# Arqiva Financing Plc

**Registered number 08336354**

# Annual Report and Financial Statements

**For the year ended 30 June 2021**

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# Strategic report

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

## Business model, environment and strategy

The principal activities of Arqiva Financing Plc (the 'Company') throughout the year have been that of a financing vehicle, acting as issuer for the majority of the listed senior bonds and a lender within the Arqiva Group Limited ('AGL') group (the 'Group') of companies. These bonds are listed on the London Stock Exchange.

This entity is a wholly owned subsidiary of a UK parent undertaking, see note 16 to the financial statements.

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

Given the straightforward nature of the Company's activities as a 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 within the Annual Report and Consolidated Financial statements of AGL on page 32, a copy of which is available from the address in note 16 to the financial statements, or the Group's website at www.arqiva.com.

The Company made a profit for the financial year of £4,000 (2020: £4,000).

The issued share capital of the Company is £50,000 (2020: £50,000) comprising 50,000 (2020: 50,000) fully paid ordinary shares of £1 each.

At 30 June 2021, the Company had net assets of £83,000 (2020: £79,000), and was financed through senior bonds of £470,666,667 (2020: £497,333,333).

£306,666,667 (2020: £333,333,333) of the senior bonds were raised from an issuance as part of the February 2013 Arqiva Group refinancing and the remaining £164,000,000 (2020: £164,000,000) were raised from an issuance during February 2014. See note 12 for further information.

## 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 a 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 within the Annual Report and Consolidated Financial Statements of AGL on page 48, a copy of which can be obtained from the address in note 16 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 act as a financing vehicle.

## 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 38, a copy of which can be obtained from the address in note 16 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. How this has been achieved is discussed within the Annual Report and Consolidated Financial statements of AGL on pages 38 and 39, a copy of which can be obtained from the address in note 16 of these financial statements or the Group's website at www.arqiva.com.

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

**Mike Parton**
**Director**

# Directors' report

The Directors of Arqiva Financing Plc, registered company number 08336354, (the 'Company') submit the following annual report and audited financial statements (the 'financial statements') in respect of the year ended 30 June 2021. The company operates within the AGL group of companies.

## Business review and principal activities

## Financing activities

The Company holds £470,666,667 sterling denominated senior listed bonds repayable between December 2021 and December 2032 that were raised between February 2013 and February 2014. See note 12 for further information.

## Future developments

It is the intention of the Company to continue to act as a financing vehicle.

## Financial risk management

Due to the nature of the Company's operations, it is exposed to limited financial risks which include 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 actively maintains a mixture of long-term external debt finance and intercompany loans. For short-term funding the Company utilises intercompany loans. The maturity of the Company's borrowings is shown in note 12. The Company's capital requirements are managed by the Group's treasury team.

*Interest rate risk*

The Company has a policy of maintaining debt at fixed rates to ensure certainty of future interest cash flows.

## Dividends, transfers to reserves and results

The Directors do not propose to pay a dividend for the year (2020: £nil). The profit for the financial year of £4,000 (2020: £4,000) was transferred to 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.

The Company adopts the going concern basis in preparing its financial statements, based on the support from its ultimate parent undertaking, the future cash flow forecasts of the Group, Company 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, the Group has a mixed customer base, and that the Group can therefore continue to support the Company as required, 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 period

There have been no events since the year end date which 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 and up to the date of signing the financial statements were:

- Christian Seymour
- Michael Parton
- Mark Braithwaite
- Nathan Luckey (Resigned 4 August 2020, re-appointed 1 July 2021)
- Peter Adams (alternate)
- Sally Davis
- Neil King
- Helena Whitaker
- Martin Healey (Resigned 12 January 2021)
- Frank Dangeard (Resigned 1 July 2021)
- Paul Donovan
- Mike Darcey
- Max Fieguth (alternate)
- Batiste Ogier (Appointed 12 January 2021)

## Company Secretary

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

## 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 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.

## 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.

## Corporate Governance Statement

As the Company has only debt securities which are solely listed on the London Stock Exchange and no listed shares, it has taken advantage of the exemptions provided by the Financial Conduct Authority ('FCA') to make reduced disclosure in respect of the full corporate governance disclosures required by the Corporate Governance Code. In accordance with the available reduced disclosure framework the Company is still required to comply with Disclosure Rules and Transparency Rules ('DTR') 7.2.5R and DTR 7.2.6R and has included the following statements in relation to these.

**Internal control over financial reporting (DTR 7.2.5R)**

The Board reviews the effectiveness of the Group's systems of internal control, including risk management systems and financial and operational controls, which include those of the Company.

In carrying out its review of the effectiveness of the Group's systems of internal control, the Board considered the following key features which operated during the year:

- The internal audit and risk management function conduct various checks on internal financial controls throughout the year.
- The internal financial controls of each business unit are reviewed periodically based upon a cyclical, risk-based approach pre-determined by the Group's Audit and Risk Committee. The internal audit and risk management function provides written reports of their findings to the Board confirming that the internal financial controls have been reviewed and highlighting any departures from the controls system that the Group has determined to be appropriate practice.
- Management regularly monitors and considers developments in accounting regulations and best practice in financial reporting, and where appropriate, reflects developments in the annual financial statements. Appropriate briefings and/or training are provided to key finance personnel on relevant developments in accounting and financial reporting.
- The financial results of each business unit and the Group's consolidation are subject to review by the Group finance function as well as the individual business units.
- The draft consolidated financial statements of the Group are reviewed by an individual independent from those individuals who were responsible for preparing the financial statements. The review includes checking internal consistency, consistency with other statements, consistency with internal accounting records and arithmetical accuracy. The financial statements are further reviewed by senior members of management, as well as external auditors.
- The Audit and Risk Committee and the Board review the annual financial statements. The Audit and Risk Committee receives reports from management and the external auditors on significant judgements, changes in accounting policies, changes in accounting estimates and other pertinent matters relating to the consolidated financial statements.

The Board confirms that it has reviewed the effectiveness of the Group's systems of internal control and risk management which were in place during the financial year ended 30 June 2021, and confirms that these systems have remained in place up to the approval of these financial statements. The Board will continue to take steps to embed internal control and risk management further into the operations of the Group and to deal with any areas which come to the attention of management and the Board.

**Share capital structures (DTR 7.2.6R)**
Details of the issued share capital can be found in note 13 to the financial statements. The rights attaching to the Company's shares are set out in its Articles of Association.

The Company's share capital is wholly owned by Arqiva Group Intermediate Limited ('AGIL'), a fellow subsidiary entity of AGL as referred to in note 16.

# Statement of Directors' responsibilities in respect of the financial statements

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

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

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

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

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

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

**Directors' confirmations**

Each of the Directors, whose names and functions are listed in the 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 Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities, financial position and profit 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

**Mike Parton**
**Director**
Crawley Court
Winchester
Hampshire
SO21 2QA

22 October 2021

# Independent auditors' report to the members of Arqiva Financing Plc

## Report on the audit of the financial statements

### Opinion

In our opinion, Arqiva Financing Plc's financial statements:

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

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

Our opinion is consistent with our reporting to the Audit and Risk Committee of Arqiva Group Limited.

### 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, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the Company in the period under audit.

### Our audit approach

#### Overview

Audit scope

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

- Borrowings in the form of Senior Bonds
- Recoverability of intercompany receivable balances
- Covid-19 impact

Materiality

- Overall materiality: £4.7 million (2020: £5.0 million) based on approximately 1% of total assets.
- Performance materiality: £3.5 million.

#### 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.

## 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.

The key audit matters below are consistent with last year.

| **Key audit matter** | **How our audit addressed the key audit matter** |
|---|---|
| *Borrowings in the form of Senior Bonds* | |
| The Company has significant borrowings in the form of Senior Bonds.<br><br>As at 30 June 2021, the senior bonds include £470.7 million sterling denominated bonds outstanding with fixed interest rates ranging between 4.88% and 5.34%. These bonds are repayable between December 2021 and December 2032 and are listed on the London Stock Exchange.<br><br>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.<br><br>Refer to page 22 (Note 12 - Borrowings) | We confirmed the interest rates of the bonds to the London Stock Exchange website. We further confirmed the principal amount and maturity profiles of the bonds to the London Stock Exchange website with no differences noted.<br><br>We also agreed the maturity profile and balances to the prior year audited financial statements and agreed through review of minutes of board meetings that there have been no changes to the terms of the bonds that existed throughout the year and at the reporting date.<br><br>We agreed any repayments of principal to bank statements.<br><br>We recalculated the interest expense on the bonds 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 a Group Company amounting to £470.8 million as at 30 June 2021.<br><br>This is considered a key audit matter as there was significant judgement involved in the assessment of the recoverability of receivables along with its impact on the Company's ability to repay external debts.<br><br>Refer to page 21 (Note 10 – 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.<br><br>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. |
| *Covid-19 impact* | |
| Since early 2020, the Covid-19 pandemic has impacted the globe, creating considerable uncertainty for economies and markets.<br><br>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.<br><br>Despite some challenges, Arqiva, as a critical national infrastructure business, have continued to operate throughout the pandemic and have continued to maintain services providing communications and broadcast capabilities across the country and management therefore consider the impact of Covid-19 to be limited.<br><br>FY22 budgets have been revisited by management to ensure that any necessary revisions are made to take | We discussed the impact of Covid-19 in each key meeting held with management at multiple levels across the Group. We considered the impact of Covid-19 as part of our going concern procedures, including considering the updated FY22 budget, and extent of sensitivities applied to include severe but plausible downside scenarios, and we concur with the Directors' conclusion that the Group continues to be a going concern, with Covid-19 not having impacted this conclusion.<br><br>As noted in the 'Recoverability of intercompany receivable balances' KAM above, we have considered the ability of Group entities to repay outstanding amounts and satisfied ourselves that there are no issues in respect of recoverability.<br><br>We have also confirmed that the letter of support from the Group remains in place.<br><br>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. |

| | |
|---|---|
| into account any known and expected impacts of Covid-19. These have been incorporated into management's going concern assessment.<br><br>Refer to page 5 and page 18 (Directors' report - Going concern, Note 3 – Principal accounting policies – Going concern) | |

## 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.

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 Plc is a financing vehicle, an issuer of the listed senior bonds in the London Stock Exchange within the Arqiva Group Limited group of companies. It has no other trading activities during the year. The Company has advanced the funds it raised from the issuance of notes through an intercompany loan agreement to another Company within the Group.

## 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 Company materiality* | £4.7 million (2020: £5.0 million). |
| *How we determined it* | approximately 1% of total assets |
| *Rationale for benchmark applied* | Based on our professional judgement, total assets is considered to be an appropriate measure to assess the performance of the Company given that the purpose of the Company is to hold debt and the measure is a generally accepted auditing benchmark. |

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £3.5 million for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee of Arqiva Group Limited that we would report to them misstatements identified during our audit above £0.2 million (2020: £0.2 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's assessment of the use of going concern basis of preparation of the financial statements;
- Obtaining the signed letter of support from the Group;
- Assessing the reliability of the letter of support by leveraging the Group going concern assessment and the audit procedures performed over the Group going concern assessment; and
- Considering management's disclosures of their assessment of going concern.

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

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

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

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

## Reporting on other information

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

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

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

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

### Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 30 June 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

## Responsibilities for the financial statements and the audit

### Responsibilities of the Directors for the financial statements

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

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

### Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management's manipulation through the posting of manual journals. Audit procedures performed by the engagement team included:

- Discussions with management and Directors, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or journals posted by unexpected users;
- Reviewing minutes of meetings of those charged with governance; and
- As required by ISA 240, incorporating an element of unpredictability into our audit testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

### Use of this report

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

## Other required reporting

### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

### Appointment

Following the recommendation of the Audit and Risk Committee of Arqiva Group Limited, we were appointed by the members on 1 February 2013 to audit the financial statements for the year ended 30 June 2013 and subsequent financial periods. The period of total uninterrupted engagement is 9 years, covering the years ended 30 June 2013 to 30 June 2021.

N. Comello

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

# Income statement

| | Note | Year ended 30 June 2021 £'000 | Year ended 30 June 2020 £'000 |
|---|---|---|---|
| **Operating result** | 5 | **-** | **-** |
| Finance income | 7 | 24,709 | 40,109 |
| Finance costs | 8 | (24,704) | (40,104) |
| **Profit before tax** | | **5** | **5** |
| Tax | 9 | (1) | (1) |
| **Profit for the financial year** | | **4** | **4** |

All results presented relate to continuing operations.

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

The notes on pages 17 to 23 form part of these financial statements.

# Statement of financial position

| | Note | 30 June 2021 £'000 | 30 June 2020 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Receivables | 10 | 444,000 | 470,666 |
| **Total non-current assets** | | **444,000** | **470,666** |
| **Current assets** | | | |
| Receivables | 10 | 26,786 | 26,782 |
| Cash and cash equivalents | | 33 | 34 |
| **Total current assets** | | **26,819** | **26,816** |
| **Total assets** | | **470,819** | **497,482** |
| **Current liabilities** | | | |
| Payables | 11 | (69) | (70) |
| Borrowings | 12 | (26,667) | (26,667) |
| **Total current liabilities** | | **(26,736)** | **(26,737)** |
| **Net current assets** | | **83** | **79** |
| **Non-current liabilities** | | | |
| Borrowings | 12 | (444,000) | (470,666) |
| **Total non-current liabilities** | | **(444,000)** | **(470,666)** |
| **Total liabilities** | | **(470,736)** | **(497,403)** |
| **Net assets** | | **83** | **79** |
| **Equity** | | | |
| Called up share capital | 13 | 50 | 50 |
| Retained earnings | | 33 | 29 |
| **Total equity** | | **83** | **79** |

The notes on pages 17 to 23 form part of these financial statements.

These financial statements on pages 14 to 23 were approved by the Board of Directors on 22 October 2021 and were signed on its behalf by:

M Parton

Mike Parton - Director

# Statement of changes in equity

| | Share capital | Retained earnings | Total equity |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Balance at 1 July 2019** | **50** | **25** | **75** |
| Profit for the financial year | - | 4 | 4 |
| **Balance at 30 June 2020** | **50** | **29** | **79** |
| Profit for the financial year | - | 4 | 4 |
| **Balance at 30 June 2021** | **50** | **33** | **83** |

# Notes to the financial statements

## 1 General information

Arqiva Financing Plc (the 'Company') is a private company limited by shares, incorporated and domiciled in England, United Kingdom ("UK") under the Companies Act under registration number 08336354. 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 3 and the Directors' report and statement of Directors' responsibilities on pages 5 - 8.

## 2 Basis of preparation and statement of compliance

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

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

The financial statements are prepared on a going concern basis and under the historical cost convention.

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

| | |
|---|---|
| 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 paragraphs 10(d), 10(f), 16, 38A, 38B to D, 40A to D, 111 and 134 to136.<br>The requirements of paragraph 38; comparative information in respect of paragraph 79(a)(iv) of IAS 1. |
| 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 member and key management personnel. |
| IAS 8 *Accounting policies, changes in accounting estimates and errors* | The requirements of paragraphs 30 and 31. |

**Impact Assessment of new Standards**
There were no new standards adopted in the year which had any significant 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.

The Company adopts the going concern basis in preparing its financial statements, based on the support from its ultimate parent undertaking, the future cash flow forecasts of the Group and Company 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 and do not expect there to be an impact on the Company.

### (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. 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) Interest

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

### (d) 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 and subsequently carried at amortised cost using the effective interest method. 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 bank 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.

There are no significant judgements or critical accounting estimates impacting these financial statements.

## 5 Audit fees

The Company's audit fee for the year was £27,000 (2020: £26,780) and this was borne by Arqiva Limited, a fellow Group company, and was not recharged. There were no non-audit fees in the year.

## 6 Employees and directors

**Employees**
The Company had no employees during the year (2020: none).

**Directors**
There are no recharges (2020: 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 2021 £'000 | Year ended 30 June 2020 £'000 |
|---|---|---|
| Interest receivable from other Group entities (see note 10) | 24,709 | 40,109 |
| **Total finance income** | **24,709** | **40,109** |

## 8 Finance costs

| | Year ended 30 June 2021 £'000 | Year ended 30 June 2020 £'000 |
|---|---|---|
| Senior bond interest (see note 12) | 24,704 | 40,104 |
| **Total finance costs** | **24,704** | **40,104** |

## 9 Tax

UK Corporation tax is calculated at the rate of 19.0% (2020: 19.0%) of the estimated taxable profit for the year.

| | Year ended 30 June 2021 £'000 | Year ended 30 June 2020 £'000 |
|---|---|---|
| Current tax: | | |
| UK corporation tax | | |
| - Current year | 1 | 1 |
| Total current tax | 1 | 1 |
| **Tax charge on profit** | **1** | **1** |

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

| | Year ended 30 June 2021 £'000 | Year ended 30 June 2020 £'000 |
|---|---|---|
| Profit before tax | 5 | 5 |
| Tax at the UK Corporation tax rate of 19.0% (2020: 19.0%) | 1 | 1 |
| **Total tax charge for the year** | **1** | **1** |

The main rate of UK corporation tax was 19.0% during the year (2020: 19.0%). In the Finance Act 2021 it was enacted that the main rate of UK corporation tax would be increased to 25.0% from 1 April 2023.

There are no recognised or unrecognised deferred tax balances (2020: none).

## 10 Receivables

| | 30 June 2021 £'000 | 30 June 2020 £'000 |
|---|---|---|
| **Current assets** | | |
| Amounts receivable from other Group entities | 26,786 | 26,782 |
| **Total current receivables** | **26,786** | **26,782** |
| **Non-current assets** | | |
| Amounts receivable from other Group entities | 444,000 | 470,666 |
| **Total non-current receivables** | **444,000** | **470,666** |

Receivables from Group undertakings are unsecured. Interest has been charged on £306,666,666 (2020: £333,333,333) at a rate of 4.88% (2020: 4.88%), £164,000,000 (2020: £164,000,000) at 5.34% (2020: 5.34%), and £119,000 (2020: £115,000) at 0.0% (2020: 0.0%).

Included in the amounts receivable from other Group entities as at 30 June 2021 is £119,000 (2020: £115,000) repayable on demand, £26,666,667 (2020: £26,666,667) due under one year, £106,666,666 (2020: £106,666,666) due between one and five years, and £337,333,333 (2020: £364,000,000) due after more than five years. Other than the amount repayable on demand, these amounts represent the funds raised on refinancing which have been advanced by the Company to Arqiva Financing No.1 Limited ('AF1') under a facilities agreement. The amounts receivable from AF1 under these loan agreements are repayable between December 2021 and December 2032.

## 11 Payables

| | 30 June 2021 £'000 | 30 June 2020 £'000 |
|---|---|---|
| Accrued interest | 68 | 69 |
| Taxation and Social Security | 1 | 1 |
| **Total Payables** | **69** | **70** |

## 12 Borrowings

| | 30 June 2021 £'000 | 30 June 2020 £'000 |
|---|---|---|
| Senior bonds | 26,667 | 26,667 |
| **Borrowings due within one year** | **26,667** | **26,667** |
| Senior bonds | 444,000 | 470,666 |
| **Borrowings due after more than one year** | **444,000** | **470,666** |

An analysis of total borrowings by maturity is as follows:

| | 30 June 2021 £'000 | 30 June 2020 £'000 |
|---|---|---|
| Borrowings falling due within: | | |
| One year | 26,667 | 26,667 |
| Two to five years | 106,667 | 106,666 |
| More than five years | 337,333 | 364,000 |
| **Total** | **470,667** | **497,333** |

Senior bonds are all publicly listed bonds on the London Stock Exchange. As at 30 June 2021, the Company has £470,666,667 (2020: £497,333,333) sterling denominated bonds outstanding with fixed interest rates ranging between 4.88% and 5.34% (2020: between 4.88% and 5.34%). These bonds are repayable between December 2021 and December 2032 and are listed on the London Stock Exchange.

The Company has advanced the funds it raised from the issuance of bonds via an intercompany loan agreement to another company within the Group.

As part of the Group refinancing, the Company incurred debt issue costs in relation to the £164,000,000 Senior bond issued in February 2014 and the £306,666,667 Senior bonds issued in February 2014. These debt issue costs have been charged to AF1, a company within the Group, in connection with the on-lending of financing via an intercompany loan arrangement under which AF1 is the ultimate beneficiary of this refinancing (see note 10).

## 13 Called up share capital

| | 30 June 2021 £'000 | 30 June 2020 £'000 |
|---|---|---|
| **Allotted and fully paid:** | | |
| 50,000 (2020: 50,000) ordinary shares of £1 each | 50 | 50 |

## 14 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.

## 15 Related party transactions

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

## 16 Controlling parties

The Company's immediate parent undertaking is Arqiva Group Intermediate Limited (‘AGIL’). Copies of the AGIL financial statements can be obtained from the Company Secretary at Crawley Court, Winchester, Hampshire, SO21 2QA.

The ultimate UK parent undertaking is AGL, which is the parent undertaking of the largest group to consolidate these financial statements. The smallest group to consolidate these financial statements is Arqiva Group Parent Limited (‘AGPL’). Copies of the AGL and AGPL consolidated financial statements can be obtained from the Company Secretary of each Company at Crawley Court, Winchester, Hampshire, SO21 2QA.

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