%	9%	(9%)	(16%)
Experience gains and (losses) arising on scheme's liabilities	1,700	-	-	(952)	(300)
Percentage of the FRS 17 value of the scheme's liabilities	(1%)	0%	0%	1%	1%
Total amount recognised in the STRGL	(13,800)	12,500	(6,060)	(5,220)	(4,300)
Percentage of the FRS 17 value of the scheme's liabilities	11%	(11%)	6%	7%	20%

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

The Company 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 Company.

An amount of £654,000 (2011: £553,000) is included in accruals being the outstanding contributions to the defined contribution scheme.

26 Related party disclosures

The Company has taken advantage of the exemptions available under FRS 8 'Related party disclosures' for disclosure of transactions with entities that are part of the Group as related parties in these financial statements.

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.

The company paid subscriptions of £5,456,000 (2011: £4,568,000) to YouView TV Limited, a joint venture.

There are no other related party transactions.

27 Post balance sheet event

On 2 July 2012, the Group announced that it had agreed terms with the Board of Spectrum Interactive Limited ('Spectrum Interactive'), a leading UK based Wi-Fi 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 ABHL and on 1 October 2012 the Company 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 Wi-Fi hotspot provision in the UK and gives the business 15,500 access points in over 2,100 premium Wi-Fi locations across hotels, restaurants and leisure outlets as well as airports, airline lounges, motorway service station and public locations on high streets. When combined with the Group's existing Wi-Fi and cellular assets it gives the Group a highly scalable platform for meeting the growing demand for wholesale mobile data services.

Spectrum Interactive has become part of the GME business unit.

During September 2012, the Company acquired 100% of the share capital 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. 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.

Connect TV Limited has become part of the Digital Platforms business unit.

28 Immediate parent company and ultimate UK parent undertaking

The Company's immediate parent company is AHL.

During the year, the ABHL group has completed a legal entity restructuring process. This has reorganised the legal entity structure in relation to certain trading subsidiaries and has been completed to assist the trading activities of the Group by consolidating the core trading entities of the Company and ASL, including their respective subsidiaries, under a single holding company.

In the completion of this legal entity restructuring process, on 27 June 2012 ATIL acquired the entire issued share capital of the Company for an amount of £1,724,940,000 from AUKBH. This transaction was financed by way of inter-company loan agreements.

Subsequently, AHL acquired the entire issued share capital of the Company for an amount of £1,724,940,000 from ATIL. AHL financed this transaction via the issue of additional share capital to its immediate parent company, ATIL, of £1,568,940,000 and by way of inter-company loan agreements.

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. Accordingly, AHL has consolidated the results of the Company, and its subsidiaries, under the principles of merger accounting in accordance with FRS 6 'Acquisitions and mergers'.

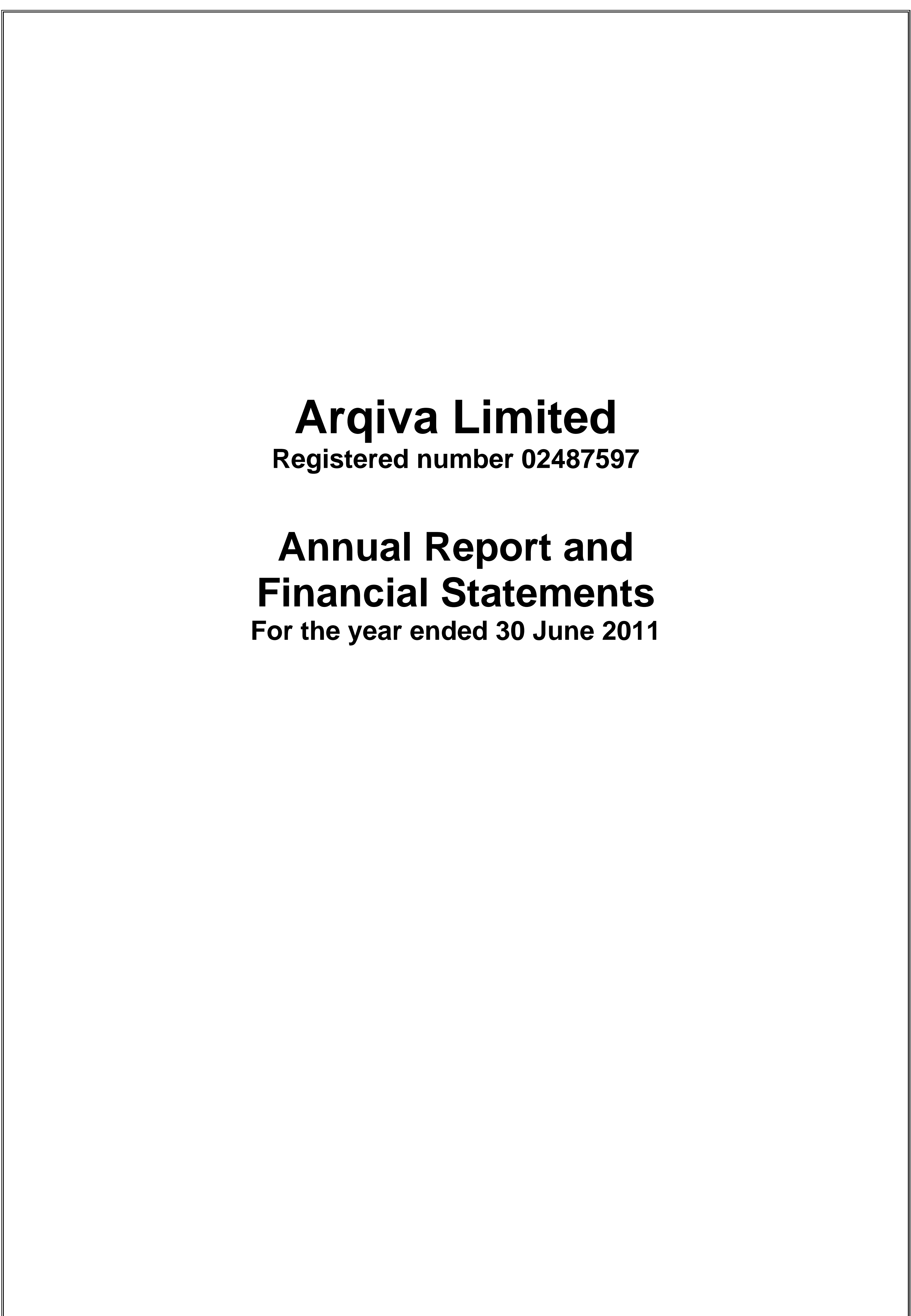
AHL is the parent undertaking of the smallest group to consolidate these financial statements. The ultimate UK parent undertaking is ABHL.

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

29 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 Limited

Registered number 02487597

Annual Report and Financial Statements

For the year ended 30 June 2011

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Directors' report and statement of Directors' responsibilities

The Directors of Arqiva Limited, registered company number 02487597, ('the Company') submit the following annual report and audited financial statements ('financial statements') in respect of the year ended 30 June 2011.

Business review and principal activities

The Company 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 Company operates within the Arqiva Broadcast Holdings Limited (formerly Macquarie UK Broadcast Holdings Limited) ('ABHL') group ('the Group') of companies.

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 Company and wider 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. This business unit is operated within another Group company.

- 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.

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 Company delivered increased revenues of £461,614,000 (2010: £451,045,000), with a gross profit of £233,916,000 (2010: £209,404,000) and increased operating profit of £127,999,000 (2010: £118,383,000). After interest charges and exceptional items the results show a pre-tax profit of £117,124,000 (2010: £113,598,000). The Company has net current liabilities of £445,484,000 (2010: £260,991,000) and net assets of £627,521,000 (2010: £583,802,000).

Key performance indicators

The key measure of the Company's performance is EBITDA. EBITDA is defined as operating profit, before depreciation, amortisation, impairment charges, profits or losses on the disposal of fixed assets, interest and exceptional items. EBITDA for the year ended 30 June 2011 is £192,199,000 (2010: £172,752,000), an increase of 11.2%.

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.

Principal risks and uncertainties facing the business

The principal risks and uncertainties of the Group, which include those of the Company, are discussed in the ABHL annual report, a copy of which is available from the address given in note 27 to these financial statements.

Dividends and transfers to reserves

The Company paid an interim dividend of £85,000,000 (2010: £80,000,000), on 28 March 2011.

The profit for the year of £119,797,000 (2010: £121,200,000) was transferred to reserves.

Going concern

Despite having net current liabilities, the Company adopts the going concern basis in preparing its financial statements based upon the support from its parent undertakings and the future profit, cash flows and available resources of the Group which lead the Directors of the Company to have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future.

The Company has inter-company agreements with Arqiva Financing No 1 Limited (formerly Macquarie UK Broadcast Ventures Limited) ('AF1'), Arqiva UK Broadcast Holdings Limited (formerly Macquarie UK Broadcast Limited) ('AUKBH'), 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 to continue to operate and invest in communications infrastructure.

Creditor payment policy

The Company seeks to treat all of its suppliers fairly and it is the Company'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 66 days (2010: 57 days).

Financial risk management

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

Price risk
Energy is a major component of the Company's cost base. A large proportion of this is managed via pass-through arrangements to customers. The Company's residual exposure to fluctuations in the electricity price is managed by forward purchasing the majority of power requirements.

Credit risk
The Company 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 Company is funded through reserves and inter-company debt.

Foreign exchange risk
The Company 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 Company'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. Where future cash flows in foreign currency are known with reasonable certainty forward foreign exchange contracts have been put in place to fix the exchange rate.

Cash flow interest rate risk
Inter-company loan balances are interest free or at a fixed interest rate. Where a floating rate applies to finance balances the Company reassesses this in the context of longer term interest rate trends.

Environment

The Company recognises that its activities impact on the environment to some degree, and aims to reduce negative impacts through a system of active environmental management. The Company 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 Company 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.

Directors

The following persons held office as Directors of the Company during the year and up to the date of signing 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.

Freehold land and buildings

The market value of the Company's land and buildings is lower than the carrying amount by £11,044,000 (2010: £32,721,000). 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.

Research and development

The Company performs research and development into new products and technology. Development costs are capitalised in accordance with the accounting policy. The research and development costs expensed in the year total £nil (2010: £24,000).

Overseas branches

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

Charitable donations

During the year, the Company made charitable donations of £47,000 (2010: £5,000). All contributions were made as part of a matched funding scheme to match employee fundraising for charitable events up to £500 per employee.

Directors' indemnities

The Company maintains liability insurance for its 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 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Michael Giles
Company Secretary
Crawley Court
Crawley
Winchester
Hampshire
SO21 2QA

7 December 2011
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Independent Auditors' Report to the Members of Arqiva Limited

We have audited the financial statements of Arqiva Limited for the year ended 30 June 2011, which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the note of historical cost profits and losses 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 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 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 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 Company's affairs as at 30 June 2011 and its profit 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; 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

8 December 2011
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Profit and loss account

	Note	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Continuing operations			
Turnover	2	461,614	451,045
Cost of sales		(227,698)	(241,641)
Gross profit		**233,916**	**209,404**
Administrative expenses		(105,917)	(82,533)
Exceptional items - impairment of investments		-	(8,488)
Total administrative expenses		(105,917)	(91,021)
Operating profit	3	**127,999**	**118,383**
Income from shares in group undertakings	13	1,706	627
Exceptional items – Fundamental reorganisation		(8,497)	(4,218)
Exceptional items – Loss on disposal assets		(2,136)	-
Total non-operating exceptional items	4	(10,633)	(4,218)
Profit on ordinary activities before interest		**119,072**	**114,792**
Interest receivable and similar income	7	689	1,316
Interest payable and similar charges	8	(2,637)	(2,510)
Profit on ordinary activities before taxation		**117,124**	**113,598**
Tax on profit on ordinary activities	9	2,673	7,602
Profit for the financial year	20,22	**119,797**	**121,200**

Balance sheet

	Note	30 June 2011 £'000	30 June 2010 £'000
Fixed assets			
Intangible assets	11	53,520	59,182
Tangible assets	12	986,001	761,620
Investments	13	62,843	62,843
		1,102,364	**883,645**
Current assets			
Debtors	14	214,876	169,018
Cash at bank and in hand	15	16,656	20,298
		231,532	**189,316**
Creditors: amounts falling due within one year	16	**(677,016)**	**(450,307)**
Net current liabilities		**(445,484)**	**(260,991)**
Total assets less current liabilities		**656,880**	**622,654**
Creditors: amounts falling due after more than one year	17	(20,260)	(20,677)
Provisions for liabilities and charges	18	(11,763)	(9,319)
Net assets excluding pension asset / (deficit)		**624,857**	**592,658**
Pension asset / (deficit)	25	2,664	(8,856)
Net assets including pension asset / (deficit)		**627,521**	**583,802**
Capital and reserves			
Called up share capital	19	30,000	30,000
Share premium account	21	90,800	90,800
Revaluation reserve	21	174,656	176,953
Capital reserve	21	13,396	13,396
Profit and loss reserve	20	318,669	272,653
Total shareholders' funds	22	**627,521**	**583,802**

The accounting policies and notes on pages 11 to 29 form part of these financial statements.

These financial statements were approved by the Board of Directors on 7 December 2011 and were signed on its behalf by:

Peter Shore - Director

Statement of total recognised gains and losses

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Profit for the financial year	119,797	121,200
Actuarial gain / (loss) on pension scheme	12,500	(6,060)
Movement on deferred tax relating to pension asset / liability	(3,250)	1,697
Exchange adjustment offset in reserves (translation of foreign investments)	(328)	120
Total recognised gains and losses relating to the year	**128,719**	**116,957**

Note of historical cost profits and losses

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Reported profit on ordinary activities before taxation	117,124	113,598
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	2,297	2,597
Historical cost profit on ordinary activities before taxation	**119,421**	**116,195**
Tax on historical cost profit on ordinary activities	2,673	7,602
Historical cost profit retained after taxation	**122,094**	**123,797**

Notes to the financial statements

1 Principal accounting policies

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

(a) Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006 and applicable UK accounting standards, under the historical cost convention, modified by the revaluation of certain tangible fixed assets.

(b) Going concern

Despite having net current liabilities, the Company adopts the going concern basis in preparing its financial statements based upon the support from its parent undertakings and the future profit, cash flows and available resources of the Group which lead the Directors of the Company to have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future.

The Company has inter-company agreements with AF1, AUKBH, 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.

(c) Exemption from consolidation

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of AF1, a company registered in England and Wales.

(d) Cash flow statement

The Company has taken advantage of the exemption under FRS 1 'Cash flow statement (revised 1996)' not to prepare a cash flow statement, as it is a subsidiary which is at least 90% controlled by the ultimate UK parent undertaking, ABHL, which prepares a consolidated cash flow statement.

(e) 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) or historic revalued amount, 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 economic 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 Company'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.

(f) Turnover

The Company's accounting policy in respect of turnover is set out in note 2.

(g) Intangible assets

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.

Licences

Licences acquired to operate radio services are capitalised and amortised on a straight line basis over their licence period.

Development costs

Development costs incurred on development of products and services within the Company 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.

Access rights

Access rights are valued on acquisition and amortised on a straight line basis over their expected useful life.

Purchased 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.

(h) 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'.

(i) 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'.

(j) 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 Company, are capitalised in the balance sheet and depreciated over the shorter of their useful economic lives or lease term.

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.

(k) 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.

(l) 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 period. Differences between contributions payable for the period 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 Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on high quality corporate bonds 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.

(m) 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.

(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 and payable on deposits and borrowings, finance leases and inter-company balances respectively.

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 is recognised as services are provided. Cash received in advance from customers is taken to deferred income and recognised as turnover when the service is provided. Turnover recognised in advance of cash received is taken to accrued income.

The Company 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 Company has only one class of business.

The geographical split of turnover is shown below:

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
UK	410,758	401,419
Continental Europe	29,476	22,557
Rest of world	21,380	27,069
Turnover	**461,614**	**451,045**

3 Operating profit

Operating profit is stated after charging / (crediting):

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Depreciation of owned fixed assets	58,188	39,953
Depreciation of leased assets	447	447
Amortisation of intangible assets	2,249	2,151
Amortisation of goodwill	3,316	3,315
Impairment of investment	-	8,488
Operating lease rentals		
- Land, buildings and other infrastructure	11,466	15,222
- Other	1,228	704
Management recharge to Group companies	(56,622)	(79,314)
Loss on disposal of tangible fixed assets	-	15
Research and development	-	24
Foreign exchange losses / (gains)	938	(855)

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

Services provided by the Auditors and network firms

During the year the Company obtained the following services from the Group's Auditors at costs as detailed below:

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Fees payable to Company Auditor for the audit of the Company financial statements	70	85

Fees paid to the Company's Auditors for services other than the statutory audit of the Company are not disclosed in these financial statements since the consolidated Group financial statements of the ultimate UK parent undertaking, ABHL, disclose the non-audit fees on a consolidated basis.

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 £8,497,000 (2010: £4,218,000) 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: £1,181,000).

5 Staff costs

The average monthly number of persons employed by the Company during the year was as follows:

	2011 Number	2010* Number
Broadcast and Media	418	489
Government, Mobile and Enterprise	107	99
Business Operations	1,115	1,121
Corporate Support	260	253
Total staff numbers	**1,900**	**1,962**

* Figures reclassified to new categories

The aggregate payroll costs of these persons were as follows:

	2011 £'000	2010 £'000
Wages and salaries	107,629	112,543
Social security costs	10,430	11,145
Other pension costs	9,669	9,811
Total staff costs	**127,728**	**133,499**

6 Directors' emoluments

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Aggregate emoluments	**23**	**3**

During the year, one Director (2010: two) was an employee of the Company. There are no retirement benefits accruing to any Directors under a defined benefit scheme (2010: £nil).

All (2010: nine) of the Directors are representatives of the Company's shareholders and their individual remuneration reflects the services they provide to the Company, other Group companies 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 their service to the Company. Accordingly, the above details include no emoluments in respect of these Directors services.

The Company 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

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Interest receivable from Group companies	582	720
Bank interest receivable	84	69
Other interest receivable	23	527
Total interest receivable	**689**	**1,316**

8 Interest payable and similar charges

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Bank loans and overdrafts	58	65
Interest payable to Group companies	2,052	2,206
Finance lease interest payable	1,216	1,229
Other interest payable	647	813
	3,973	4,313
Less: capitalised interest	(1,336)	(1,803)
Total interest payable	**2,637**	**2,510**

9 Tax on profit on ordinary activities

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
(a) Analysis of tax credit for the year		
Current tax		
UK corporation tax from prior year	-	(4)
Overseas tax	2	-
Total current tax	**2**	**(4)**
Deferred tax		
Origination and reversal of timing differences	(5,578)	(7,275)
Impact of rate change	14	-
Deferred tax on pension liability charged to profit and loss account	884	1,064
Prior year adjustment	2,005	(1,387)
Total deferred tax	**(2,675)**	**(7,598)**
Tax on profit on ordinary activities	**(2,673)**	**(7,602)**
(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. The differences are explained below:		
Profit on ordinary activities before taxation	117,124	113,598
Profit before taxation multiplied by standard rates of corporation tax in the United Kingdom of 27.5% (2010: 28%)	32,209	31,807
Expenses not deductible for tax purposes	770	3,021
Amortisation of goodwill	912	928
Depreciation in excess of capital allowances	5,900	7,275
Non-taxable income	(469)	
Other timing differences	(935)	(1,064)
Non-qualifying depreciation	3,567	3,059
Corporation tax from prior year	-	(4)
Group relief receivable for nil consideration	(41,952)	(45,026)
Total current tax	**2**	**(4)**

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.

There has been a stated intention to reduce the UK corporation tax rate in future years (see note 14).

10 Dividends

Equity dividends on ordinary shares:

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Interim dividend of £2.83 per share (2010: £2.67)	85,000	80,000

11 Intangible assets

	Licences	Development costs	Access rights	Purchased goodwill	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 July 2010	3,638	925	7,291	66,304	78,158
Disposals	-	-	(334)	-	(334)
At 30 June 2011	**3,638**	**925**	**6,957**	**66,304**	**77,824**
Accumulated amortisation					
At 1 July 2010	1,393	520	2,953	14,110	18,976
Charged in the year	352	231	1,666	3,316	5,565
Disposals	-	-	(237)	-	(237)
At 30 June 2011	**1,745**	**751**	**4,382**	**17,426**	**24,304**
Net book value					
At 30 June 2011	**1,893**	**174**	**2,575**	**48,878**	**53,520**
At 30 June 2010	2,245	405	4,338	52,194	59,182

12 Tangible assets

	Freehold land and buildings	Short leasehold land and buildings	Plant and equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 July 2010	162,458	59,940	979,898	1,202,296
Additions	12,553	2	126,750	139,305
Transfer from Group companies	-	-	148,749	148,749
Disposals	-	-	(13,337)	(13,337)
At 30 June 2011	**175,011**	**59,942**	**1,242,060**	**1,477,013**
Accumulated depreciation				
At 1 July 2010	30,757	22,659	387,260	440,676
Reclassification	(2,546)	(2,244)	4,790	-
Disposals	-	-	(8,299)	(8,299)
Charge for the year	1,243	1,269	56,123	58,635
At 30 June 2011	**29,454**	**21,684**	**439,874**	**491,012**
Net book value				
At 30 June 2011	**145,557**	**38,258**	**802,186**	**986,001**
At 30 June 2010	131,701	37,281	592,638	761,620

The Company'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 Company's parent undertakings.

Borrowing costs capitalised during the period totalled £1,336,000 (2010: £1,803,000) at a capitalisation rate of 2.4% (2010: 2.3%). The aggregate amount of finance costs included in the cost of tangible fixed assets totals £4,488,000 (2010: £3,152,000).

Freehold land included above but not depreciated amounts to £78,586,000 (2010: £ 77,972,000).

Capital work in progress is developed and held by the Company in relation to the trading activities of all core Group companies. At the point of capitalisation to the Group fixed asset register the capital work in progress is transferred to another Group company at book value, if applicable. The balance of capital work in progress held within plant and equipment above is a total cost of £500,396,000 as at 30 June 2011.

Short leasehold land and buildings held under finance leases, capitalised and included within fixed assets above:

	30 June 2011 £'000	30 June 2010 £'000
Cost	10,907	10,907
Accumulated depreciation	(2,457)	(2,010)
Net book value	**8,450**	**8,897**

If fixed assets were stated on a historical cost basis, the amounts would be:

	30 June 2011				30 June 2010			
	Freehold land and buildings	Short leasehold land and buildings	Plant and equipment	Total	Freehold land and buildings	Short leasehold land and buildings	Plant and equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost	79,348	29,322	1,185,487	**1,294,157**	66,795	29,320	923,406	**1,019,521**
Accumulated depreciation	23,287	16,712	426,788	**466,787**	24,028	18,321	376,399	**418,748**
Net book value based on historical cost	**56,061**	**12,610**	**758,699**	**827,370**	**42,767**	**10,999**	**547,007**	**600,773**

13 Investments

	Investments in subsidiaries and joint venture £'000
Cost	
At 1 July 2010 and 30 June 2011	**71,331**
Provision for impairment	
At 1 July 2010 and 30 June 2011	**8,488**
Net book value	
At 30 June 2011	**62,843**
At 30 June 2010	62,843

The Company received dividends of £1,267,000 from Arqiva SAS (2010: £627,000) and £439,000 from Arqiva SRL (2010: £nil) in the year.

The Directors believe that the carrying values of the investments are supported by the 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 SAS	France	Transmission services	30 June	100%
Arqiva SRL	Italy	Transmission services	30 June	100%
Arqiva Inc	United States	Transmission services	30 June	100%
Macropolitan Limited	United Kingdom	Site management	30 June	100%
JFMG Limited	United Kingdom	Spectrum and transmission management	30 June	100%
Arqiva (Scotland) Limited	United Kingdom	Transmission services	30 June	100%
Joint venture				
Arts Alliance Media Investment Limited	United Kingdom	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%

14 Debtors

	30 June 2011 £'000	30 June 2010 £'000
Trade debtors	88,302	76,268
Amounts owed by Group undertakings	50,134	51,373
Other debtors	7,293	7,580
Deferred tax asset	2,956	-
Prepayments and accrued income	66,191	33,797
Total debtors	**214,876**	**169,018**

Amounts owed by Group undertakings are unsecured and repayable on demand. Interest has been charged on £7,085,000 at 9.75% and £43,049,000 at 0% (2010: £6,360,000 at 9.75% and £45,013,000 at 0%).

The Directors consider that the fair value of debtors closely approximates to book value.

	30 June 2011 £'000	30 June 2010 £'000
The deferred tax asset comprises:		
Accelerated capital allowances	2,519	-
Short term timing differences	437	-
Deferred tax asset	**2,956**	**-**

The prior year deferred tax balance was a liability, see note 18.

The deferred tax asset of £2,956,000 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 asset to £2,842,000. 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.

No deferred tax has been recognised in respect of future tax on gains arising from the previous revaluation of fixed assets, as the Company is not committed to the disposal of the assets.

15 Cash at bank and in hand

	30 June 2011 £'000	30 June 2010 £'000
Cash at bank	5,685	1,243
Short term deposit	10,971	19,055
Total cash at bank and in hand	**16,656**	**20,298**

16 Creditors: amounts falling due within one year

	30 June 2011 £'000	30 June 2010 £'000
Trade creditors	78,320	78,847
Amounts owed to Group undertakings	447,146	218,395
Other taxes and social security costs	17,863	12,462
Other creditors	11,159	15,474
Accruals and deferred income	122,105	124,737
Finance lease	423	392
Total creditors: amounts falling due within one year	**677,016**	**450,307**

Amounts owed to Group undertakings are unsecured and repayable on demand under the terms of the loan agreements. Interest has been charged on £27,680,000 at 2.5%, £5,255,000 at 9.75% and £414,211,000 at 0% (2010: £80,722,000 at 2.35%, £1,471,000 at 9.75%, and £136,202,000 at 0%). Certain Group companies may only demand repayments of loans provided that such a repayment would not cause the Company to become insolvent (note 24).

The Directors consider that the fair value of creditors: amounts falling due within one year closely approximates to book value.

17 Creditors: amounts falling due after more than one year

	30 June 2011 £'000	30 June 2010 £'000
Amounts owed to Group undertakings	5,285	5,285
Finance lease	14,975	15,392
Total creditors: amounts falling due after more than one year	**20,260**	**20,677**

Amounts owed to Group undertakings are unsecured, interest free and repayable in more than five years.

The Directors consider that the fair value of creditors: amounts falling due after more than one year closely approximates to book value.

Maturity of loans	30 June 2011 £'000	30 June 2010 £'000
Within one year	423	392
In more than one year, but not more than five years	1,585	1,618
In more than five years	13,390	13,774
	15,398	**15,784**

Finance leases

Future minimum payments under finance leases are as follows:

	30 June 2011 £'000	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)
	15,398	**15,784**

18 Provisions for liabilities and charges

	Decommissioning £'000	Onerous contracts £'000	Restructuring £'000	Deferred tax £'000	Total £'000
At 1 July 2010	6,906	1,564	-	849	9,319
Addition created through fixed assets	2,484	-	-	-	2,484
Released to profit and loss account	(181)	-	-	(3,805)	(3,986)
Charged to profit and loss account	943	-	2,000	-	2,943
Changes relating to movements in the discounted amount	542	-	-	-	542
Transfer to debtors	-	-	-	2,956	2,956
Utilised in the year	(44)	(751)	(1,700)	-	(2,495)
At 30 June 2011	**10,650**	**813**	**300**	**-**	**11,763**

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

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 two years.

The restructuring provision relates to the costs of a fundamental reorganisation of Group operations.

	30 June 2011 £'000	30 June 2010 £'000
Provision for deferred tax comprises:		
Accelerated capital allowances	-	184
Short term timing differences	-	665
Undiscounted provision for deferred tax	**-**	**849**

The current year deferred tax balance is an asset, see note 14.

19 Share capital

	30 June 2011 £'000	30 June 2010 £'000
Authorised:		
30,000,300 (2009: 30,000,300) ordinary shares of £1 each	30,000	30,000
Allotted, called up and fully paid:		
30,000,201 (2009: 30,000,201) ordinary shares of £1 each	**30,000**	**30,000**

20 Profit and loss reserve

	£'000
At 1 July 2010	272,653
Transfer from the revaluation reserve	2,297
Actuarial loss on pension scheme	12,500
Movement on deferred tax relating to pension liability	(3,250)
Exchange adjustment offset in reserves (translation of foreign investments)	(328)
Dividends paid	(85,000)
Profit for the financial year	119,797
At 30 June 2011	**318,669**

21 Other reserves

	Share premium account £'000	Revaluation reserve £'000	Capital reserve £'000	Total £'000
At 1 July 2010	90,800	176,953	13,396	281,149
Transfer to profit and loss account	-	(2,297)	-	(2,297)
At 30 June 2011	**90,800**	**174,656**	**13,396**	**278,852**

22 Reconciliation of movement in shareholders' funds

	30 June 2011 £'000	30 June 2010 £'000
Profit for the financial year	119,797	121,200
Dividends	(85,000)	(80,000)
Other recognised gains and losses relating to the year	8,922	(4,243)
Net increase in shareholders' funds	43,719	36,957
Opening shareholders' funds	583,802	546,845
Closing shareholders' funds	**627,521**	**583,802**

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	26,742	33,060
Later than one year but not later than five years	87	9,451
Later than five years	-	6
Total	**26,829**	**42,517**

At the balance sheet date, the Company 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	249	750
Later than one year but not later than five years	1,879	1,535
Later than five years	7,306	7,383
Total	**9,434**	**9,668**

Other annual lease commitments in relation to transmission activities 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	**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 has inter-company agreements with AF1, AUKBH, ASL, ATIL, AHL, 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.

The Company 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 Company is the lessee for various properties occupied by companies forming part of the Virgin Media (formerly NTL) group. The Company is in the process of assigning these leases to Virgin Media companies, but this process was incomplete at 30 June 2011. The Company remains 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 the Company for these costs, the Company remains ultimately liable for the costs concerned.

25 Pension commitments

Defined benefit scheme

In the year to June 2011, there was one defined benefit scheme, sponsored by the Company. The assets of the scheme are held separately from the Company 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 Company.

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.

The Company pays contributions of 26.3% of pensionable salaries for the majority of employed members, plus the cost of matching AVC added year payments.

The Company 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.

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

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'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 £'000	Year ended 30 June 2010 £'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 surplus / deficit under FRS 17 moved over the year as follows:

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'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 £'000	Year ended 30 June 2010 £'000
Current service cost (employer only)	4,700	4,300
Settlement	(100)	-
Total operating charge	**4,600**	**4,300**

The following amounts have been included as net finance expense under FRS 17:

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'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 £'000	Year ended 30 June 2010 £'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 £780,000 (2010: £13,280,000).

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)	(21,800)	(13,600)
Fair value of scheme assets	113,100	89,500	68,480	16,600	12,600
Surplus / (deficit) on scheme	3,600	(12,300)	(10,040)	(5,200)	(1,000)
Actual return less expected return on scheme assets	10,600	7,620	(6,350)	(2,600)	800
Percentage of Scheme's assets	9%	9%	(9%)	(16%)	6%
Experience (losses) and gains arising on scheme's liabilities	-	-	(952)	(300)	800
Percentage of the FRS 17 value of the scheme's liabilities	0%	0%	1%	1%	(6%)
Total amount recognised in the STRGL	12,500	(6,060)	(5,220)	(4,300)	2,300
Percentage of the FRS 17 value of the scheme's liabilities	(11%)	6%	7%	20%	17%

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

The Company 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 the Company.

An amount of £553,000 (2010: £503,000) is included in accruals being the outstanding contributions to the defined contribution scheme.

26 Related party disclosures

The Company has taken advantage of the exemptions available under FRS 8 'Related party disclosures' for disclosure of transactions with entities that are part of the Group as related parties in these financial statements.

During the year, the Company traded with Airwave Solutions Limited, a related party by virtue of common influence. The value of turnover in the year totalled £13,743,000 (2010: £12,889,000) and administrative expenses incurred were £426,000 (2010: £397,000). The amount owed by Airwave at the end of the year amounted to £243,000 (2010: £109,000).

During the year to 30 June 2011, the Company 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 company paid subscriptions of £4,568,000 (2010: £nil) to YouView TV Limited, a joint venture.

There are no other related party transactions.

27 Immediate parent company and ultimate UK parent undertaking

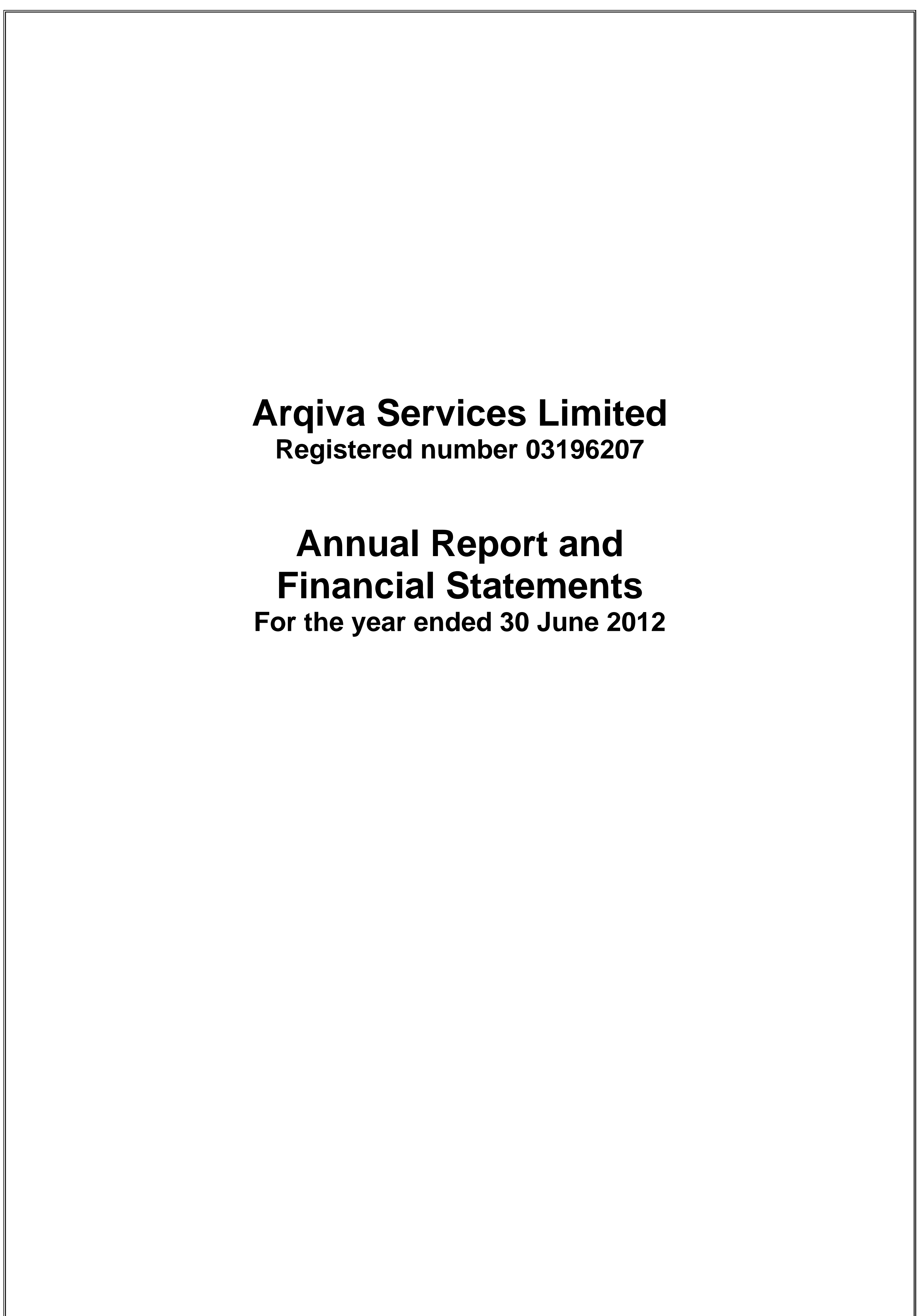
The Company's immediate parent company is AUKBH. AF1 is the parent undertaking of the smallest group to consolidate these financial statements. The ultimate UK parent undertaking is ABHL.

Copies of the ABHL consolidated financial statements, the AF1 consolidated financial statements and the AUKBH financial statements can be obtained from the Company Secretary of each company at Crawley Court, Crawley, Winchester, Hampshire, SO21 2QA.

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.



Arqiva Services Limited

Registered number 03196207

Annual Report and Financial Statements

For the year ended 30 June 2012

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Directors' report and statement of Directors' responsibilities

The Directors of Arqiva Services Limited, registered number 03196207, ('the Company') submit the following annual report and audited financial statements ('the financial statements') in respect of the year ended 30 June 2012.

Business review and principal activities

The Company operates within the Arqiva Broadcast Holdings Limited ('ABHL') group ('the Group') of companies.

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 a regulated business. These are regulated by the Office of Communications ('Ofcom') on behalf of the customers. The areas of the business impacted by this regulation are B&M and Business Operations.

The Company operates in each of the three customer facing business units of B&M, GME and Digital Platforms but relies on other Group companies to provide the Business Operations and central corporate functions.

As a capital intensive infrastructure business that provides radio and TV transmission services as well as site sharing for the mobile operators, Arqiva benefits from having a significant number of long term contracts with its customers. However, two key market changes are having a significant impact on the business. The first is the move from analogue to digital transmission technology. The second is the network consolidation in the mobile sector.

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 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, were successfully completed since the year end. DSO was delivered by Arqiva Limited, another Group company.

The construction of this high power digital network has been financed by Arqiva, supported by long term contracts with key broadcasters, including the BBC, that are all over 20 years in length and have significantly boosted the order book of the Group.

This project has also benefited the Digital Platforms business unit which has had another strong year. The business unit has extended contracts with existing customers and found new customers for the increased number of channels resulting from enhanced compression technology and the roll out of high power digital services, increasing revenue and earnings as a result.

During the year, Arqiva has been working closely with the mobile network operators as they seek to reduce their costs by network consolidation. In 2012, the Group strengthened its position as a key supplier in this market by agreeing revised terms on long term contracts with a number of mobile network operators to ensure it is at the heart of the mobile operators' consolidation plans. Arqiva continues to work with the other mobile operators as they conclude the planning phase of their network consolidation.

With the TV Digital Switchover project coming to an end and consolidation in the mobile sector moving towards a successful conclusion, Arqiva is now turning its attention to pursuing opportunities that will drive substantial revenue growth in the future. The executive management team has been strengthened to give the company a more customer focussed approach and significant investment has been made in strengthening the Strategy and Product teams.

The Group is now working on a number of substantial opportunities including:

- The national Smart Metering procurement run by the Department of Energy and Climate Change via involvement in the SmartReach consortium which comprises Arqiva, BT, BAE Systems, Detica and Sensus;
- Expansion of the wholesale mobile data offering, supported by the Group's acquisition of Spectrum Interactive Limited. This deal enables Arqiva to accelerate growth in this area by acquiring a well regarded and sizeable independent Wi-Fi portfolio providing a highly scalable platform across the market. This therefore places Arqiva in a strong position to capitalise on the rapidly increasing demand for mobile data services; and
- Growth in Broadcast in such areas as local TV, radio Digital Switchover and usage of the 600 MHZ and 700 MHZ spectrum.

The main elements of the Group's growth strategy are set out under the future developments section below.

The Company delivered increased revenues of £346,259,000 (2011: £334,895,000), with a gross profit of £206,116,000 (2011: £235,323,000) and decreased operating profit of £115,270,000 (2011: £120,227,000).

Key performance indicators ('KPIs')

The key measure of the Group's and Company's performance is EBITDA. EBITDA is defined as operating profit before profit or losses on the disposal of fixed assets, depreciation, amortisation, interest, and exceptional items which do not form part of administrative expenses. EBITDA for the year ended 30 June 2012 is £152,342,000 (2011: £167,347,000).

A reconciliation of the reported EBITDA of the Company to the financial statements is provided below:

	Year ended 30 June 2012 £'000
Operating profit before exceptional items	115,270
Depreciation of fixed assets	33,897
Amortisation	2,572
Other (including loss on disposal of fixed assets)	603
EBITDA	**152,342**

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 circa 99% utilisation with customers including Film4 and UKTV. Channel contracts vary in length but are usually between three and five years duration.

Principal risks and uncertainties facing the business

The principal risks and uncertainties of the Group, which include those of the Company, are discussed in the ABHL annual report, a copy of which is available from the address given in note 20 to these financial statements.

Dividends and transfers to reserves

The Directors do not recommend the payment of a dividend (2011: £nil).

The profit for the financial year of £114,380,000 (2011: £118,473,000) was transferred to reserves.

Future developments

It is the intention of the Company 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;
- Investing in other growth opportunities that leverage the Group's existing assets; and
- Simplifying and standardising to reduce costs and drive efficiencies.

Creditor payment policy

The Company seeks to treat all of its suppliers fairly and it is the Company'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. Due to the nature of the Company's activities (Arqiva Limited, a fellow subsidiary company, acts as agent for the Company), there are no trade creditors and hence creditor days are nil (2011: nil).

Financial risk management

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

Price risk

Energy is a major component of the Company's cost base. A large proportion of this is managed via pass-through arrangements to customers. The Company's residual exposure to fluctuations in the electricity price is managed by forward purchasing the majority of power requirements up to 18 months in advance.

Credit risk

The Company 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 company is funded through reserves and inter-company debt. There is no external finance. The Company has inter-company agreements with Arqiva Financing No 1 Limited ('AF1'), Arqiva Financing No 2 Limited ('AF2'), Arqiva UK Broadcast Holdings Limited ('AUKBH'), Arqiva Limited, Arqiva Telecoms Investment Limited ('ATIL'), Arqiva Holdings Limited ('AHL'), Lattice Telecommunications Asset Development Company Limited ('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.

Foreign exchange risk

The Company operates from UK sites and predominantly in the UK market, but has some transactions denominated in foreign currency. While some supplier contracts are denominated in other currencies, the majority of the Company'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.

Cash flow interest rate risk

Inter-company loan balances are interest free or at a fixed interest rate. Where a floating rate applies to finance balances the Company reassesses this in the context of longer term interest rate trends.

Environment

The Company 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 Company 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.

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.

Freehold land and buildings

The market value of the Company's land and buildings is higher than the carrying amount by £78,329,000 (2011: £75,207,000). 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 2012. The Directors are comfortable the carrying value of the assets in the financial statements is supported by their value in use to the business.

Research and development

The Company performs development into new products and technology, the costs of which are generally capitalised in accordance with the Company's accounting policy. The research and development costs expensed in the year total £nil (2011: £nil).

Directors' indemnities

The Group maintains liability insurance for the Company's 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.

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 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Michael Giles
Company Secretary
Crawley Court
Crawley
Winchester
Hampshire
SO21 2QA

10 December 2012
…………………………………

Independent Auditors' report to the Members of Arqiva Services Limited

We have audited the financial statements of Arqiva Services Limited for the year ended 30 June 2012, which comprise the profit and loss account, the 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 Directors' Responsibilities Statement 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 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 Company's affairs as at 30 June 2012 and of its profit 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; 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

13 December 2012
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Profit and loss account

	Note	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Continuing operations			
Turnover	2	346,259	334,895
Cost of sales		(140,143)	(99,572)
Gross profit		**206,116**	**235,323**
Administrative expenses		(90,846)	(115,096)
Operating profit	3	**115,270**	**120,227**
Interest payable and similar charges	5	(10,922)	(8,868)
Profit on ordinary activities before taxation		**104,348**	**111,359**
Tax on profit on ordinary activities	6	10,032	7,114
Profit for the financial year	15,16	**114,380**	**118,473**

There are no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between profits on ordinary activities for the year above and the comparative year and their historical cost equivalent.

Balance sheet

	Note	30 June 2012 £'000	30 June 2011 £'000
Fixed assets			
Intangible assets	7	12,860	15,432
Tangible assets	8	343,655	253,029
Investments	9	303,545	303,545
		660,060	**572,006**
Current assets			
Debtors	10	685,181	642,445
Total current assets		**685,181**	**642,445**
Creditors: amounts falling due within one year	11	(354,274)	(360,831)
Net current assets		**330,907**	**281,614**
Total assets less current liabilities		**990,967**	**853,620**
Creditors: amounts falling due after more than one year	12	(113,076)	(88,726)
Provisions for liabilities and charges	13	(34,653)	(36,036)
Net assets		**843,238**	**728,858**
Capital and reserves			
Called up share capital	14	287,030	287,030
Profit and loss reserve	15	556,208	441,828
Total shareholders' funds	16	**843,238**	**728,858**

The accounting policies and notes on pages 10 to 21 form part of these financial statements.

These financial statements were approved by the Board of Directors on 10 December 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 Company's financial statements:

(a) Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006 and applicable UK accounting standards (UK GAAP), under the historical cost convention.

(b) Exemption from consolidation

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of AHL, a company registered in England and Wales.

(c) Cash flow statement

The Company has taken advantage of the exemption under FRS 1 'Cash flow statements (revised 1996)' not to prepare a cash flow statement, as it is a subsidiary which is at least 90% controlled by the ultimate UK parent undertaking (ABHL), which prepares a consolidated cash flow statement.

(d) Intangible assets

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised and amortised on a straight line basis over its estimated useful life. The Directors consider each acquisition separately for the purposes of determining the amortisation period, which currently varies between 5 and 20 years.

The economic useful lives of intangible fixed assets are reviewed on an annual basis and revised if required, and consideration made of whether there has been any indicator of impairment.

(e) 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), less accumulated depreciation and any provision for impairment, in accordance with FRS 11 'Impairment of fixed assets and goodwill'.

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 ('UEL') 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 Company'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.

(f) Fixed asset investments

The Company capitalises costs associated with the acquisition of investments. Provision is made for any impairment in value, in accordance with FRS 11.

(g) Turnover

The Company's accounting policy in respect of turnover is set out in note 2.

(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.

(i) 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.

(j) Leasing commitments

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.

(k) 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.

(l) Interest

Interest income and expense are accounted for on an accruals basis and comprise amounts receivable and payable on bank deposits and bank borrowings and inter-company balances respectively.

(m) Development costs

Development costs incurred on development of products and services within the Company 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.

(n) Grant income

Grants are recognised at fair value when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received. Grants received as contributions to expenditure are recognised as deferred income and credited to the profit and loss account of the period in which the related expenditure is incurred. Grants related to purchase of assets are treated as deferred income and allocated to the profit and loss account over the useful lives of the related assets.

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 is shown below:

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
UK	312,344	298,000
Continental Europe	19,179	21,384
Rest of world	14,736	15,511
Turnover	**346,259**	**334,895**

3 Operating profit

Operating profit is stated after charging / (crediting):

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Depreciation of owned fixed assets	33,897	44,549
Amortisation of goodwill	2,572	2,571
Operating lease rentals - Land, buildings and other infrastructure	37,473	41,484
Management recharge from fellow Group company	52,391	52,615
Loss on disposal of fixed asset	603	-
Grant income	(3,403)	(585)
Foreign exchange (gain) / loss	(21)	18

In the current year, the Company audit fee was £66,000 (2011: £60,000) and this was borne by a fellow Group undertaking.

The Company has received a management recharge in respect of various staff costs and central facilities and support costs, from a fellow Group company. The management recharge from Arqiva Limited is included within administrative expenses within the profit and loss account.

4 Staff costs and Directors' emoluments

The Company had no employees during the year (2011: none).

There are no recharges (2011: £nil) made to the Company in respect of any remuneration for any Directors, as their duties in respect of the Company are incidental to their normal duties on behalf of their employer companies.

All (2011: All) of the representatives of the shareholders of the Company's ultimate UK parent and their individual remuneration reflects the services they provide to the Company, other Group companies 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.

5 Interest payable and similar charges

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Interest payable to Group companies	2,063	2,058
Other interest payable	10,105	8,932
	12,168	10,990
Capitalised interest	(1,246)	(2,122)
Total interest payable	**10,922**	**8,868**

6 Tax on profit on ordinary activities

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
(a) Analysis of tax (credit) / charge for the year		
Current tax		
UK corporation tax	-	-
Total current tax	**-**	**-**
Deferred tax		
Origination and reversal of timing differences	(6,646)	(4,626)
Impact of rate change	(997)	(1,537)
Prior year adjustment	(2,389)	(951)
Total deferred tax	**(10,032)**	**(7,114)**
Tax (credit) on profit on ordinary activities	**(10,032)**	**(7,114)**
(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:		
Profit on ordinary activities before taxation	104,348	111,359
Profit before taxation multiplied by standard rates of corporation tax in the United Kingdom of 25.5% (2011: 27.5%)	26,609	30,624
Expenses not deductible for tax purposes and other permanent differences	306	330
Depreciation in excess of capital allowances	6,751	4,894
Non qualifying depreciation	898	2,324
Other short term timing differences	292	-
Income not subject to corporation tax	-	(783)
Group relief receivable (for no consideration)	(34,856)	(37,389)
Total current tax	**-**	**-**

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 13).

7 Intangible assets

	Purchased goodwill
	£'000
Cost	
At 1 July 2011 and 30 June 2012	**56,029**
Accumulated Amortisation	
At 1 July 2011	40,597
Charged in the year	2,572
At 30 June 2012	**43,169**
Net book value	
At 30 June 2012	**12,860**
At 30 June 2011	15,432

8 Tangible assets

	Freehold land and buildings	Leasehold buildings	Plant and equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 July 2011	51,984	1,292	805,954	859,230
Additions	16,959	72	108,402	125,433
Disposals	-	-	(44,722)	(44,722)
At 30 June 2012	**68,943**	**1,364**	**869,634**	**939,941**
Accumulated Depreciation				
At 1 July 2011	20,786	960	584,455	606,201
Charge for the year	1,556	83	32,258	33,897
Disposals	-	-	(43,812)	(43,812)
At 30 June 2012	**22,342**	**1,043**	**572,901**	**596,286**
Net book value				
At 30 June 2012	**46,601**	**321**	**296,733**	**343,655**
At 1 July 2011	31,198	332	221,499	253,029

Freehold land included above but not depreciated amounts to £7,150,000 (2011: £7,150,000).

The Company'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 Company's parent undertakings.

Borrowing costs capitalised during the period totalled £1,247,000 (2011: £2,122,000) at a capitalisation rate of 2.7% (2011: 2.4%). The aggregate amount of finance costs included in the cost of tangible fixed assets totals £7,588,000 (2011: £6,341,000).

9 Investments

	Investments in associate £'000	Investments in subsidiaries £'000	Total £'000
Cost			
At 1 July 2011 and 30 June 2012	**110**	**382,350**	**382,460**
Provision for impairment			
At 1 July 2011 and 30 June 2012	**-**	**(78,915)**	**(78,915)**
Net book value			
At 30 June 2011 and 30 June 2012	**110**	**303,435**	**303,545**

The Directors believe that the carrying values of the investments are supported by the underlying net assets.

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

Subsidiary undertakings	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
Arqiva No 2 Limited (Held directly)	UK	Transmission services	30 June	100%
Arqiva No 3 Limited	UK	Transmission services	30 June	100%
Lattice Telecommunications Asset Development Company Limited (Held directly)	UK	Facilitates the transfer of agreements within the Group	30 June	100%
Arqiva Aerial Sites plc	UK	Transmission services	30 June	100%
Arqiva Public Safety Limited	UK	Intermediate holding company	30 June	100%
Aerial UK Limited	UK	Intermediate holding company	30 June	100%
Arqiva Mobile TV Limited	UK	Intermediate holding company	30 June	100%

Associates	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
DTV Services Limited (Held directly)	UK	Freeview market services co-ordination	31 May	20%
Muxco Limited (Held directly)	UK	Bidding for UK DAB digital radio multiplex licences	31 Dec	25%

10 Debtors

	30 June 2012 £'000	30 June 2011 £'000
Amounts owed by Group undertakings	646,430	608,529
Other debtors	613	366
Prepayments and accrued income	38,138	33,550
Total debtors	**685,181**	**642,445**

Amounts owed by Group undertakings are unsecured, non interest bearing and repayable on demand.

The Directors consider that the fair value of debtors closely approximates to book value.

11 Creditors: amounts falling due within one year

	30 June 2012 £'000	30 June 2011 £'000
Amounts owed to Group undertakings	238,048	235,978
Accruals and deferred income	116,226	124,853
Total creditors: amounts falling due within one year	**354,274**	**360,831**

The balance owed to Group undertakings as at 30 June 2012 includes a loan note of £82,932,000 – a principal of £68,592,000 with accrued interest of £14,340,000 (2011: £80,869,000 - a principal of £68,592,000 with accrued interest of £12,277,000) with ATIL, which is unsecured and repayable on demand. Interest has been calculated on this balance at 3% (2011: 3%) in relation to specific structured loan balances and the interest is charged monthly. Certain Group companies may only demand repayments of loans provided that such a repayment would not cause the Company to become insolvent (note 18).

All other amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

During the year, the Company received £5,016,000 (2011: £2,561,000) of grant income of which a cumulative £3,589,000 (2011: £1,976,000) is included in accruals and deferred income above.

The Directors consider that the fair value of creditors due within one year closely approximates to book value.

12 Creditors: amounts falling due after more than one year

	30 June 2012 £'000	30 June 2011 £'000
Accruals and deferred income	**113,076**	**88,726**

The Directors consider that the fair value of creditors due after one year closely approximates to book value.

13 Provisions for liabilities and charges

	Decommissioning	Restructuring	Remediation and maintenance	Onerous contract provision	Deferred tax	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 July 2011	20,685	-	-	2	15,349	36,036
Released to profit and loss account	(85)	-	-	(2)	(10,032)	(10,119)
Charged to profit and loss account	258	1,000	3,314	1,967	-	6,539
Addition created through fixed assets	1,626	-	-	-	-	1,626
Changes relating to movements in the discounted amount	736	-	-	-	-	736
Utilised in the year	(61)	-	-	(104)	-	(165)
At 30 June 2012	**23,159**	**1,000**	**3,314**	**1,863**	**5,317**	**34,653**

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 Company 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 Company 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 Company's sites and is expected to be utilised over the next one to four years.

	30 June 2012	30 June 2011
	£'000	£'000
Provision for deferred tax comprises:		
Accelerated capital allowances	5,609	15,349
Short term timing differences	(292)	-
	5,317	**15,349**

The deferred tax liability of £5,317,000 has been calculated based on the UK corporation tax rate of 24% (the rate in force at the balance sheet date). There has 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.

14 Share capital

	30 June 2012 £'000	30 June 2011 £'000
Authorised:		
500,000,000 ordinary shares of £1 each	**500,000**	**500,000**
Allotted, called up and fully paid:		
287,030,000 ordinary shares of £1 each	**287,030**	**287,030**

15 Profit and loss reserve

	£'000
At 1 July 2011	441,828
Profit for the financial year	114,380
At 30 June 2012	**556,208**

16 Reconciliation of movement in shareholders' funds

	30 June 2012 £'000	30 June 2011 £'000
Profit for the financial year	114,380	118,473
Opening shareholders' funds	728,858	610,385
Closing shareholders' funds	**843,238**	**728,858**

17 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	5,064	12,503
Later than one year but not later than five years	209	223
Total	**5,273**	**12,726**

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	373	1,211
More than one year but not later than five years	17,261	16,835
More than five years	8,774	8,927
Total commitments	**26,408**	**26,973**

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.

18 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 has inter-company agreements with AF1, AF2, AUKBH, Arqiva Limited, ATIL, AHL, 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.

19 Related party disclosures

The Company has taken advantage of the exemptions available under FRS 8 'Related party disclosures' for disclosure of transactions with entities that are part of the Group as related parties in these financial statements.

The Company paid subscriptions of £2,573,000 (2011: £2,738,000) to DTV Services Limited, an associate undertaking.

There are no other related party transactions.

20 Immediate parent company and ultimate UK parent undertaking

The Company's immediate parent undertaking is AHL.

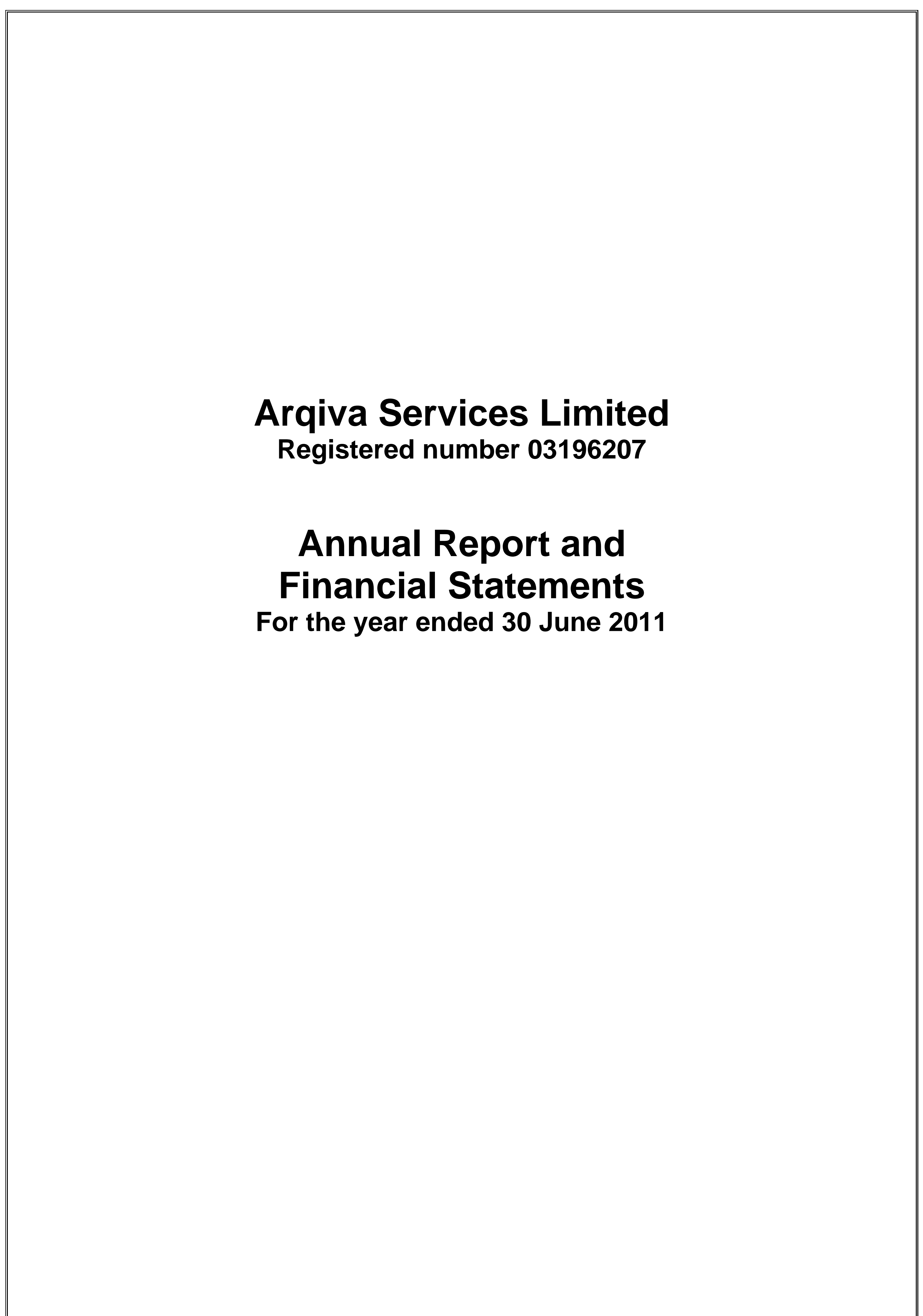
The ultimate UK parent undertaking is ABHL, which is the parent undertaking of the largest UK group to consolidate these financial statements. The parent of the smallest group to consolidate these financial statements is AHL.

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

21 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 Services Limited

Registered number 03196207

Annual Report and Financial Statements

For the year ended 30 June 2011

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Directors' report and statement of Directors' responsibilities

The Directors of Arqiva Services Limited, registered number 03196207, ('the Company') submit the following annual report and audited financial statements ('the financial statements') in respect of the year ended 30 June 2011.

Business review and principal activities

The Company 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 Company operates within the Arqiva Broadcast Holdings Limited (formerly Macquarie UK Broadcast Holdings Limited) ('ABHL') group ('the Group') of companies.

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 Company and wider 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. The satellite element of the business unit is operated via another Group company.

- 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.

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 Company delivered increased revenues of £334,895,000 (2010: £331,811,000), with a gross profit of £235,323,000 (2010: £220,242,000) and increased operating profit of £120,227,000 (2010: £79,578,000). After interest charges, the results show a pre-tax profit of £111,359,000 (2010: £72,080,000). The Company has net current assets of £281,614,000 (2010: £16,123,000) and net assets of £728,858,000 (2010: £610,385,000).

Key performance indicators ('KPIs')

The key measure of the Company's performance is EBITDA. EBITDA is defined as operating profit before profit or losses on the disposal of fixed assets, depreciation, amortisation, interest, and exceptional items which do not form part of administrative expenses. EBITDA for the year ended 30 June 2011 is £167,347,000 (2010: £155,772,000) an increase of 7.4%.

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.

Principal risks and uncertainties facing the business

The principal risks and uncertainties of the Group, which include those of the Company, are discussed in the ABHL annual report, a copy of which is available from the address given in note 20 to these financial statements.

Dividends and transfers to reserves

The Directors do not recommend the payment of a dividend (2010: £nil).

The profit for the financial year of £118,473,000 (2010: £62,453,000) was transferred to reserves.

Future developments

It is the intention of the Company to continue to operate and invest in communications infrastructure.

Creditor payment policy

The Company seeks to treat all of its suppliers fairly and it is the Company'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. Due to the nature of the Company's activities (Arqiva Limited, a fellow subsidiary company, acts as agent for the Company), there are no trade creditors and hence creditor days are nil (2010: nil).

Financial risk management

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

Price risk

Energy is a major component of the Company's cost base. A large proportion of this is managed via pass-through arrangements to customers. The Company's residual exposure to fluctuations in the electricity price is managed by forward purchasing the majority of power requirements.

Credit risk

The Company 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 company is funded through reserves and inter-company debt. There is no external finance. The Company has inter-company agreements with Arqiva Financing No 1 Limited (formerly Macquarie UK Broadcast Ventures Limited) ('AF1'), Arqiva Financing No 2 Limited (formerly Macquarie UK Broadcast Enterprise Limited) ('AF2'), Arqiva UK Broadcast Holdings Limited (formerly Macquarie UK Broadcast Limited) ('AUKBH'), Arqiva Limited, Arqiva Telecoms Investment Limited ('ATIL'), Arqiva Holdings Limited ('AHL'), Lattice Telecommunications Asset Development Company Limited ('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.

Foreign exchange risk

The Company operates from UK sites and predominantly in the UK market, but has some transactions denominated in foreign currency. While some supplier contracts are denominated in other currencies, the majority of the Company'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.

Cash flow interest rate risk

Inter-company loan balances are interest free or at a fixed interest rate. Where a floating rate applies to finance balances the Company reassesses this in the context of longer term interest rate trends.

Environment

The Company recognises that its activities impact on the environment to some degree, and aims to reduce negative impacts through a system of active environmental management. The Company 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 Company 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.

Directors

The following persons held office as directors of the Company during the year and up to the date of signing 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.

Freehold land and buildings

The market value of the Company's land and buildings is higher than the carrying amount by £75,207,000 (2010: £66,767,000). 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.

Research and development

The Company performs research and development into new products and technology. Development costs are capitalised in accordance with the accounting policy. The research and development costs expensed in the year total £nil (2010: £nil).

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 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Michael Giles
Company Secretary
Crawley Court
Crawley
Winchester
Hampshire
SO21 2QA

7 December 2011
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Independent Auditors' report to the Members of Arqiva Services Limited

We have audited the financial statements of Arqiva Services Limited for the year ended 30 June 2011 which comprise the profit and loss account, the 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 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 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, 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 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 Company's affairs as at 30 June 2011 and of its profit 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; 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

8 December 2011
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Profit and loss account

	Note	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Continuing operations			
Turnover	2	334,895	331,811
Cost of sales		(99,572)	(111,569)
Gross profit		**235,323**	**220,242**
Administrative expenses		(115,096)	(140,664)
Operating profit	3	**120,227**	**79,578**
Interest payable and similar charges	5	(8,868)	(7,498)
Profit on ordinary activities before taxation		**111,359**	**72,080**
Tax on profit on ordinary activities	6	7,114	(9,627)
Profit for the financial year	15,16	**118,473**	**62,453**

There are no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between profits on ordinary activities for the year above and the comparative year and their historical cost equivalent.

Balance sheet

	Note	30 June 2011 £'000	30 June 2010 * £'000
Fixed assets			
Intangible assets	7	15,432	18,003
Tangible assets	8	253,029	409,448
Investments	9	303,545	303,545
		572,006	**730,996**
Current assets			
Debtors	10	642,445	385,288
Total current assets		**642,445**	**385,288**
Creditors: amounts falling due within one year	11	(360,831)	(369,165)
Net current assets		**281,614**	**16,123**
Total assets less current liabilities		**853,620**	**747,119**
Creditors: amounts falling due after more than one year	12	(88,726)	(94,448)
Provisions for liabilities and charges	13	(36,036)	(42,286)
Net assets		**728,858**	**610,385**
Capital and reserves			
Called up share capital	14	287,030	287,030
Profit and loss reserve	15	441,828	323,355
Total shareholders' funds	16	**728,858**	**610,385**

*Restated to reflect profile of certain deferred income balances.

The accounting policies and notes on pages 9 to 19 form part of these financial statements.

These financial statements were approved by the Board of Directors on 7 December 2011 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 Company's financial statements:

(a) Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006 and applicable UK accounting standards (UK GAAP), under the historical cost convention.

(b) Exemption from consolidation

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of AF1, a company registered in England and Wales.

(c) Cash flow statement

The Company has taken advantage of the exemption under FRS 1 'Cash flow statements (revised 1996)' not to prepare a cash flow statement, as it is a subsidiary which is at least 90% controlled by the ultimate UK parent undertaking, which prepares a consolidated cash flow statement.

(d) Intangible assets

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised and amortised on a straight line basis over its estimated useful life. The Directors consider each acquisition separately for the purposes of determining the amortisation period, which currently vary between 5 and 20 years.

The economic useful lives of intangible fixed assets are reviewed on an annual basis and revised if required, and consideration made of whether there has been any indicator of impairment.

(e) 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), less accumulated depreciation and any provision for impairment, in accordance with FRS 11 'Impairment of fixed assets and goodwill'.

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 ('UEL') 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 Company'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.

(f) Fixed asset investments

The Company capitalises costs associated with the acquisition of investments. Provision is made for any impairment in value, in accordance with FRS 11.

(g) Turnover

The Company's accounting policy in respect of turnover is set out in note 2.

(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.

(i) 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.

(j) Leasing commitments

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.

(k) 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.

(l) Interest

Interest income and expense are accounted for on an accruals basis and comprise amounts receivable and payable on bank deposits and bank borrowings and inter-company balances respectively.

(m) Development costs

Development costs incurred on development of products and services within the Company 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.

(n) Grant income

Grants are recognised at fair value when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received. Grants received as contributions to expenditure are recognised as deferred income and credited to the profit and loss account of the period in which the related expenditure is incurred. Grants related to purchase of assets are treated as deferred income and allocated to the profit and loss account over the useful lives of the related assets.

2 Turnover and segmental reporting

Turnover, which is stated net of value added tax, includes the value of charges made for site build, site rental and broadcast transmission revenue derived from third parties.

Turnover 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 Company 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 Company has only one class of business.

The geographical split of turnover is shown below:

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
UK	298,000	294,129
Continental Europe	21,384	16,149
Rest of world	15,511	21,533
Turnover	**334,895**	**331,811**

3 Operating profit

Operating profit is stated after charging / (crediting):

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Depreciation of owned fixed assets	44,549	73,543
Depreciation of leased assets	-	74
Amortisation of goodwill	2,571	2,599
Operating lease rentals - Land, buildings and other infrastructure	41,484	44,859
Management recharge from fellow Group company	52,615	72,490
Profit on sale of fixed assets	-	(22)
Grant income	(585)	-
Foreign exchange loss	18	275

In the current year, the Company audit fee was £60,000 (2010: £73,000) and this was borne by a fellow Group undertaking.

The Company has received a management recharge in respect of various staff costs and central facilities and support costs, from a fellow Group company. The management recharge from Arqiva Limited is included within administrative expenses within the profit and loss account.

4 Staff costs and Directors' emoluments

The Company had no employees during the year (2010: none).

There are no recharges (2010: £nil) made to the Company in respect of any remuneration for any Directors, as their duties in respect of the Company are incidental to their normal duties on behalf of their employer companies.

All (2010: nine) of the Directors are representatives of the Company's shareholders and their individual remuneration reflects the services they provide to the Company, other Group companies 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.

5 Interest payable and similar charges

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Finance lease interest payable	-	15
Interest payable to Group companies	2,058	1,749
Capitalised interest	(2,122)	(1,685)
Other interest payable	8,932	7,419
Total interest payable	**8,868**	**7,498**

6 Tax on profit on ordinary activities

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
(a) Analysis of tax (credit) / charge for the year		
Current tax		
UK corporation tax from prior year	-	2,845
Total current tax	**-**	**2,845**
Deferred tax		
Origination and reversal of timing differences	(4,626)	(4,618)
Impact of rate change	(1,537)	-
Prior year adjustment	(951)	11,400
Total deferred tax	**(7,114)**	**6,782**
Tax (credit) / charge on profit on ordinary activities	**(7,114)**	**9,627**
(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. The differences are explained below:		
Profit on ordinary activities before taxation	111,359	72,080
Profit before taxation multiplied by standard rates of corporation tax in the United Kingdom of 27.5% (2010: 28%)	30,624	20,182
Expenses not deductible for tax purposes and other permanent differences	330	448
Depreciation in excess of capital allowances	4,894	5,081
Non qualifying depreciation	2,324	5,004
Other short term timing differences	-	(464)
Income not subject to corporation tax	(783)	(878)
UK corporation tax from prior year	-	2,845
Group relief receivable (for no consideration)	(37,389)	(29,373)
Total current tax	**-**	**2,845**

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.

There has been a stated intention to reduce the UK corporation tax rate in future years (see note 13).

7 Intangible assets

	Purchased goodwill
	£'000
Cost	
At 1 July 2010 and 30 June 2011	**56,029**
Accumulated Amortisation	
At 1 July 2010	38,026
Charged in the year	2,571
At 30 June 2011	**40,597**
Net book value	
At 30 June 2011	**15,432**
At 30 June 2010	18,003

8 Tangible assets

	Freehold land and buildings	Short leasehold land and buildings	Plant and equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 July 2010	46,091	1,290	923,719	971,100
Additions	347	2	37,475	37,824
Transfer between Group companies	5,546	-	(155,240)	(149,694)
At 30 June 2011	**51,984**	**1,292**	**805,954**	**859,230**
Accumulated Depreciation				
At 1 July 2010	20,634	895	540,123	561,652
Charge for the year	152	65	44,332	44,549
At 30 June 2011	**20,786**	**960**	**584,455**	**606,201**
Net book value				
At 30 June 2011	**31,198**	**332**	**221,499**	**253,029**
At 1 July 2010	25,457	395	383,596	409,448

Freehold land included above but not depreciated amounts to £7,150,000 (2010: £ 7,148,000).

Motor vehicles held under finance leases, capitalised and included within fixed assets above:

	Year ended 30 June 2011	Year ended 30 June 2010
	£'000	£'000
Net book value at the start of the year	-	74
Depreciation charge for the year	-	(74)
Net book value at the end of the year	**-**	**-**

9 Investments

	Investments in associate £'000	Investments in subsidiaries £'000	Total £'000
Cost			
At 1 July 2010 and 30 June 2011	**110**	**382,350**	**382,460**
Provision for impairment			
At 1 July 2010 and 30 June 2011	**-**	**(78,915)**	**(78,915)**
Net book value			
At 30 June 2010 and 30 June 2011	**110**	**303,435**	**303,545**

The Directors believe that the carrying values of the investments are supported by the underlying net assets.

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

Subsidiary undertakings	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
Arqiva No 2 Limited (Held directly)	UK	Transmission services	30 June	100%
Arqiva No 3 Limited	UK	Transmission services	30 June	100%
Lattice Telecommunications Asset Development Company Limited (Held directly)	UK	Facilitates the transfer of agreements within the Group	30 June	100%
Arqiva Aerial Sites plc	UK	Transmission services	30 June	100%
Arqiva Public Safety Limited (formerly Aerial Group Limited)	UK	Intermediate holding company	30 June	100%
Aerial UK Limited	UK	Intermediate holding company	30 June	100%
Arqiva Mobile TV Limited (formerly STC International Holdings Limited)	UK	Intermediate holding company	30 June	100%

Associates	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
DTV Services Limited (Held directly)	UK	Freeview market services co-ordination	31 May	20%
Muxco Limited (Held directly)	UK	Bidding for UK DAB digital radio multiplex licences	31 Dec	25%

10 Debtors

	30 June 2011 £'000	30 June 2010 £'000
Amounts owed by Group undertakings	608,529	332,270
Other debtors	366	4,550
Prepayments and accrued income	33,550	48,468
Total debtors	**642,445**	**385,288**

Amounts owed by Group undertakings are unsecured, non interest bearing and repayable on demand.

The Directors consider that the fair value of debtors closely approximates to book value.

11 Creditors: amounts falling due within one year

	30 June 2011 £'000	30 June 2010 * £'000
Trade creditors	-	85
Amounts owed to Group undertakings	235,978	233,879
Accruals and deferred income	124,853	134,411
Other creditors	-	790
Total creditors: amounts falling due within one year	**360,831**	**369,165**

* £17,380,000 deferred income has been reclassified between creditors falling due within one year and creditors falling due after more than one year to reflect the underlying contractual obligations.

The balance owed to Group undertakings as at 30 June 2011 includes a loan note of £80,869,000 - a principal of £68,592,000 with accrued interest of £12,277,000, (2010: £78,811,000 – a principal of £68,592,000 with accrued interest of £10,219,000) with Arqiva Telecoms Investment Limited ('ATIL'), which is unsecured and repayable on demand. Interest has been calculated on this balance at 3% (2010: 2.35%) and the interest is charged monthly. Certain Group companies may only demand repayments of loans provided that such a repayment would not cause the Company to become insolvent (note 18).

All other amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

During the year, the Company received £2,561,000 of grant income of which £1,976,000 is included in accruals and deferred income above.

The Directors consider that the fair value of creditors due within one year closely approximates to book value.

12 Creditors: amounts falling due after more than one year

	30 June 2011 £'000	30 June 2010 * £'000
Accruals and deferred income	**88,726**	**94,448**

* £17,380,000 deferred income has been reclassified between creditors falling due within one year and creditors falling due after more than one year to reflect the underlying contractual obligations.

Included within the balance of accruals and deferred income for both creditors falling due within one year and creditors falling due after more than one year, is an amount of £75,053,000 (2010: £75,891,000) which relates to the provision of rent free sites in consideration for the transfer of physical ownership of those sites to the Company from a third party. This deferred income is being released over the period to 2024. The notional interest element is included within other interest payable.

The Directors consider that the fair value of creditors due after one year closely approximates to book value.

13 Provisions for liabilities and charges

	Decommissioning £'000	Onerous contract provision £'000	Deferred tax £'000	Total £'000
At 1 July 2010	19,660	163	22,463	42,286
Released to profit and loss account	(1,205)	(161)	(7,114)	(8,480)
Charged to profit and loss account	367	-	-	367
Addition created through fixed assets	2,018	-	-	2,018
Changes relating to movements in the discounted amount	654	-	-	654
Utilised in the year	(809)	-	-	(809)
At 30 June 2011	**20,685**	**2**	**15,349**	**36,036**

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

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 year.

	30 June 2011 £'000	30 June 2010 £'000
Provision for deferred tax comprises:		
Accelerated capital allowances	**15,349**	**22,463**

The deferred tax liability of £15,349,000 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 £14,759,000. 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.

14 Share capital

	30 June 2011 £'000	30 June 2010 £'000
Authorised:		
500,000,000 ordinary shares of £1 each	**500,000**	**500,000**
Allotted, called up and fully paid:		
287,030,000 ordinary shares of £1 each	**287,030**	**287,030**

15 Profit and loss reserve

	£'000
At 1 July 2010	323,355
Profit for the financial year	118,473
At 30 June 2011	**441,828**

16 Reconciliation of movement in shareholders' funds

	30 June 2011 £'000	30 June 2010 £'000
Profit for the financial year	118,473	62,453
Opening shareholders' funds	610,385	547,932
Closing shareholders' funds	**728,858**	**610,385**

17 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	12,503	17,232
Later than one year but not later than five years	223	3,737
Total	**12,726**	**20,969**

Operating leases

Annual commitments in relation to non-cancellable operating leases for land, buildings and other infrastructure locations expiring:

	30 June 2011	30 June 2010*
	£'000	£'000
Within one year	1,211	298
More than one year but not later than five years	16,835	16,463
More than five years	8,927	9,055
Total commitments	**26,973**	**25,816**

* The comparative figure for 30 June 2010 has been restated to remove contingent rentals from the annual commitment.

18 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 has inter-company agreements with AF1, AF2, AUKBH, Arqiva Limited, ATIL, AHL, 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.

19 Related party disclosures

The Company has taken advantage of the exemptions available under FRS 8 'Related party disclosures' for disclosure of transactions with entities that are part of the Group as related parties in these financial statements.

The Company paid subscriptions of £2,738,000 (2010: £2,516,000) to DTV Services Limited, an associate undertaking.

There are no other related party transactions.

20 Immediate parent company and ultimate UK parent undertaking

The Company's immediate parent undertaking is AHL. Copies of the AHL financial statements can be obtained from the Company Secretary at Crawley Court, Crawley, Winchester, Hampshire, SO21 2QA.

The ultimate UK parent undertaking is ABHL, which is the parent undertaking of the largest UK group to consolidate these financial statements. The parent of the smallest group to consolidate these financial statements is AF1.

Copies of the ABHL consolidated financial statements, and the AF1 consolidated financial statements can be obtained from the Company Secretary of each company, at Crawley Court, Crawley, Winchester, Hampshire, SO21 2QA.

21 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.

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