Arqiva Financing No 3 Plc

Registered number 05253998

Annual Report and Financial Statements

For the year ended 30 June 2020

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Strategic report

The Directors, in preparing this Strategic report, have complied with section 414(c) of the Companies Act 2006.

Business model, environment and strategy

The Company acts as an intermediate holding company and financing vehicle within the Arqiva Group Limited ('AGL') group ('the Group') of companies. It holds an investment in an operational sub group of companies which it funds from a combination of shareholder loan notes which are listed on the Channel Islands Stock Exchange, and intercompany debt.

Financial position, performance and key performance indicators ('KPIs')

The Company has made a loss for the financial year of £343.9m (2019: £299.8m), principally due to interest payable on borrowings. The Company has net assets of £822.4m (2019: £1,166.3m).

Financial KPIs

Given the straightforward nature of the Company's activities as a holding company and financing vehicle, the Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

The KPIs of the Group are managed as a whole and are discussed on page 29 of the Annual Report and Consolidated Financial Statements of AGL, a copy of which is available from the address in note 18 to the financial statements.

Risk management

Principal risks and uncertainties facing the business

From the perspective of the Company, the principal risks and uncertainties arising from its activities as an intermediate holding company and financing vehicle are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed on page 50 of the Annual Report and Consolidated Financial Statements of AGL, a copy of which can be obtained from the address in note 18 of these financial statements, or the Group's website at www.arqiva.com.

Future developments and outlook

It is the intention of the Company to continue to hold investments in a group of operating companies and act as a financing vehicle for the Group.

Section 172 Statement

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

From the perspective of the Company the s.172 factors are considered as a whole by the Directors across the Group. How these factors have been addressed, are discussed within the Annual Report and Consolidated Financial Statements of AGL on page 39, a copy of which can be obtained from the address in note 18 of these financial statements or the Group's website at www.arqiva.com.

Stakeholder engagement

Throughout the year, the Board has continued to ensure engagement with relevant stakeholders both in day to day business, and as part of key developments.

This report was approved by the Board of Directors on 23 October 2020 and signed on its behalf by:

Frank Dangeard
Director
23 October 2020

Directors' report and statement of Directors' responsibilities

The Directors of Arqiva Financing No 3 Plc, registered company number 05253998, ('the Company') submit the following annual report and audited financial statements ('the financial statements') in respect of the year ended 30 June 2020.

The Company operates within the AGL group of companies.

Financial risk management

Due to the nature of the Company's operations, it is exposed to limited financial risks including credit, liquidity, and interest rate risk. The Company's overall risk management programme seeks to minimise potential adverse effects as noted below.

Credit risk

The Company is not exposed to any credit risk other than in respect of intercompany balances within the Group. It does not have an external customer base. The intercompany debt is covered by an intercompany agreement. The intercompany receivable balance is with a fellow wholly owned subsidiary of the Group. The directors have assessed that the credit risk is low.

Liquidity risk

The Company maintains a mixture of long-term external debt finance raised from shareholders of the ultimate parent undertaking and intercompany loans. For short-term resources the Company utilises intercompany loans. The maturity of the Company's borrowings is shown in note 14. The Company's capital requirements are managed by the Group treasury team.

Interest rate risk

Intercompany loan balances are interest free, fixed interest rates or LIBOR plus a fixed rate of interest. Shareholder loans carry fixed rates of interest. The Group treasury team manage exposure to interest rate risk and take out derivative financial instruments where it is felt appropriate to do so.

Dividends, results and transfers to reserves

The Directors do not propose to pay a dividend for the year (2019: £nil). The loss for the financial year of £343.9m (2019: £299.8m) was transferred from reserves.

Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Company can continue in operational existence for the foreseeable future. As the principal activity of the Company is to conduct financing activities for the benefit of fellow group undertakings, its ability to continue as a going concern is dependent on the operational performance of the Group, and whether there is sufficient cash generated to service the debt obligations.

The Company adopts the going concern basis in preparing its financial statements based upon the support from its ultimate parent undertaking, the future cash flow forecasts of the Company and the Group and available facilities, which lead the Directors of the Company to be confident that the Company will have adequate resources to continue in operational existence and continue to meet debt and interest payments as they fall due.

The Directors have also taken into account the potential implications of the current Covid-19 situation and have determined that given there will continue to be demand for services provided by the Group and the Group has a mixed customer base, the going concern basis remains appropriate. The Directors have continued to monitor the impact of Covid-19 up until the date of issuance of the financial statements.

Events after the reporting year

On 8 July 2020, the Arqiva Group successfully completed the sale of its Telecoms business to Cellnex in a circa £2.0bn deal. The transaction comprises the divestment of c. 7,400 of Arqiva's cellular sites, including masts and towers as well as urban rooftop sites, and the right to market a further c.900 sites across the UK. In the execution of the agreement, the Group has sold six subsidiary entities, the largest being Arqiva Services Limited an indirectly held subsidiary of the Company. There is no impact on the financials of the Company as a result of the transaction.

There have been no other events since the balance sheet date that would have a material impact on the Company and require disclosure within the financial statements.

Directors

The Directors of the Company who were in office during the year end up to the date of signing were:

- Christian Seymour
- Mark Braithwaite
- Peter Adams (alternate)
- Michael Parton
- Nathan Luckey (Resigned 4 August 2020)
- Sally Davis
- Neil King
- Frank Dangeard
- Paul Donovan (Resigned 20 April 2020)
- Mike Darcey
- Martin Healey
- Max Fieguth (alternate)

Company Secretary

Jeremy Mavor is the Company Secretary.

Directors' indemnities

The Company has 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. The indemnity was in force during the full financial year and up to the date of approval of the financial statements.

Disclosure of information to the Independent Auditors

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

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

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Group Annual General Meeting.

Statement of Directors' responsibilities in respect of the financial statements

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

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

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

The Directors are 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.

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.

The Directors are responsible for the maintenance and integrity of the Company's financial statements published on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

Each of the Directors, whose names and functions are listed in Directors' report and statement of Directors' responsibilities confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the company; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Frank Dangeard
Director
Crawley Court
Winchester
Hampshire
SO21 2QA

23 October 2020

Independent auditors' report to the members of Arqiva Financing No 3 Plc

Report on the audit of the financial statements

Opinion

In our opinion, Arqiva Financing No 3 Plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 30 June 2020; the Income statement, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

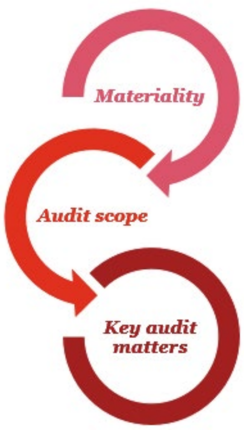
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit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

Independence

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

Our audit approach

Overview



- Overall materiality: £8.2 million (2019: £11.6 million), based on approximately 1% of net assets.

- Audit of the complete set of financial statements based on the determined materiality.

- Borrowings in the form of shareholder loan notes.
- Recoverability of intercompany receivable balances
- Investments in subsidiaries
- Covid-19 impact.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	*How our audit addressed the key audit matter*
Borrowings in the form of shareholder loan notes The Company has significant borrowings in the form of shareholder loan notes listed on the Channel Islands Stock Exchange. At 30 June 2020, these financial statements comprise of £2,148.1 million of principal and accrued interest of £1,714.3 million. This is a key audit matter due to the significance of the quantum of the balance and therefore any misstatements in this balance would likely be material. Refer to page 21 (note 14- Borrowings)	We agreed the principal, interest rates and maturity profiles of the shareholder loan notes to the Channel Island Stock Exchange website with no differences noted. We recalculated the accrued interest at 30 June 2020 and interest expense for the year on the shareholder loan notes using the outstanding balances throughout the year and the prevailing interest rates per the agreed terms, with no material differences noted.
Recoverability of intercompany receivable balances The Company has balances receivable from Group companies amounting to £1,425.6 million as at 30 June 2020. This is considered a key audit matter as the repayment of external debt is reliant on the recoverability of the intercompany receivable balances. Refer to page 20 (note 11- Receivables)	We evaluated management's assessment of the recoverability of intercompany receivables, including compliance with the requirements of IFRS 9 and expected credit loss methodology, and reviewed and independently tested an assessment of the ability of other Group companies to repay by comparing the receivable to net assets of the counterparties. As the net asset values did not support the recoverability of the intercompany receivables, we considered the assets held, including investments held in subsidiaries, and confirmed that by taking into account the liquidity of assets held that the intercompany receivable is considered to be recoverable.
Investments in subsidiaries The Company has significant investments amounting to £3,352.8 million as at 30 June 2020. This is considered a key audit matter due to the significance of the quantum of the balance and therefore any misstatements in this balance would likely be material. Refer to page 17 (note 10- Investments)	For the Company's investment in subsidiaries, we have compared the higher of value in use and fair value less costs to sell with the carrying value of the investments held. When considering the recoverable amount we have agreed key estimates to supporting evidence including verifying the appropriateness of the assumptions for revenue and cost growth, capital expenditure and the discount rate used, where applicable. Our testing did not identify any material differences to the position reflected in the financial statements.
Covid-19 impacts Since early 2020, the Covid-19 pandemic has impacted the globe, creating considerable uncertainty for economies and markets. The nature of the Company's business as a financing vehicle is such that the direct impacts of Covid-19 on the Company are minimal and are primarily related to the impacts on the wider Group with regards to going concern and the ability of other Group entities to repay outstanding accounts receivable balances to the Company.	We considered the impact of Covid-19 on the wider Group as part of our going concern procedures, including considering the updated FY21 budget and extent of sensitivities applied to include severe but plausible downside scenarios, and we concur with the Directors' conclusion that the Company continues to be a going concern, with Covid-19 not having impacted this conclusion. As noted in the 'Recoverability of intercompany receivable balances' KAM above, we have considered the ability of Group entities to repay outstanding

Key audit matter	*How our audit addressed the key audit matter*
Despite some challenges, Group, as a critical national infrastructure business, has continued to operate throughout the pandemic and maintained services providing communications and broadcast capabilities across the country. Accordingly, the impact of Covid-19 has been limited. FY21 Group budgets have been revisited by management to ensure that any necessary revisions are made to incorporate any known and expected impacts of Covid-19. These have been included in management's going concern assessment. Refer to page 2 and page 14 (Directors' report and statement of Directors' responsibilities - Going concern, note 3 – Principal accounting policies – Going concern)	amounts and satisfied ourselves that there are no issues in respect of recoverability. We have also confirmed that the letter of support from the Group remains in place. We read management's disclosures and concluded that the disclosures in the financial statements are adequate and consistent with our audit work and understanding of the business and how it has been impacted by the pandemic.

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

Arqiva Financing No 3 Plc acts as an intermediate holding Company and a financing vehicle within the Arqiva Group Limited group of companies. It holds an investment in an operational sub group of companies which it funds from a combination of shareholder loan notes and intercompany debt.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£8.2 million (2019: £11.6 million).
How we determined it	Approximately 1% of net assets.
Rationale for benchmark applied	Based on our professional judgement, net assets is an appropriate measure to assess the performance of the Company and is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.41 million (2019: £0.58 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report and statement of Directors' responsibilities
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report and statement of Directors' responsibilities for the year ended 30 June 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements
As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements set out on page 4, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

N. Comello

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

23 October 2020

Income statement

	Note	Year ended 30 June 2020 £'m	Year ended 30 June 2019 £'m
Operating result		-	-
Finance income	7	125.5	113.7
Finance costs	8	(465.9)	(409.7)
Loss before tax		**(340.4)**	**(296.0)**
Tax	9	(3.5)	(3.8)
Loss for the year		**(343.9)**	**(299.8)**

All results are from continuing operations.

The Company has no other comprehensive income other than the loss stated above and therefore no separate statement of comprehensive income has been presented.

The notes on pages 13 to 22 form part of these financial statements.

Statement of financial position

	Note	30 June 2020	30 June 2019
		£m	£m
Non-current assets			
Investments	10	3,352.8	3,334.2
Receivables	11	45.1	45.1
		3,397.9	**3,379.3**
Current assets			
Receivables	11	1,380.5	1,253.5
Cash and cash equivalents	12	1.2	2.7
		1,381.7	**1,256.2**
Total assets		**4,779.6**	**4,635.5**
Current liabilities			
Payables	13	(94.8)	(72.7)
Borrowings	14	(1,714.3)	(1,248.4)
		(1,809.1)	**(1,321.1)**
Net current liabilities		**(427.4)**	**(64.9)**
Non-current liabilities			
Borrowings	14	(2,148.1)	(2,148.1)
		(2,148.1)	**(2,148.1)**
Total liabilities		**(3,957.2)**	**(3,469.2)**
Net assets		**822.4**	**1,166.3**
Equity			
Share capital	15	1.0	1.0
Retained earnings		821.4	1,165.3
Total equity		**822.4**	**1,166.3**

The notes on pages 13 to 22 form part of these financial statements.

These financial statements on pages 10 to 22 were approved by the Board of Directors on 23 October 2020 and signed on its behalf by:

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Frank Dangeard - Director

Statement of changes in equity

	Share capital	Retained earnings	Total equity
	£m	£m	£m
Balance at 1 July 2018	**1.0**	**1,465.1**	**1,466.1**
Loss for the financial year	-	(299.8)	(229.8)
Balance at 30 June 2019	**1.0**	**1,165.3**	**1,166.3**
Loss for the financial year	-	(343.9)	(343.9)
Balance at 30 June 2020	**1.0**	**821.4**	**822.4**

Notes to the financial statements

1 General information

Arqiva Financing No 3 Plc ("the Company") is a private company limited by shares which is incorporated and domiciled in England, United Kingdom ("UK") under the Companies Act under registration number 05253998. The address of the registered office is Crawley Court, Winchester, Hampshire, SO21 2QA.

The nature of the Company's operations and its principal activities are set out in the Strategic report on page 1 and the Directors' report and Statement of Directors' responsibilities on page 2.

2 Basis of preparation and statement of compliance

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

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

EU-adopted IFRS	Relevant disclosure exemptions
IFRS 3 *Business Combinations*	The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67.
IFRS 7 *Financial Instruments: Disclosures*	All disclosure requirements.
IFRS 13 *Fair Value Measurement*	The requirements of paragraphs 91 to 99
IAS 1 *Presentation of financial statements*	The requirements of paragraph 38; comparative information in respect of paragraph 79(a)(iv) of IAS 1;
IAS 1 *Presentation of financial statements*	The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B to D, 40A to D, 111 and 134 to136.
IAS 7 *Statement of Cash Flows*	All disclosure requirements.
IAS 24 *Related Party Disclosures*	The requirements of paragraph 17; the requirement to disclose related party transactions entered into between two or more members of a Group, and the requirement to disclose remuneration of key management personnel, provided that any subsidiary party to the transaction is wholly owned by such a member and key management personnel.
IAS 8 *Accounting policies, changes in accounting estimates and errors*	The requirements of paragraphs 30 and 31.

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

These financial statements are separate financial statements.

Impact Assessment of new Standards
The Group adopted IFRS 16 'Leases' for the first time in the current year effective from 1 July 2019. There is no impact on the Company's financial statements.

3 Principal accounting policies

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

(a) Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Company can continue in operational existence for the foreseeable future. As the principal activity of the Company is to conduct financing activities for the benefit of fellow group undertakings, its ability to continue as a going concern is dependent on the operational performance of the Group, and whether there is sufficient cash generated to service the debt obligations.

The Company adopts the going concern basis in preparing its financial statements based upon the support from its ultimate parent undertaking, the future cash flow forecasts of the Company and the Group and available facilities, which lead the Directors of the Company to be confident that the Company will have adequate resources to continue in operational existence and continue to meet debt and interest payments as they fall due.

The Directors have also taken into account the potential implications of the current Covid-19 situation and have determined that given there will continue to be demand for services provided by the Group and the Group has a mixed customer base, the going concern basis remains appropriate. The Directors have continued to monitor the impact of Covid-19 up until the date of issuance of the financial statements.

(b) 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. The charge is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. 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 measured on an undiscounted basis.

(c) Investments in subsidiaries and joint ventures

Investments in subsidiaries and joint ventures are shown at cost less provision for impairment, which is assessed annually.

(d) Interest

Interest income and expense are accounted for on an accruals basis and comprise amounts receivable and payable on deposits, loans and intercompany balances respectively.

(e) Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss, presented as an 'other gain or loss'. Impairment of irrecoverable amounts is based on an expected credit loss model.

Borrowings
Interest-bearing loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the Income Statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

4 Critical accounting estimates and judgements

In the application of the Company's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

Deferred tax
Critical accounting judgements:
The largest element of deferred tax that requires judgement relates to tax losses carried forward (see note 9).
Applicable accounting standards permit the recognition of deferred tax assets only to the extent that future taxable profits will be generated to utilise the tax losses carried forward.

There were no other critical accounting estimates made by the Directors during the preparation of the financial statements.

Impairment
Critical accounting estimates:
The underlying trade represented by these investments is subject to estimates including future profitability, terminal growth values and discount rates. A movement in discount rate of circa 0.25% has been considered as a sensitivity, as has a reduction in medium term annual profitability of £20m and neither would result in an impairment. However a greater increase in discount rate or decline in long term profitability may result in impairment of the investment value in future years.

5 Audit fee

The Company's audit fee for the year was £6,930 (2019: £6,731) and this was borne by Arqiva Limited, a fellow Group company. There were no non-audit fees in the year.

6 Employees and Directors

Employees
The Company had no employees during the year (2019: none).

Directors
There are no recharges (2019: none) 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.

The Directors are either representatives of the ultimate UK parent undertaking's shareholders or other Group companies and their individual remuneration reflects the services they provide to the Company and other Group companies. It is not possible to make an accurate apportionment of each Director's emoluments in respect of their services to the Company. Accordingly, no emoluments in respect of these Directors services have been disclosed.

7 Finance income

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Interest receivable from other Group entities	125.5	113.7
Total finance income	**125.5**	**113.7**

8 Finance costs

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Shareholder loan note interest	465.9	409.7
Total finance costs	**465.9**	**409.7**

The shareholder loan notes carry fixed interest rates of between 13.0% and 14.0%, payment of which can be deferred at the option of the Company subject to certain conditions, qualification of which are subject to bi-annual review (see note 14).

Included within loan note interest is £0.1m (2019: £0.1m) in respect of amortisation of the premium paid on issue.

9 Tax

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
UK Corporation tax:		
- Current year	3.5	3.8
Total current tax	**3.5**	**3.8**
Total tax charge for the year	**3.5**	**3.8**

UK Corporation tax is calculated at a rate of 19.0% (2019: 19.0%) of the taxable loss for the year.

The charge for the year can be reconciled to the loss in the income statement as follows:

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Loss before tax	(340.4)	(296.0)
Loss before tax multiplied by standard rate of corporation tax in the United Kingdom of 19.0% (2019: 19.0%)	(64.7)	(56.2)
Tax effect of expenses not deductible for tax purposes	33.8	25.3
Change in unrecognised deferred tax assets	34.4	31.0
Impact of change in tax rates	-	3.7
Total tax charge for the year	**3.5**	**3.8**

The main rate of UK corporation tax was 19.0% during the year. In the Finance Act 2016 it was enacted that the main rate of UK corporation tax would be further reduced to 17.0% from 1 April 2020, however this reduction was revised in the Finance Act 2020 with the applicable rate from 1 April 2020 now remaining at 19%. UK deferred tax has been valued at 19.0% (30 June 2019: 17.0%) as this is the rate at which the deferred tax balances are forecast to unwind.

Expenses that are not deductible in determining taxable profit principally relate to interest payable on shareholder loan notes.

Change in unrecognised deferred tax assets represents the tax losses and other temporary differences in respect of the shareholder loan note interest in the year which have not been recognised as a deferred tax asset.

Deferred tax assets are not recognised unless it is probable that there are sufficient taxable profits against which they will be realised. The Company has an unrecognised deferred tax asset of £174.4m (2019: £126.8m). This is in respect of tax losses and other temporary differences in respect of the shareholder loan note interest. This asset has not been recognised since it is not probable that these assets will be able to be utilised against future taxable profits of the Group.

10 Investments

	Investments in subsidiaries £m
Cost	
At 1 July 2018	3,320.9
Additions	13.3
At 30 June 2019	3,334.2
Additions	18.6
At 30 June 2020	**3,352.8**
Provision for impairment	
At 1 July 2018, 30 June 2019 and 30 June 2020	**-**
Net book value	
At 30 June 2020	**3,352.8**
At 30 June 2019	3,334.2

The additions in both the prior year and current year represent additional investment in Arqiva Financing No1 Limited ('AF1'), a subsidiary company.

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

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
ABHL Digital Limited	United Kingdom	Holding company	30-Jun	100%
ABHL Digital Radio Limited	United Kingdom	Holding company	30-Jun	100%
ABHL Multiplex Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Muxco Limited (formerly Aerial UK Limited)	United Kingdom	Holding company	30-Jun	100%
Arqiva (Scotland) Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva Aerial Sites Limited	United Kingdom	Management of aerial sites	30-Jun	100% (Sold 8 July 2020)
Arqiva Broadcast Finance Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Broadcast Intermediate Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Broadcast Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Broadcast Parent Limited	United Kingdom	Holding company	30-Jun	100% (held directly)
Arqiva Communications Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Defined Benefit Pension Plan Trustees Limited	United Kingdom	Pension company	30-Jun	100%
Arqiva Digital Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Finance Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Financing No. 1 Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Financing No. 2 Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Financing Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Group Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Group Intermediate Limited	United Kingdom	Holding company	30-Jun	100%

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
Arqiva Group Parent Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Inc.	USA	Satellite transmission services	30-Jun	100%
Arqiva International Holdings Limited	United Kingdom	Holding company	30-Jun	100% (held directly)
Arqiva Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva Limited	Ireland	Transmission services	30-Jun	100%
Arqiva Media Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile Broadcast Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile TV Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 10 Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 11 Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 2 Limited	United Kingdom	Transmission services	30-Jun	100% (Sold 8 July 2020)
Arqiva No. 3 Limited	United Kingdom	Transmission services	30-Jun	100% (Sold 8 July 2020)
Arqiva No. 4 Limited	United Kingdom	Dormant company	30-Jun	100% (Sold 8 July 2020)
Arqiva Pension Trust Limited	United Kingdom	Dormant company	31-Mar	100%
Arqiva PP Financing Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Pte Limited	Singapore	Satellite transmission services	30-Jun	100%
Arqiva Public Safety Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva SAS	France	Satellite transmission services	30-Jun	100%
Arqiva Satellite Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Services Limited	United Kingdom	Transmission services	30-Jun	100% (Sold 8 July 2020)
Arqiva Senior Finance Limited	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Smart Financing Limited	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Smart Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Smart Metering Limited	United Kingdom	Smart metering communications	30-Jun	100%
Arqiva Smart Parent Limited	United Kingdom	Holding company	30-Jun	100% (held directly)
Arqiva SRL	Italy	Satellite transmission services	30-Jun	100%
Arqiva Telecommunications Asset Development Company Limited	United Kingdom	Dormant company	30-Jun	100% (Sold 8 July 2020)
Arqiva Telecoms Investment Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Transmission Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva UK Broadcast Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Wireless Limited	United Kingdom	Dormant company	30-Jun	100%
Capablue Limited	United Kingdom	Transmission services	30-Jun	100%
Cast Communications Limited	United Kingdom	Dormant company	30-Jun	100%
Connect TV (Scotland) Limited	United Kingdom	Dormant company	30-Jun	100%
Connect TV Limited	United Kingdom	Transmission services	30-Jun	100%
Digital One Limited	United Kingdom	Transmission services	30-Jun	100%
Inmedia Communications (Holdings) Limited	United Kingdom	Dormant company	30-Jun	100%
Inmedia Communications Group Limited	United Kingdom	Dormant company	30-Jun	100%
Inmedia Communications Limited	United Kingdom	Dormant company	30-Jun	100%
J F M G Limited	United Kingdom	Spectrum services	30-Jun	100%
Macropolitan Limited	United Kingdom	Dormant company	30-Jun	100%
Now Digital (East Midlands) Limited	United Kingdom	Transmission services	30-Jun	80.0%

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
Now Digital (Oxford) Limited	United Kingdom	Dormant company	30-Jun	100%
Now Digital (Southern) Limited	United Kingdom	Transmission services	30-Jun	100%
Now Digital Limited	United Kingdom	Transmission services	30-Jun	100%
NWP Spectrum Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Scanners (Europe) Limited	United Kingdom	Dormant company	30-Jun	100%
Scanners Television Outside Broadcasts Limited	United Kingdom	Dormant company	30-Jun	100%
Selective Media Limited	United Kingdom	WiFi services	30-Jun	100%
South West Digital Radio Limited	United Kingdom	Transmission services	30-Jun	66.67%
Spectrum Interactive (UK) Limited	United Kingdom	Dormant company	30-Jun	100%
Spectrum Interactive GmbH	Germany	Dormant company	30-Jun	100%
Spectrum Interactive Limited	United Kingdom	Holding company	30-Jun	100%

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

Company	Registered office
Arqiva Inc.	c/o The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE19801, United States of America.
Arqiva (Ireland) Limited	Unit 9 Willborough, Clonshaugh Industrial Estate, Dublin 17, Co. Dublin, Ireland
Arqiva Pte Limited	8 Marina Boulevard #05-02, Marina Bay Financial Centre, 018981, Singapore.
Arqiva SAS	Batiment Energy 2, 4 Rue Paul Dautier, 78410 Velizy-villacoubla, France.
Arqiva SRL	c/o Studio Bandini & Associati, Via Calabria 32, Rome, Italy.
Arqiva (Scotland) Limited d and Connect TV (Scotland) Limited	c/o Morton Fraser, Quartermile 2, 2 Lister Square, Edinburgh, EH3 9GL, Scotland.

Company	Country of incorporation	Principal activities	Registered office	Year end	Percentage of ordinary shares held
Joint ventures					
Sound Digital Limited	United Kingdom	Ownership and operation of UK DAB radio multiplex licence	Media House Peterborough Business Park, Lynch Wood, Peterborough, United Kingdom, PE2 6EA	31-Dec	40.0%
YouView TV Limited	United Kingdom	Open source IPTV development	10 Lower Thames Street, Third Floor, London, EC3R 6YT	31-Mar	14.3%
***Associate undertakings**:*					
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	Greenworks Dog And Duck Yard, Princeton Street, London, England, WC1R 4BH	31-Dec	25.0%
DTT Multiplex Operators Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Mar	25.0%
Digital UK Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Dec	25.0%
DTV Services Limited	United Kingdom	Freeview market services	2nd Floor 27 Mortimer Street, London, England, W1T 3JF	31-May	20.0%
UK Digital Radio Limited	United Kingdom	Support delivery of a digital future for radio	55 New Oxford Street, 6th Floor, London, WC1A 1BS	31-Mar	10.0%

11 Receivables

	30 June 2020 £m	30 June 2019 £m
Current		
Amounts receivable from other Group entities	1,380.5	1,253.5
Total current receivables	**1,380.5**	**1,253.5**
Non-current		
Amounts receivable from other Group entities	45.1	45.1
Total non-current receivables	**45.1**	**45.1**

Included in the receivables balance due within one year are amounts of £38.6m (2019: £38.5m) upon which interest is charged at 0.0%, as well as £3.4m (2019: £1.7m) upon which interest is charged at a rate of 6.3% plus an index reflecting the blended interest rate swap rates that were in place as part of the external funding the Group has established to finance communications hubs, which for the year ended 30 June 2020 was 1.0% (2019: 1.3%). The remaining amounts receivable from other Group entities of £1,383.6m (2019: £1,258.4m) carried interest at 9.5%.

Amounts receivable from other Group entities are unsecured. Amounts included within current receivables are repayable on demand and amounts included within non-current receivables are repayable in 2033.

Amounts receivable from other Group entities (shown within current receivables) are stated after deducting allowances for doubtful debts, as follows:

	2020 £m	2019 £m
Allowance at 1 July	**1.2**	**1.2**
Allowance at 30 June	**1.2**	**1.2**

A provision against intercompany receivables relates to an amount which was not anticipated to be recovered due to the cessation of trade in a non-core business.

12 Cash and cash equivalents

	30 June 2020 £m	30 June 2019 £m
Cash at bank	1.2	0.2
Short term deposit	-	2.5
Total cash and cash equivalents	**1.2**	**2.7**

13 Payables

	30 June 2020 £m	30 June 2019 £m
Amounts payable to other Group entities	94.7	72.6
Accruals	0.1	0.1
Total payables	**94.8**	**72.7**

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

14 Borrowings

	30 June 2020 £m	30 June 2019 £m
Within current liabilities:		
Accrued interest on shareholder loan notes	1,714.3	1,248.4
Borrowings due within one year	**1,714.3**	**1,248.4**
Within non-current liabilities:		
Shareholder loan notes	2,148.1	2,148.1
Borrowings due after more than one year	**2,148.1**	**2,148.1**
Total borrowings	**3,862.4**	**3,396.5**

The shareholder loan notes are unsecured, listed on the Channel Islands Stock Exchange, to be repayable between September 2024 and September 2025; they cannot be called upon early. The shareholder loan notes carry a fixed rate of interest ranging between 13.0% and 14.0% which can be deferred at the option of the Company subject to certain conditions, applicable to the capital and un-paid interest. The Company has exercised this option to defer interest payments since June 2009.

Included in the balance above is £0.1m (2019: £0.2m) of unamortised premium.

There have been no breaches of the terms of the loan agreements during the current or previous years.

An analysis of total borrowings by maturity is as follows:

	30 June 2020 £m	30 June 2019 £m
Borrowings falling due within:		
One year	1,714.3	1,248.4
Two to five years	2,148.1	-
Over five years	-	2,148.1
Total	**3,862.4**	**3,396.5**

15 Share capital

	30 June 2020 £m	30 June 2019 £m
Allotted and fully paid:		
1,000,000 (2019: 1,000,000) ordinary shares of £1 each	1.0	1.0

16 Contingent liabilities

Financing commitments
Under the terms of the Group's external debt facilities, the Company has provided security over substantially all of its tangible, intangible and other assets by way of a Whole Business Securitisation ('WBS') structure. The Directors consider the likelihood of this security being called upon to be low and therefore has no impact on the liabilities recognised for the current year.

17 Related party transactions

Intercompany transactions
The Company has applied the provisions within FRS 101 to be exempt from the disclosure of transactions entered into, and balances outstanding, with a Group entity which is wholly owned by another Group entity and key management personnel. No transactions occurred with other Group entities for which the holding by another Group entity was less than 100%.

Investor transactions
There are two investor companies, Frequency Infrastructure Communications Assets Limited ('FICAL') and Macquarie European Infrastructure Fund II ('MEIF II'), which are related parties with the Group in accordance with IAS 24, by virtue of significant shareholding in the Group, and another two Companies, Macquarie Global Infrastructure Funds II ('MGIF II') and Macquarie Prism who are related parties by virtue of common influence:

30 June 2020	MGIF II *	MEIF II +	Macquarie Prism *	FICAL +
	£m	£m	£m	£m
Shareholder loan notes	12.8	626.6	9.3	1,208.4
Shareholder loan note interest for the year	2.4	118.6	4.0	228.8
Accrued shareholder loan note interest	7.1	355.9	24.1	686.5

* A related party by virtue of common influence.
+ An investor company and a related party by virtue of significant shareholding (as at 30 June 2020).

30 June 2019	MGIF II *	MEIF II +	Macquarie Prism *	FICAL +
	£m	£m	£m	£m
Shareholder loan notes	12.8	626.6	9.3	1,208.4
Shareholder loan note interest for the year	2.0	104.3	3.6	201.2
Accrued shareholder loan note interest	4.7	237.3	20.1	457.7

* A related party by virtue of common influence.
+ An investor company and a related party by virtue of significant shareholding (as at 30 June 2019).

18 Controlling parties

The Company's immediate parent company and ultimate UK parent undertaking is AGL, which is the parent undertaking of the largest and smallest group to consolidate these financial statements.

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

AGL is owned by a consortium of shareholders including Canada Pension Plan Investment Board, Macquarie European Infrastructure Fund II, other Macquarie managed funds and minorities. There is no ultimate controlling party of the Company, as defined by FRS 101.

19 Events after the reporting year

On 8 July 2020, the Arqiva Group successfully completed the sale of its Telecoms business to Cellnex in a circa £2.0bn deal. The transaction comprises the divestment of c. 7,400 of Arqiva's cellular sites, including masts and towers as well as urban rooftop sites, and the right to market a further c.900 sites across the UK. In the execution of the agreement, the Group has sold six subsidiary entities, the largest being Arqiva Services Limited an indirectly held subsidiary of the Company. There is no impact on the financials of the Company as a result of the transaction.

There have been no other events since the balance sheet date that would have a material impact on the Company and require disclosure within the financial statements.