



Stakeholder Questions Regarding Arqiva FY 2025 Regulatory Accounts

– 5 December 2025

Arqiva responses 09 February 2026

This document is provided in response to questions provided by the Adjudicator on 5th December in a document titled Stakeholder Questions Regarding Arqiva FY 2025 Regulatory Accounts.

Arqiva has considered its responses to the questions raised by the Adjudicator against the requirements of paragraph 15 of the Undertakings (Regulatory Accounting) which require the regulatory accounts to “*fairly represent the state of the businesses’ affairs*” and requires that these accounts are audited, that they include a reconciliation to the audited statutory accounts and that Arqiva ensures that the summary statements are consistent from one financial year to the next. In essence, the regulatory accounts are provided to give an accounting view of the regulated business within the wider Arqiva business. Along with the regulatory accounts, Arqiva also provides to the Adjudicator and publishes a document setting out the Regulatory Accounting Principles and Methodologies (RAPM) used in preparing these statements for each financial year in line with paragraph 15.5 of the Undertakings.

Arqiva notes that it has published the FY25 regulatory accounts in accordance with the FY25 regulatory accounting principles and methodologies overseen by the Adjudicator, that these FY25 accounts have been audited, include a reconciliation to the statutory accounts and are broadly consistent year on year in terms of the summary presented except for some changes to address points raised by the Adjudicator following on from the regulatory accounts consultation¹.

Arqiva refers in its responses below to not publishing information which has not been audited. Arqiva is a Public Interest Entity (PIE)². As such, any published supplementary information for all aspects of the business (including the regulated business) requires the same level of scrutiny as applied to the published Arqiva Group Limited results. Both the Arqiva Group Limited accounts and the regulatory accounts are subject to audit and any further information published also requires audit. Arqiva was aware that any changes to the regulatory accounts (or supplementary information) would require

¹ <https://ota-bts.org.uk/wp-content/uploads/2025/03/OTA-BTS-Report-2-2024-redo.pdf>

² Definition of a public interest company is at Companies Act 2006, section 519A and monitoring of audits of PIEs is by the Financial Reporting Council (FRC) [Public Interest Entity \(PIE\) Auditor Registration](#)

audit and flagged this as part of Arqiva's response to consultation on regulatory accounts (Response 4 in Arqiva's response to the consultation in February 2025³ and copied below).

"In terms of new information or presenting the accounts in a different format, we would have two points for the Adjudicator to note: i) [.....]; and ii) producing additional information may require investment into new systems and more staff and make Arqiva's regulatory audit more complex, which in turn would increase overall operating expenditure costs and could impact customer pricing."

Arqiva also has provided the following feedback to the Adjudicator in its response to a brief for additional commentary in September 2025.

"Any published commentary either within the Regulatory Accounts, or as an additional document requires the same level of scrutiny (including audit) as Arqiva Group Limited (AGL).

As previously noted, Arqiva has minimal ability to change the FY25 regulatory accounts as we would need to extend the audit scope and hence Arqiva is unable to add significant extra data points to the audit for the most recent year.

However, Arqiva should be able to add additional commentary to the accounts but it will be more minimal than the commentary suggested. Arqiva is open to further changes for FY26 and FY25 would be a transitional year."

As a proportionate position for FY25 which does not require opening up the FY25 audit and accounts, Arqiva has noted in its responses where it can answer questions from individual customers on a confidential basis in a private forum (which is in line with historic practice and will usually enable a response more tailored to the customer's individual circumstances or charges). In line with the Adjudicator's report on the regulatory accounts consultation, in which he notes he will consider revisions to the format of the regulatory accounts, Arqiva has also noted in its responses where it may be possible to review the format of the FY26 regulatory accounts. Arqiva requests that any feedback for the production of the FY26 regulatory accounts is provided as soon as possible (this will need to be discussed and agreed by 31st March 2026) to enable Arqiva to finalise the audit scope in good time.

For completeness, Arqiva notes that its systems and resources are set up to meet the current format and requirements of the regulatory accounts. Any change in the

³ OTA Regulatory Accounts consultation – Arqiva response : <https://ota-bts.org.uk/wp-content/uploads/2025/03/Arqiva-Final-Non-Confidential-2-2024.pdf>

requirements of the regulatory accounts and / or to the scope of audit for FY26 will be likely to result in an increase in costs of audit and regulatory finance resourcing / tooling and potentially other accounting system changes which form part of Arqiva's operational expenditure which flows through to customers. Arqiva notes there is a challenge here between balancing customer requirements which appear to be focused on keeping control on costs and potential future increases in costs driven by additional regulatory reporting. A clear understanding of the purpose for any proposed changes will be important to assess if and how those purposes may be achieved proportionately.

To the extent that customers may raise questions directly with Arqiva following on from this response, Arqiva would welcome information from the customers as to the reason for any requests for information in order that Arqiva can try and support its customer base by tailoring requests accordingly.

	Question	Arqiva Response
1.	<p>On the table revenues are split into four categories (TV and Radio; NA and MTS). What are the equivalent splits for costs?</p>	<p>The FY25 regulatory accounts are compliant with the requirements of the Undertakings and the FY25 accounts and disclosures have been audited and are closed and, for the reasons set out above, Arqiva will not publish disclosures which have not been audited.</p> <p>In the context of the FY26 accounts, it would not be unduly burdensome for Arqiva to allocate the line items on rent and rates, labour and maintenance and administrative expenses costs in this way (i.e. a further split into TV and Radio beyond NA and MTS) for the FY26 accounts if the Adjudicator so requires and requests the same before 31 March 2026 and the scope of audit for FY26 can be adjusted accordingly to reflect this.</p> <p>The current regulatory accounts approach was agreed with the previous Adjudicator to meet the requirements of the Undertakings and the supporting systems and methods to follow have been developed over the years to deliver these requirements effectively. Due to the way Arqiva’s systems are set up, it would be unduly burdensome to apply this to the other categories of cost in the regulatory accounts.</p> <p>Arqiva invites any customers who particularly need to see information for FY25 to contact them directly for an individual update – Arqiva has seen such requests in the past and has tailored this information to relate more specifically to customer charges for their use of sites and services.</p>
2.	<p>There are some significant changes from the previous financial year. What are the reasons for the five changes Arqiva views as most significant?</p>	<p>The FY25 Regulatory Accounts have been prepared on a consistent basis to FY24 Regulatory Accounts with no changes in the basis of preparation.</p> <p>As noted in above, the FY25 regulatory accounts are compliant with the requirements of the Undertakings and the accounts have been audited and are closed. For the reasons set out above, Arqiva will not publish disclosures which have not been audited.</p> <p>In line with its usual practice, Arqiva is also happy to answer questions from customers on an individual (non-public) basis targeted at specific changes which give rise to questions.</p>

		<p>In terms of looking ahead to potential changes to the FY26 accounts, it is not appropriate to put down ‘top 5’ changes in audited financial statements. Following discussions with and, subject to formal confirmation from the Adjudicator as to changes in the requirements for the regulatory accounts for FY26, Arqiva intends to include for FY26 a narrative high level description of movements and drivers for the regulated business in the directors’ report. The Arqiva Group Limited accounts contain a narrative on the wider business (e.g. page 26 of the statutory accounts referencing the wider Media & Broadcast business). This type of narrative is not unusual in financial statements and is something which auditors can comfortably review. Understanding key drivers for the narrative from the Adjudicator’s / stakeholders’ perspective and so we can help the Adjudicator understand the limitations of audit will be key here.</p> <p>For FY25 or prior years, the narrative in the Arqiva Group statutory accounts may help customers understand some of the drivers for changes at the level of the regulated business based on group level movements.</p>
3.	<p>Explain why the profit margins appear to be so high for the regulated business. One stakeholder calculated that ROCE from the regulated business is more than 20% and questioned how it is justifiable when the WACC is set at 7.5% (pre-tax real).</p>	<p>The stakeholder calculation referred to in the question appears to be based on the income statement in the Regulatory Accounts. This is a ‘return’ based on operating profit for a particular year. Arqiva is a business which holds long-term assets and contracts and its return is linked to its regulated asset base (RAB) not the income statement operating profit.</p> <p>Arqiva notes that within the regulatory accounts there is a value for capital employed however this is not the basis on which the return is calculated within regulated pricing and therefore is not Arqiva’s regulated return. It should be noted that the capital employed within the regulatory accounts uses assets valued at historic cost in line with international financial reporting standards. The regulatory accounts are designed to provide a reconciliation to the statutory accounts which are prepared in accordance with International Financial Reporting Standards (IFRS).</p> <p>Arqiva follows the relevant regulatory pricing approach and guidance in terms of pricing to support new contracts subject to customer negotiation. This means that Arqiva’s return on capital employed (as referred to in Paragraph 11.3.1 of the Undertakings) for pricing purposes is mechanically derived by applying the relevant WACC to the</p>

		<p>Depreciated Replacement Cost (DRC)⁴ of the asset values in its regulated asset base (RAB) for Network Access. These elements are not included in the regulatory accounts.</p> <p>Arqiva’s permitted regulatory return also includes pass through of relevant operating costs including rent & rates, labour and maintenance and administrative expenses. While these elements are set out in the regulatory accounts, the regulatory accounts are designed as a reconciliation to the statutory accounts.</p>
4.	<p>Please provide further details on Rent & Rates charges, with explanations about annual increases split into the two categories (i.e. Rent and Rates). One stakeholder calculated the increase to be 16% (£13.5m to £15.7m) when the increase they had expected was 3-4%. What are the key drivers for what appears to be a large increase?</p>	<p>For the reasons set out above, Arqiva will not publish disclosures which have not been audited.</p> <p>Arqiva has included published P&L information for the past 5 years (which includes relevant rent and rates) for reference in Appendix 1 of this document, which illustrates that there is variation for the aggregate position on rent and rates over the last 5 years.</p> <p>In line with historic practice, Arqiva is happy to answer specific customer questions on these areas in a private forum and individual responses can be tailored to a customer’s circumstances. Business rates for a site and any rent for a leasehold site will be specific to each site and the use of sites is different between customers. Therefore, there will be differences in the applicability of this element of charges to different customers.</p> <p>Arqiva notes that material increases in rent & rates is the sort of change which would likely be picked up as part of a narrative for FY26 along the lines proposed in the response to question 2. Given the nature and purpose of the reporting, Arqiva does not consider splitting the rent and rates into 2 separate lines to be necessary or proportionate within future accounts.</p>
5.	<p>Can the total operating expenses be broken down by major functions, e.g. commercial; operations;</p>	<p>The Arqiva business is not managed at a regulated product level by sub-function (e.g. Technology labour for TV NA or MTS). The costs in the regulatory accounts are driven by allocations to the regulated products following the audited regulatory accounting principles and methodologies (RAPM) overseen by the Adjudicator. This analysis is therefore not available in Arqiva’s systems and creation of this information would be unduly burdensome.</p>

⁴ The use of DRC was mandated by Ofcom in their original guidance on the production of reference offers for the regulated Network Access services following their 2005 market review and was the basis of the regulation that was then included and agreed for the Undertakings to the Competition Commission.

	<p>technology; corporate overheads?</p>	
<p>6.</p>	<p>Please provide a breakdown of the top five constituent parts (categories) within each of “Labour and Maintenance” and “Administrative Expenses”. Please provide commentary on any major change year-on-year (e.g. over £200k), particularly when they were more or less than Arqiva expected.</p>	<p>For the reasons set out above, Arqiva will not publish disclosures which have not been audited.</p> <p>Arqiva notes that this level of information is beyond requirements of international financial reporting standards requirements.</p> <p>To the extent this is aimed at further breakdown in cost lines and a narrative as to high level drivers for any change in cost base for FY26 onwards, Arqiva has confirmed what it can do (if the Adjudicator so directs) in its responses to questions 1 and 2.</p>
<p>7.</p>	<p>One stakeholder highlighted that the descriptor has changed from "Operating Expenses" to "Administrative Expenses" and asked for this change to be explained. It was Operating Expenses from 2016 and before it was Operating Costs. They felt the change to "Administrative Expenses" seems broader and questioned whether it</p>	<p>This is simply a name change and the categories of costs permitted to be included in this line item remain consistent from FY24 to FY25 (i.e. this does not allow additional cost items to be included). The reason for the name change is that Arqiva is using new software to prepare its Arqiva Group Limited accounts and that software uses the title ‘Administrative expenses’ rather than ‘Operating expenses’ so the change in the regulatory accounts aligns to the statutory accounts.</p>

	allowed additional cost items to be included.	
8.	Can Arqiva provide a summary table (a five-year view) of totals, variances and annual percentage changes for: Revenue by TV and Radio; Costs broken down to Rent & Rates, Labour & Maintenance, Administrative Expenses, Depreciation; and Annual Profits by TV, Radio, NA, MTS, and Total. Please comment on any major movements.	<p>This question does not simply relate to the FY25 regulatory accounts but goes beyond to ask for a 5 year view. Arqiva notes that customers can view the published P&L statements for FY21, FY22, FY23, FY24 and FY25 which contain revenue by TV and radio, costs broken down to rent and rates, labour & maintenance, administrative expenses and depreciation. Customers can also calculate the variances and annual percentage changes.</p> <p>We have however included the published P&L information for ease at Appendix 1 and are happy for the Adjudicator to use these extracts to support any specific questions customers may want to raise on variances.</p> <p>Arqiva refers to its responses to questions 2 and 3 regarding additional breakdowns and commentary. If customers have specific questions on any changes, they are welcome to ask Arqiva directly in a private forum.</p> <p>As stated above (in response to question 2), there may be some notes of use to customers in the narrative for the directors' report in the statutory accounts and Arqiva will be able to provide a narrative on key changes for the regulatory accounts from FY26 onwards.</p>
9.	Regarding the 'Exceptional Cost' items, please provide an overview table (starting from Arqiva's year 2019-2020) showing the different exceptional items with commentary explaining all the material movements and the net impact	<p>Unaudited additional commentary will not be published in line with the position set out above but we give an explanation of treatment of exceptional costs below.</p> <p>Exceptional items are driven by the underlying statutory accounts. Exceptional items are those that are considered to be one-off, non-recurring in nature or material, either by magnitude or nature, such that the directors believe that they require separate disclosure to avoid the distortion of underlying performance, for example one-off impairments, redundancy programmes, restructuring and costs related to significant corporate finance activities. By their nature, there will not be consistency in exceptional items year on year.</p> <p>Exceptional costs are (by their nature) different to the business as usual position of the group business and for any given exceptional cost in the Arqiva Group Limited accounts it may or may not be relevant in whole or in part to the</p>

regulated transmission services business. Exceptional costs are allocated to the regulatory accounts in line with the RAPM.

As an aid to the Adjudicator, we refer to the Arqiva Group statutory accounts notes on exceptional items relating to FY20-FY25 which we have also extracted and set out in Appendix 3.

An explanation of the exceptional costs approach for FY25 is provided in section 2.3.3.7 of the RAPM document for FY25 as below:

“The exceptional costs for the Group are extracted from the accounting system on a business stream and cost centre basis. Costs are analysed and allocated based on the nature of the cost incurred. Categories of exceptional cost include but are not limited to:

- *Restructuring, redundancy and organisational transformation - these costs are allocated using the corporate cost allocation based on revenue.”*

In addition for prior periods, specific allocation consideration was given to both COVID-19 Radio discounts and to exceptional costs incurred relating to Bilsdale; these are included at section 1.5.2 and 1.5.3 of the FY25 RAPM (copied below):

“1.5.2 COVID-19 Radio Discounts

During the 2020 and 2021 financial years a support package was formulated giving structured industry discounts to radio customers to assist with the impact of COVID-19, the revenue recognition accounting policy recognises these discounts across the lives of the relevant contracts. These discounts have been allocated to Other in the preparation of the Regulatory Accounts as they are considered to be exceptional discounts and have not changed the normal operations of the regulated business.

1.5.3 Bilsdale

On 10 August 2021 the Bilsdale transmitter was irreparably damaged by fire, causing disruption to transmission services. Significant exceptional costs have been incurred to restore service; these costs have been allocated

		<p><i>based on the windloading of the Bilsdale site. Non-incremental costs, such as internal labour, have been expensed or capitalised as normal, incremental costs have been treated as exceptional. Final insurance payments (FY24: £16m; FY23: £20m, FY22: £5m) have been recognised in exceptionals in the Regulatory Accounts in the years to FY24 to the extent that they relate to the costs allocated. Service credits recognised in the AGL accounts have been allocated to Other in the preparation of the Regulatory Accounts as they are considered to be exceptional and have not changed the normal operation of the regulated business.”</i></p> <p>If customers have specific questions on exceptional items from specific years, we can also discuss these on an individual basis.</p>
10.	<p>Please provide details of the annual actual spends for the past three years on maintenance (split into Capex and Opex), with details of the specific larger spend line items.</p>	<p>Maintenance capex information is not available as a separate section in the Arqiva Group Limited statutory accounts. The allocation of maintenance costs from the statutory accounts to the regulatory accounts is managed in accordance with the RAPM based on net book value as at the end of the period (i.e. 30 June 2025 for FY25) and the Arqiva systems are not set up to manage additions, disposals or changes to assets at the level of the regulated business and therefore providing information in the format requested would be unduly burdensome.</p> <p>In terms of maintenance opex, this is contained within the ‘Labour and Maintenance’ costs line in the regulatory accounts. Due to the way Arqiva systems are set up, it would be unduly burdensome to split these into labour and maintenance separately. Please see the answer to question 1 as to what is possible for FY26.</p>
11.	<p>Please outline the key differences between the RFAR and the RAB? Why is the RFAR used in the Regulatory Accounts? Please provide a table showing how the valuations of the RFAR and the RAB have changed over the past five financial years. What are</p>	<p>The RFAR and the RAB are independent and not comparable. Section 1.4 of the published Regulatory Accounting Principles and Methodologies at Regulatory Accounting Principles and Methodologies FY25.pdf sets out the position on the Fixed Asset Register and Regulated Asset Base (copied below).</p> <p><i>“For Reference Offer pricing, Arqiva uses the Regulated Asset Base. The Regulated Asset Base uses depreciated replacement cost based on a valuation of the regulated asset base (i.e. assets used to provide NA and MTS) carried out by independent consultants in 2012. This valuation was also independently audited for the Office of the Adjudicator. It is adjusted annually in line with the Retail Price Index.</i></p>

	<p>the key factors leading to these changes and any differences between the two valuations?</p>	<p><i>As agreed with the Office of the Adjudicator, the Regulatory Accounts use valuations based on the Fixed Asset Register (“FAR”) used in the accounts of AGL. The Fixed Asset Register values assets on a historical cost basis. Assets are depreciated over their useful economic life. The Fixed Asset Register includes assets used for services covered by the Undertakings and also non-regulated assets. Therefore, in preparing the Regulatory Accounts an exercise is undertaken to exclude assets which are not relevant for the Regulatory Accounts and to categorise assets according to whether they are used for NA or MTS. More detail on the Regulated Fixed Asset Register is at section 2.3.5.”</i></p> <p>The RFAR is published every year in the Regulatory Accounts (see Property, plant and equipment) and is presented in a way which aligns to the statutory accounts which are prepared in accordance with International Financial Reporting Standards (IFRS) noting that part of the purpose of the Regulatory Accounts as set out in the Undertakings is presenting a reconciliation to the statutory accounts which are also prepared in accordance with IFRS. Customers can pull out the RFAR for the past 5 years themselves but, for ease, Appendix 2 sets out the RFAR as published over the past 5 years. As stated above, there will be no commentary as to the changes over the past 5 years as this has not been audited.</p> <p>The RAB does not form part of the Regulatory Accounts but is an input mechanic into Reference Offer pricing.</p>
12.	<p>Please provide a breakdown of RFAR fixed assets by asset classes (e.g., buildings, towers, plant & machinery) in both NA and MTS categories.</p>	<p>For the reasons given above, Arqiva will not produce unaudited further material for FY25.</p> <p>The FY25 Group statutory accounts include a breakdown based on the following classifications: Freehold property; Leasehold property; Plant & Machinery; and Assets under construction⁵.</p> <p>Breaking down into classes beyond the statutory accounts is not possible based on existing system set up. While it may be technically possible to create a breakdown into these AGL statutory accounting categories for future years based on a point in time net book value and allocation in line with the RAPM, this would be a difficult and burdensome exercise requiring considerable additional work and Arqiva queries why this breakdown would be required from a regulatory perspective and/or what it adds for customers.</p>

⁵ See Note 16 to Arqiva Group Limited consolidated financial statements for FY25 (page 138 onwards) and Note 4.6 (page 110) sets out the property, plant and equipment policy.

13.	<p>What capital assets have been added or removed from the RFAR in the period covered by this year's Regulatory Accounts? Please provide this under headings such as "Maintenance Capex", "New asset acquisitions" and "Disposals" and split between TV NA, TV MTS, Radio NA and Radio MTS.</p>	<p>Individual assets are segmented in the statutory accounts and the auditors confirm their view that this fairly presents the position at group level aligned with international reporting requirements. The regulatory accounts take a point in time from the statutory accounts and allocate balances based on site apportionment as set out in section 2.3.5 of the RAPM. The allocations for the regulatory accounts are done on a balance sheet point in time based on asset net book value and not at an individual asset net book cost or depreciation line item and it is not possible to extract underlying acquisitions, disposals or changes without fundamental changes to Arqiva's systems. Arqiva considers this would be unduly burdensome.</p>
14.	<p>Please provide more details regarding the annual depreciation charges, and comparisons to previous years with explanations of major movements.</p>	<p>For the reasons noted previously above, Arqiva will not provide unaudited commentary for FY25. The depreciation figures in the regulatory accounts are included in the P&L extracts for the last 5 years set out in Appendix 1.</p> <p>Accounting policy for Arqiva Group Limited can be found in Notes 4.6 and 4.7 to the Arqiva Group Limited consolidated financial statements for FY25⁶.</p> <p>In terms of FY26, a broad description of depreciation movement can be considered as part of a director narrative (see response to question 2).</p> <p>Arqiva notes that the depreciation included in the regulatory accounts does not relate to that included in the regulatory pricing which follows the guidance for the use of DRC as mentioned in the response to question 3.</p>

⁶ <https://www.arqiva.com/group-financial-results/2025/Arqiva-Group-Limited/Arqiva%20Group%20Limited%20Annual%20Report%20and%20Financial%20Statements%202025%20signed.pdf> Page 110.

15.	<p>Please provide an explanation of how changes in the RFAR and asset valuations correlate to customer price changes at renewals so that we can see how they relate. Which numbers within the Regulatory Accounts are used in the process to calculate offer prices?</p>	<p>Arqiva refers to its answers to questions 3 and 11.</p> <p>The Regulatory Fixed Asset Register (RFAR) are assets recorded at historic cost in line with international financial standards. This is the basis for the Arqiva Group Limited statutory accounts and therefore, also the basis for the Regulatory Accounts.</p> <p>Regulatory pricing is based on the depreciated replacement cost based on the RAB and so does not align with the RFAR. When calculating customer pricing the relevant operating expenditure and rent and rates (available in the regulatory accounts) are used from the regulatory accounts and then allocated to the relevant sites and services that the customer uses.</p> <p>Customer pricing for existing assets is driven by the usage of the asset base and the relevant sites and services that are used by each individual customer. Due to the wide variety of usage across our customer base the changes in RFAR and RAB will not correlate to pricing changes for individual customers.</p>
16.	<p>The AGL Statutory Accounts have details about the company’s capital structures (and it is referred to on page 13 of the Regulatory Accounts). Stakeholders have asked for a summary of how Arqiva is organised in terms of its capital structures and the extent to which its borrowings are secured on future revenues from the</p>	<p>Arqiva does not understand the purpose of this question in the context of the Undertakings / Regulatory Accounts.</p> <p>Furthermore, Arqiva notes that the Group established a Whole Business Securitisation (WBS) structure in February 2013. There is information on capital structure within the FY25 statutory and regulatory accounts. Specifically, Arqiva notes that Note 12 of the Notes to the Consolidated Financial Statements for the year ended 30 June 2025⁷ (page 133) sets out Finance expenses and Note 25 to the Notes to the Consolidated Financial Statements for the year ended 30 June 2025 (page 153) sets out Borrowings. These are referred to in the notes to support the reconciliation of the Regulatory Accounts to the statutory AGL accounts.</p> <p>Arqiva has also published the offering memorandum in support of recent refinancing https://www.arqiva.com/credit-Investors-reports/Arqiva-Broadcast-Finance-Plc-Offering-Memorandum/Offering%20Memorandum_2025.pdf. This includes further information on Arqiva’s capital structure (pages 45-47).</p>

⁷ <https://www.arqiva.com/group-financial-results/2025/Arqiva-Group-Limited/Arqiva%20Group%20Limited%20Annual%20Report%20and%20Financial%20Statements%202025%20signed.pdf>

	<p>regulated business as opposed to other parts of the business or assets.</p>	
<p>17.</p>	<p>Linked to question 16, one stakeholder asked what Arqiva’s plans are to “right-size” the capital structure of the business and handle non-SLNs (Shareholder Loan Notes) in its capital structure (bonds, junior loan notes, lease obligations – which the stakeholder estimated amount collectively to c. £1.4bn).</p>	<p>Arqiva does not understand the purpose of this question in the context of the Undertakings / Regulatory Accounts. However, Arqiva keeps its capital structure under review and this is clear from the statutory accounts. Arqiva has included certain extracts from the FY25 statutory accounts below.</p> <p>Page 14 (Business Model) of the FY25 AGL financial statements states <i>“Arqiva is financed through a mixture of equity and long-term debt, with an average maturity debt profile of over 4 years. The Group’s senior debt also benefits from an investment grade BBB+ rating from Standard and Poor’s and BBB from Fitch.”</i></p> <p>The Directors’ Report on going concern (page 85 of the AGL financial statements) states <i>“The Capital Structure Committee regularly reviews the debt position of the group to ensure it is appropriate and has concluded it has sufficient cash to service its debt structure obligations.”</i></p> <p>As the stakeholder mentions shareholder loan notes specifically, Arqiva draws that stakeholder’s attention to page 85 of the financial statements which state: <i>“Shareholder loan notes since Junior re-finance on 03 July 2025 now mature between July 2031 and July 2032, well beyond the [going concern] review period through December 2026. Significant work has been undertaken by the group, together with our legal advisors to successfully demonstrate, in particular to the rating agencies, that the shareholder loan notes are thought of as pseudo equity and not debt. The shareholder loan notes are subordinated to all other creditor balances, which in turn are subordinated to the junior high yield bond, and finally all amounts are subordinated to the senior debt.”</i></p>

Appendix 1 – FY21 to FY25 Summary of Profit & Loss Statements Extracted from the Regulatory Accounts

	NA	MTS	Total	NA	MTS	Total	NA	MTS	Total	NA	MTS	Total	NA	MTS	Total
	Year ended 30 June 25	Year ended 30 June 25	Year ended 30 June 25	Year ended 30 June 24	Year ended 30 June 24	Year ended 30 June 24	Year ended 30 June 23	Year ended 30 June 23	Year ended 30 June 23	Year ended 30 June 22	Year ended 30 June 22	Year ended 30 June 22	Year ended 30 June 21	Year ended 30 June 21	Year ended 30 June 21
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
TV revenue	179.2	43.2	222.4	170.6	42.3	212.9	154.8	39.6	194.4	149.9	38.6	188.5	146.7	38.3	185.0
Radio revenue	49.6	20.8	70.4	49.6	20.6	70.2	50.5	20.4	70.9	49.6	19.9	69.5	49.5	19.7	69.2
Total revenue	228.8	64.0	292.8	220.2	62.9	283.1	205.3	60.0	265.3	199.5	58.5	258.0	196.2	58.0	254.2
Rent and rates	(15.7)	-	(15.7)	(13.5)	-	(13.5)	(13.9)	-	(13.9)	(14.9)	-	(14.9)	(14.7)	-	(14.7)
Labour and Maintenance	(13.1)	(9.5)	(22.6)	(12.7)	(9.4)	(22.1)	(11.3)	(9.3)	(20.6)	(9.2)	(8.0)	(17.2)	(13.1)	(10.6)	(23.7)
Cost of Sales	(28.8)	(9.5)	(38.3)	(26.2)	(9.4)	(35.6)	(25.2)	(9.3)	(34.5)	(24.1)	(8.0)	(32.1)	(27.8)	(10.6)	(38.4)
Administrative expenses	(27.0)	(4.1)	(31.1)	(26.9)	(4.0)	(30.9)	(22.4)	(1.8)	(24.2)	(23.7)	(1.7)	(25.4)	(22.0)	(3.5)	(25.5)
Depreciation	(26.9)	(16.8)	(43.7)	(28.1)	(16.6)	(44.7)	(10.9)	(18.9)	(29.8)	(42.2)	(19.7)	(61.9)	(44.9)	(15.4)	(60.3)
Total operating expenses	(53.9)	(20.9)	(74.8)	(55.0)	(20.6)	(75.6)	(33.3)	(20.7)	(54.0)	(65.9)	(21.4)	(87.3)	(66.9)	(18.9)	(85.8)
Exceptional costs	(1.5)	(0.2)	(1.7)	1.5	(0.2)	1.3	1.1	(0.2)	0.9	(8.8)	(0.5)	(9.3)	(5.0)	(1.6)	(6.6)
Operating profit (after exceptional costs)	144.6	33.4	178.0	140.5	32.7	173.2	147.9	29.8	177.7	100.7	28.6	129.3	96.5	26.9	123.4

Appendix 2 – RFAR FY21 to FY25

Net Book Value	NA	MTS	Total
	£'m	£'m	£'m
FY25	555.4	106.9	662.3
FY24	567.2	113.0	680.2
FY23	590.4	122.9	713.3
FY22	605.1	134.9	740.0
FY21	610.0	144.2	754.2

Appendix 3 – Arqiva Group Limited Financial Statements- Exceptional items extract

I. Financial Statements 2020

Notes to the Group financial statements exceptional items at page 101 of the financial statements at <https://www.arqiva.com/group-financial-results/2020/arqiva-group-limited/Arqiva%20Group%20Ltd%20Financial%20Statements%202020.pdf>

7 Exceptional operating expenses

The Group recognises exceptional items which are considered to be one-off and non-recurring in nature or material items which require disclosure by virtue of their size or incidence for the financial statements to give a true and fair view. Further information is disclosed in note 3.

(Loss)/profit before tax is stated after (charging)/crediting:

	Year ended 30 June 2020 Continuing operations £m	Year ended 30 June 2020 Discontinued operations £m	Year ended 30 June 2020 Total £m	Year ended 30 June 2019 Continuing operations £m	Year ended 30 June 2019 Discontinued operations £m	Year ended 30 June 2019 Total £m
Operating expenses:						
Reorganisation and severance	(6.8)	-	(6.8)	(13.0)	(0.5)	(13.5)
Corporate finance activities	(8.7)	(19.2)	(27.9)	(1.1)	(0.9)	(2.0)
Profit on disposal of assets	-	-	-	2.0	-	2.0
	(15.5)	(19.2)	(34.7)	(12.1)	(1.4)	(13.5)
Total exceptional items	(15.5)	(19.2)	(34.7)	(12.1)	(1.4)	(13.5)

Reorganisation and severance expenses include costs relating to reorganisation of the Business Unit structure and delivery of the Group's transformation programme. This is a one-off transformation programme that will help Arqiva streamline processes, modernise

IT systems and achieve significant cost efficiencies and savings.

Corporate finance activity costs relate to costs associated with the disposal of the Telecoms business, re-financing activities and one off projects.

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

II. Financial Statements 2021

Notes to the Group financial statements exceptional items at page 99 of the financial statements at [https://www.arqiva.com/group-financial-results/2021/Arqiva-Group-](https://www.arqiva.com/group-financial-results/2021/Arqiva-Group-Limited/Arqiva%20Group%20Ltd%20Financial%20Statements%202021.pdf)

[Limited/Arqiva%20Group%20Ltd%20Financial%20Statements%202021.pdf](https://www.arqiva.com/group-financial-results/2021/Arqiva-Group-Limited/Arqiva%20Group%20Ltd%20Financial%20Statements%202021.pdf)

7 Exceptional items

The Group recognises exceptional items which are considered to be one-off and non-recurring in nature or material items which require disclosure by virtue of their size or incidence for the financial statements to give a true and fair view. Further information is disclosed in note 3.

Profit/(loss) before tax is stated after (charging)/crediting:

	Year ended 30 June 2021 Continuing operations £m	Year ended 30 June 2021 Discontinued operations £m	Year ended 30 June 2021 Total £m	Year ended 30 June 2020 Continuing operations £m	Year ended 30 June 2020 Discontinued operations £m	Year ended 30 June 2020 Total £m
Operating expenses:						
Reorganisation and severance	(21.8)	-	(21.8)	(6.8)	-	(6.8)
Corporate finance activities	(3.8)	-	(3.8)	(8.7)	(19.2)	(27.9)
	(25.6)	-	(25.6)	(15.5)	(19.2)	(34.7)
Other exceptional items:						
Gain on disposal of discontinued operations	-	1,038.3	1,038.3	-	-	-
	-	1,038.3	1,038.3	-	-	-
Total exceptional items	(25.6)	1,038.3	1,012.7	(15.5)	(19.2)	(34.7)

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

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

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

The gain on disposal of discontinued operations relates to the sale of the Group's Telecoms infrastructure and related assets on 8 July 2020 as disclosed in note 21.

The amounts included within exceptional operating expenses above are deductible for the purpose of taxation.

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

III. Financial Statements 2022

Notes to the Group financial statements exceptional items at pages 102-103 of the financial statements at <https://www.arqiva.com/group-financial-results/2022/Arqiva-Group-Limited/Arqiva%20Group%20Ltd%20financial%20statements%202022.pdf>

7 Exceptional items

The Group recognises exceptional items which are one-off and non-recurring in nature or material items which the Directors believe require disclosure by virtue of their size or incidence for the financial statements to give a true and fair view. Further information is disclosed in note 3.

(Loss) / profit before tax is stated after (charging)/crediting:

	Year ended 30 June 2022 Continuing operations £m	Year ended 30 June 2022 Discontinued operations £m	Year ended 30 June 2022 Total £m	Year ended 30 June 2021 Continuing operations £m	Year ended 30 June 2021 Discontinued operations £m	Year ended 30 June 2021 Total £m
Revenue:						
Revenue service credits	(7.6)	-	(7.6)	-	-	-
	(7.6)	-	(7.6)	-	-	-
Operating expenses:						
Reorganisation and severance	(5.4)	-	(5.4)	(21.8)	-	(21.8)
Corporate finance activities	(4.2)	-	(4.2)	(3.8)	-	(3.8)
Restoration costs	(10.0)	-	(10.0)	-	-	-
	(19.6)	-	(19.6)	(25.6)	-	(25.6)
Loss on disposal of fixed assets	(9.5)	-	(9.5)	-	-	-
Other exceptional items:						
Other income	5.0	-	5.0	-	-	-
Gain on disposal of discontinued operations	-	-	-	-	1,038.3	1,038.3
	5.0	-	5.0	-	1,038.3	1,038.3
Total exceptional items	(31.7)	-	(31.7)	(25.6)	1,038.3	1,012.7

Exceptional gains and losses are disclosed separately within note 11.

Reorganisation and severance expenses include costs relating to changes in the organisational design and restructuring of the business and delivery of the Group's transformation programme. This is a one-off multi-year transformation programme that will help Arqiva streamline processes, modernise IT systems and achieve significant cost efficiencies and savings. The transformation programme is expected to complete later this calendar year.

Corporate finance activities figures relate to costs and accruals associated with one off projects, and

corporate transactions including refinancing activities.

The gain on disposal of discontinued operations relates to the sale of the Group's Telecoms infrastructure and related assets on 8 July 2020 as disclosed in note 21.

With the exception of the corporate finance activities the amounts included within exceptional operating expenses above are deductible for the purpose of taxation. The gain on disposal of the discontinued operation is not subject to UK Corporation tax as it is exempt under the Substantial Shareholding Exemption.

Bilsdale – Project Restore

The restoration costs relate to costs incurred to reinstate services present at the Bilsdale transmitter site following a fire which broke out on 10 August 2021 and include £4.8m of community support activities. Engineers have been working on a recovery plan to reinstate services present on the mast. The recovery plan included service recovery with works completed for the improvement of TV coverage from other local not-spot sites, as well as the erection of a temporary mast at the Bilsdale site. To date around 99% of households have been returned to coverage for TV and commercial radio has benefited from improved coverage from what it was before the fire. Further works to complete the enduring solution and re-build is

ongoing with works started on the build of a new permanent mast.

Management is still assessing the financial impact of the incident and the assets damaged by the fire, and has engaged with the Group's insurers. Costs recognised are those which have been incurred to date and can be reliably measured, including £7.6m of service credits deducted from revenue during the period.

See note 28 for further details of contingent liabilities and assets in relation to the Bilsdale fire.

The exceptional loss on disposal of assets relates to the impairment and subsequent disposal of assets damaged by the Bilsdale transmitter site fire discussed above.

Exceptional other income relates to a stage payment received from insurance claims related to the

Bilsdale transmitter site fire discussed above. This income is subject to UK corporation tax.

On 21 September 2022, a second interim stage payment of £10.0m was received from the insurers in relation to the Bilsdale fire. At 30 June 2022, this represented a contingent asset and has therefore not been recognised in the income statement.

The overall financial impact of the fire at Bilsdale for the year is summarised as follows:

	P&L impact £m	Balance sheet impact £m
Internal labour – within other operating expenses	1.3	-
Restoration costs – within exceptional operating expenses	10.0	-
Loss on disposal of fixed assets – within exceptional loss on disposal of assets	9.5	-
Insurance- first stage payment – within exceptional other income	(5.0)	-
Revenue service credits – within exceptional revenue	7.6	-
Capital expenditure	-	14.4
Total	23.4	14.4

IV. Financial Statements 2023

Notes to the Group financial statements exceptional items at pages 111-112 of the financial statements at <https://www.arqiva.com/group-financial-results/2023/Arqiva-Group-Limited/AGL%20FY23%20Financial%20Statements.pdf>

7 Exceptional items

The Group recognises exceptional items which are one-off and non-recurring in nature or material items which the Directors believe require disclosure by virtue of their size or incidence for the financial statements to give a true and fair view. Further information is disclosed in note 3.

(Loss) / profit before tax is stated after (charging)/crediting:

	Year ended 30 June 2023	Year ended 30 June 2022
	Total £m	Total £m
Revenue:		
Exceptional service credits	(15.3)	(7.6)
	(15.3)	(7.6)
Operating expenses:		
Reorganisation and severance	(1.9)	(5.4)
Corporate finance activities	(5.0)	(4.2)
Restoration costs	(4.3)	(10.0)
	(11.2)	(19.6)
Loss on disposal of fixed assets	-	(9.5)
Other exceptional items:		
Other income	20.0	5.0
	20.0	5.0
Total exceptional items	(6.5)	(31.7)

Reorganisation and severance expenses include costs relating to changes in the organisational design and restructuring of the business and delivery of the Group's transformation programme. This was a one-off multi-year

transformation programme that helped Arqiva streamline processes, modernise IT systems and achieve significant cost efficiencies and savings. The transformation programme was completed during this year.

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

With the exception of the corporate finance activities the amounts included within exceptional operating expenses above are deductible for the purpose of taxation.

Bilsdale – Project Restore

The restoration costs relate to costs incurred to reinstate services present at the Bilsdale transmitter site following a fire which broke out on 10 August 2021 and include £4.3m of predominantly community support activities. During the year the rebuild of a 300 metre permanent mast was completed and went live with transmission starting in May 2023.

Costs recognised are those which have been incurred to the year end and can be reliably measured, including £15.3m of customer service credits deducted from revenue during the year.

The exceptional loss on disposal of assets relates to the impairment and subsequent disposal of assets damaged by the Bilsdale transmitter site fire discussed above.

Management has engaged with the Group's insurers. Exceptional other income relates to stage payments received from insurance claims related to the Bilsdale transmitter site fire discussed above totalling £25m received by 30 June 2023. This income is subject to UK corporation tax. Post year end, in August 2023 the final stage payment of £16.0m was received from the insurers. At 30 June 2023, this represented a contingent asset and has therefore not been recognised in the income statement. This brings the total insurance proceeds received to date of £41m. No further insurance proceeds are expected. To date the Group has incurred total rectification costs of £45.4m including £31.2m in capital expenditure for the rebuild of the mast and a further £14.3m of exceptional operating expenses in respect of community support activities and restoration costs.

See note 27 for further details of contingent liabilities and assets in relation to the Bilsdale fire.

The overall financial impact of the fire at Bilsdale for the year is summarised as follows:

	P&L impact	Balance sheet impact
	£m	£m
Internal labour – within other operating expenses	1.2	-
Restoration costs – within exceptional operating expenses	4.3	-
Insurance- stage payments – within exceptional other income	(20.0)	-
Revenue service credits – within exceptional revenue	15.3	-
Capital expenditure	-	16.8
Total	0.8	16.8

V. Financial Statements 2024

Notes to the Group financial statements exceptional items at pages 116-118 of the financial statements at https://www.arqiva.com/group-financial-results/2024/Arqiva-Group-Limited/AGL%20Annual%20report%202024_FINAL-SL%20Signed%20-%20with%20PwC%20Audit%20Opinion.pdf

7 Exceptional items

The Group recognises exceptional items which are one-off and non-recurring in nature or material items which the Directors believe require disclosure by virtue of their size or incidence for the financial statements to give a true and fair view of the underlying performance of the business. Further information is provided in Note 3.

Loss before tax is stated after crediting/(charging):

	Year ended 30 June 2024	Year ended 30 June 2023
	Total £m	Total £m
Revenue:		
Exceptional service credits	(2.8)	(15.3)
	(2.8)	(15.3)
Operating expenses:		
Reorganisation and severance	(2.7)	(1.9)
Corporate finance activities	-	(5.0)
Pension buy-in (Note 28)	(1.7)	-
Restoration costs	(3.5)	(4.3)
	(7.9)	(11.2)
Other exceptional items:		
Other income	16.0	20.0
	16.0	20.0
Total exceptional items	5.3	(6.5)

Reorganisation and severance expenses include costs relating to the disbanding of the Simplification Function, a program launched to streamline operational processes, reorganise the Technology function to adopt a more product-focused delivery, and adopt agile working methodologies. This was a follow on project after the Group's transformation programme.

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

With the exception of the corporate finance activities the amounts included within exceptional operating expenses above and revenue are deductible for the purpose of taxation. The other income amount within other exceptional items is subject to corporation tax.

Pension buy-in

In April 2024, an insurer backed pension buy-in was completed whereby the plan assets were exchanged for a bulk annuity agreement, allowing cover to the Plan's liabilities by third party insurers while retaining management responsibility within the scheme. The Pension buy-in is intended to manage the Plan's exposure to market volatility in relation to its assets and enhance its funding resilience on future pension payments. Details of such are discussed in Note 28.

Bilsdale – Project Restore

The restoration costs relate to costs incurred to reinstate services at the Bilsdale transmitter site following a fire which broke out on 10 August 2021 and include £3.5m (2023: £4.3m) of predominantly community support activities. Following the construction of a permanent 300 metre mast at Bilsdale, television and radio services went live in May 2023 and January 2024 respectively. As a result, all broadcast services are now restored to the main Bilsdale mast.

Costs recognised are those which have been incurred to the year end, including £2.8m (2023: £15.3m) of customer service credits deducted from revenue during the year.

The exceptional loss on disposal of assets relates to the impairment and subsequent disposal of assets damaged by the Bilsdale transmitter site fire discussed above.

Exceptional other income relates to stage payments received from insurance claims related to the Bilsdale transmitter site fire. In August 2023 the final stage payment of £16.0m was received from the insurers, such that the settlement totalling £41.0m was received in full by 30 June 2024. No further insurance proceeds are expected. To date the Group has incurred total rectification costs of £54.9m (2023: £45.5m) including £37.1m (2023: £31.2m) in capital expenditure for the rebuild of the mast and a further £17.8m (2023: £14.3m) of exceptional operating expenses in respect of community support activities and restoration costs. All restoration activities had been completed during the year.

The overall financial impact of the fire at Bilsdale is summarised as follows:

	P&L impact	Balance sheet impact
As of and for the year ended 30 June 2024	£m	£m
Restoration costs – within exceptional operating expenses	3.5	-
Insurance- stage payments – within exceptional other income	(16.0)	-
Revenue service credits – within exceptional revenue	2.8	-
Capital expenditure	-	5.9
Total	(9.7)	5.9

As of and for the year ended 30 June 2023	P&L impact £m	Balance sheet impact £m
Internal labour – within other operating expenses	1.2	-
Restoration costs – within exceptional operating expenses	4.3	-
Insurance- stage payments – within exceptional other income	(20.0)	-
Revenue service credits – within exceptional revenue	15.3	-
Capital expenditure	-	16.8
Total	0.8	16.8

VI. Financial Statements 2025

Notes to the Consolidated Financial Statements, pages 128-130 at <https://www.arqiva.com/group-financial-results/2025/Arqiva-Group-Limited/Arqiva%20Group%20Limited%20Annual%20Report%20and%20Financial%20Statements%202025%20signed.pdf>

Exceptional items

The Group recognises exceptional items which are one-off and non-recurring in nature or material items which the Directors believe require disclosure by virtue of their size or incidence for the financial statements to give a true and fair view of the underlying performance of the business. Further information is provided in note 4.

Loss before tax is stated after (charging)/crediting:

	2025 £m	2024 £m
Revenue:		
Exceptional service credits	-	(2.8)
	<hr/>	<hr/>
	-	(2.8)
Operating expenses:		
Reorganisation and severance	(1.7)	(2.7)
Pension buy-in	-	(1.7)
Restoration costs	(0.9)	(3.5)
Pension surplus sharing agreement	(2.0)	-
	<hr/>	<hr/>
	(4.6)	(7.9)
Other exceptional items:		
Other income	-	16.0
	<hr/>	<hr/>
	-	16.0
	<hr/>	<hr/>
Total exceptional items	(4.6)	5.3
	<hr/> <hr/>	<hr/> <hr/>

Reorganisation and severance

Reorganisation and severance expenses relate to a one-off restructure and reorganisation of the technology business unit. It is reorganising the unit to adopt a more product focused delivery and adopt agile working methodologies. Thus requiring significant changes to structure and ways of working, requiring new processes, systems and governance. This restructuring project is expected to be completed during 2026.

Pension buy-in

In April 2024, an insurer backed pension buy-in was completed whereby the plan assets were exchanged for a bulk annuity agreement, allowing cover to the Plan's liabilities by third party insurers while retaining management responsibility within the scheme. The Pension buy-in is intended to manage the Plan's exposure to market volatility in relation to its assets and enhance its funding resilience on future pension payments.

Pension surplus sharing arrangement

Following the Plan's insurer backed buy-in transaction that completed in April 2024, in February 2025 an agreement was reached between the Trustees and Sponsoring Employer Arqiva Limited in relation to the sharing of any potential funding surplus upon scheme wind up. It has been agreed that the members will receive a proportion of any residual net surplus, up to a maximum of £2m, with the remainder of the surplus being returned to the Company. Any surplus funds made available to members will be used to provide enhanced pensions.

Bilsdale – Project Restore

The restoration costs relate to costs incurred to reinstate services at the Bilsdale transmitter site following a fire which broke out on 10 August 2021 and include £0.9m (2024: £3.5m) of predominantly community support activities. Following the construction of a permanent 300 metre mast at Bilsdale, television and radio services went live in May 2023 and January 2024 respectively. As a result, all broadcast services are operating from the restored main Bilsdale mast.

Costs recognised are those which have been incurred in the year end and include customer service credits deducted from revenue (2025: £nil, 2024: £2.8m).

Exceptional other income for 2024 relates to a £16.0m stage payment received from insurance claims related to the Bilsdale transmitter site fire. This brought the total settlement to date to £41.0m. No insurance payments were received in 2025.

To date the Group has incurred total rectification costs of £55.8m (2024: £54.9m) including £37.1m (2024: £37.1m) in capital expenditure for the rebuild of the mast and a further £18.7m (2024: £17.8m) of exceptional operating expenses in respect of community support activities and restoration costs. The site rebuild programme is approaching completion. Non-significant expenses are budgeted to complete the final activities.

The overall financial impact of the fire at Bilsdale is summarised as follows:

	2025 £m	2024 £m
Profit and loss impact:		
Restoration costs - within exceptional operating expenses	0.9	3.5
Insurance stage payments - within exceptional other income	-	(16.0)
Revenue service credits - within exceptional revenue	-	2.8
Total	0.9	(9.7)
Balance sheet impact:		
Capital expenditure	-	5.9
Total	-	5.9