



Arqiva Financing No 1 Limited

Registered number 06137924

Annual Report and Financial Statements

For the year ended 30 June 2023

Arqiva Financing No 1 Limited (06137924)

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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 No 1 Limited ('the Company') throughout the year have been that of 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 external and intercompany debt.

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

The Company has made a loss for the financial year of £404.1m (2022: loss of £418.0m). The income statement principally comprises finance income and costs on borrowings of the Company, both with other Group companies and external debt. The Company has net liabilities of £2,578.8m (2022: net liabilities of £2,214.0m).

Key performance indicators ('KPIs')

Given the straightforward nature of the Company's activities, the Directors are of the opinion that analysis using KPIs is not necessary for the 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, a copy of which is available from the address in note 22 of these financial statements or the Group's website at www.arqiva.com.

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 within the strategic report of the AGL consolidated financial statements, a copy of which can be obtained from the address in note 22 of these financial statements or the Group's website at www.arqiva.com.

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, a copy of which can be obtained from the address in note 22 of these financial statements or the Group's website at www.arqiva.com.

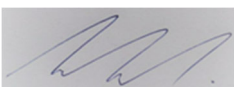
Stakeholder engagement

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.

Future developments and outlook

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

This report was approved by the Board of directors on 16 October 2023 and signed on its behalf by:



Scott Longhurst
Director

Directors' report and statement of Directors' responsibilities

The Directors of Arqiva Financing No 1 Limited, registered company number 06137924, ('the Company') submit the following annual report and financial statements ('the financial statements') in respect of the year ended 30 June 2023. The Company's registered office is Crawley Court, Winchester, Hampshire SO21 2QA.

The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

Business review and principal activities

The Company acts as an intermediate holding company and financing vehicle within the Arqiva Group Limited ('AGL') group of companies ('the Group'). It holds an investment in a group of operating companies which it funds from a combination of external and intercompany debt.

The Company has made a loss for the financial year of £404.1m (2022: loss of £418.0m). The income statement principally comprises finance income and costs on borrowings of the Company, both with other Group companies and external debt. The Company has net liabilities of £2,578.8m (2022: net liabilities of £2,214.0m).

Financing overview

The Company holds senior debt including an institutional term loan with £90.0m outstanding (2022: £90.0m outstanding), maturing in December 2023 and a loan from the European Investment Bank with £172.0m outstanding (2022: £172.0m outstanding), maturing in June 2024. These loans have been repaid post year end, in July 2023. The company hold a working capital facility (2023: £15.0m outstanding; 2022: £34.0m), which has an expected maturity date of July 2026.

The Company has been advanced funds raised by other Group entities. The principal balances of these loans are shown within non-current liabilities unless amounts are due to be settled within one year. These group loans are at rates ranging between 4.882% and 5.34% and to be repaid between June 2030 and December 2032.

Also included within the balance are funds advanced from other group entities are £239.8m (2022: £263.3m) of sterling denominated floating rate US private placements that are amortising in nature with repayments due between December 2023 and December 2029. A further £93.5m (2022: £nil) of US dollar denominated floating rate private placements have also been advanced to the Company following the completion of refinancing in June 2023. These have an amortising repayment profile commencing in December 2027 with a final maturity date of June 2031. Arqiva PP Financing ('APPF'), another group entity, is the issuer of this facility.

The remaining loans advanced by other group entities incur interest at 9.5% and are repayable in February 2033 unless otherwise agreed between the lender and borrower.

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

There have been no other changes in this financing structure in the current year.

Principal risks and uncertainties

Details of the principal risks and uncertainties are included in the Strategic report on page 1.

Future developments

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

Financial risk management

The Company's operations expose it to a variety of financial risks that include liquidity risk, credit risk, interest rate risk and foreign exchange risk. The Group's overall risk management programme seeks to minimise potential adverse effects as noted below.

Liquidity risk

The Company actively maintains a mixture of long-term and short-term intercompany loans and utilises external debt finance. The maturity of the Company's borrowings are shown in Note 16. The Company's capital requirements are managed by the Group Treasury team.

Credit risk

The Company carefully manages the credit risk on liquid funds and derivative financial instruments with balances currently spread across a range of major financial institutions which have satisfactory credit ratings assigned by international credit rating agencies. The levels of credit risk are monitored through the Company's on-going risk management processes, which include a regular review of credit ratings.

Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty. The Company does not have an external customer base. The interest-bearing intercompany debt is covered by intercompany agreements.

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Interest rate risk

The Company is exposed to interest rate risk due to borrowing variable rate bank debt. The Company maintains a hedging policy to manage interest rate risk and to ensure the certainty of future interest cash flows and compliance with debt covenants. It currently has fixed rate hedging, split between interest rate swaps and inflation-linked interest rate swaps. Inflation-linked swaps convert fixed or floating rate interest costs to RPI-linked costs. In June 2023 the Company completed its accretion RPI collar execution which caps future accretion exposure to inflation at circa 6%.

Interest rate swaps convert variable rate interest costs to fixed rate interest costs while inflation swaps convert fixed rate interest costs to RPI-linked costs, which fluctuate in line with the RPI index as do a significant proportion of the Group's revenue contracts. Intercompany loan balances are interest free or at fixed interest rates. The Company has a policy of ensuring that it is not exposed to changing interest rates and as such it ensures that the fixed or floating rate nature of any debt raised is matched with similar intercompany loans to other Group companies or that external swap instruments are taken out as described above.

Foreign exchange risk

Management regularly monitors the impact of foreign exchange risks and assess the need to put any mitigating financial instruments in place.

In June 2023 Arqiva PP Financing ('APPF'), another group entity, issued 118m US dollar denominated private placement notes which were advanced to the Company. At the same time the company entered cross currency swaps to fix the exchange exposure on this debt. Details of the cross- currency swaps are provided in note 17.

Dividends, results and transfers to reserves

The Directors do not propose to pay a dividend for the year (2022: £nil). The loss for the financial year of £495.6m (2022: loss of £418.0m) 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, and whether there is sufficient cash generated to service the debt obligations.

The Group performs a review of going concern through a review of forecasting including cash flow forecasts and considering the requirements of capital expenditure and debt repayments and including any severe but plausible scenarios.

The Company has reported losses and has a significant net liability position on the Statement of Financial Position, caused by debt and the related financing costs. However, based on the support from its ultimate parent the AGL Group has continued to generate strong operating cashflows and has access to sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to repay the Company debt as it falls due. As such the Directors of the Company continue to be confident that the Company will have access to adequate resources to continue in operational existence and continue to meet debt and interest payments as they fall due.

Events after the reporting period

Post year end, in July 2023 the Company was advanced the proceed of a £250m public bond issue raised by Arqiva Financing plc (another subsidiary in the Group) on back-to-back terms with a maturity in 2028 and coupon rate of 7.21%. The proceeds of this facility have been utilised to prepay the Company's outstanding £90m ITL and £172m EIB term debt.

Directors

The following held office as Directors of the Company during the year and up to the date of this report:

- Sally Davis (Resigned 31 January 2023)
- Thorsten Johnsen (Resigned 21 November 2022)
- Neil King (Resigned 18 October 2022)
- Batiste Ogier (Resigned 18 October 2022)
- Michael Parton (Resigned 1 February 2023)
- Christian Seymour (Resigned 17 January 2023)
- Mike Darcey
- Shujauddin Khan
- Thorsten Johnsen (Resigned 31 October 2022)
- Susana Leith-Smith (Appointed 13 May 2023)
- Paul Donovan (Appointed 1 July 2022)
- Maximilian Fieguth (Appointed 6 December 2022)
- Arnaud Jaguin (Appointed 5 December 2022)
- Scott Longhurst (Appointed 1 February 2023)

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- Andrew Macleod (Appointed 1 July 2023)
- Matthew Postgate (Appointed 17 November 2022)
- David Stirton (Appointed 2 February 2023)

Company Secretary

Nicola Phillips was appointed as Company Secretary on 28 July 2023 (previously Sean West being appointed on 6 December 2022 and resigning on 28 July 2023 and Katrina Dick being appointed on 6 April 2022 and resigning on 6 Dec 2022).

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.

Statement of Directors' responsibilities

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:

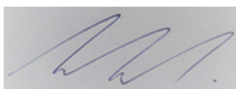
- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates 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.

On behalf of the Board



Scott Longhurst
Director

Crawley Court
Winchester
Hampshire
SO21 2QA

16 October 2023

Arqiva Financing No 1 Limited (06137924)

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Income statement

	Note	Year ended 30 June 2023	Year ended 30 June 2022 (Restated) ¹
		Total £m	Total £m
Operating expenses	5	(0.8)	(1.0)
Operating loss	5	(0.8)	(1.0)
Finance income	7	565.3	514.2
Finance costs	8	(1,012.8)	(910.9)
Other losses	99	(25.1)	(77.6)
Loss before taxation		(473.4)	(475.3)
Tax ¹	1010	77.1	73.9
Loss for the financial year		(396.3)	(401.4)

All results presented relate to 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 8 to 19 form part of these financial statements.

¹ 30 June 2022 figures have been restated to reflect a restatement of the tax credit balance. The Tax and Loss for the year balances before the restatement were £73.9m and (£401.4m). See note 10 for further details.

Statement of financial position

	Note	30 June 2023 £m	30 June 2022 £m (Restated) ²
Non-current assets			
Investments	11	2,599.4	2,599.4
Receivables	12	5,666.2	5,127.6
Deferred tax	13	53.5	69.5
Derivative financial instruments	17	34.8	31.9
		8,353.9	7,828.4
Current assets			
Receivables	12	416.3	284.4
Cash and cash equivalents	14	12.1	0.3
		428.4	284.7
Total assets		8,782.3	8,113.1
Current liabilities			
Borrowings	16	(9,037.8)	(7,684.0)
Payables	15	(2.9)	-
		(9,040.7)	(7,684.0)
Net current liabilities		(8,612.3)	(7,399.3)
Non-current liabilities			
Borrowings	16	(2,074.7)	(2,297.6)
Derivative financial instruments	17	(237.9)	(345.5)
		(2,312.6)	(2,643.1)
Total Liabilities		(11,353.3)	(10,327.1)
Net liabilities		(2,571.0)	(2,214.0)
Equity			
Share capital	18	-	-
Capital contribution reserve ²	19	152.1	112.8
Accumulated losses ²		(2,723.2)	(2,326.8)
Total equity		(2,571.0)	(2,214.0)

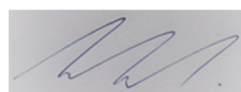
The notes on pages 8 to 19 form part of these financial statements.

For the period ending 30 June 2023 the company was entitled to exemption from audit under section 479A of the Companies Act 2006.

No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The Directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

These financial statements on pages 5 to 19 were approved by the Board of Directors and authorised for issue on 16 October 2023 and were signed on its behalf by:



Scott Longhurst - Director

² 30 June 2022 figures have been restated to reflect capital contribution to AF1 made in the year ended 30 June 2021 and 30 June 2022. The 30 June current asset receivables and Capital contribution reserve balances before the restatement were (£254.8m) and £83.2m. Net liabilities/Total equity prior to the misstatement was (£2,243.6m).

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Statement of changes in equity

	Share capital £m	Capital contribution reserve ⁴ £m	Accumulated losses £m	Total equity £m
Balance at 1 July 2021	-	66.4	(1,925.4)	(1,859.0)
Restatement of Capital Contribution ³	-	13.0	-	13.0
Restated balance at 1 July 2021	-	79.4	(1,925.4)	(1,846.0)
Loss for the year	-	-	(401.4)	(401.4)
Capital contribution (Restated) ³	-	33.4	-	33.4
Balance at 30 June 2022 (Restated)³	-	112.8	(2,326.8)	(2,214.0)
Loss for the financial year	-	-	(396.3)	(396.3)
Capital contribution	-	39.3	-	39.3
Balance at 30 June 2023	-	152.1	(2,723.1)	(2,571.0)

³ Capital contributions as at 1 July 2021 and in the year ended 30 June 2022 have been restated to reflect a recalculation in contributions from another entity in the Group. Capital contributions increased by £13.0m in the period to 30 June 2021 and £16.6m in the period to 30 June 2022. The capital contribution reserves prior to the restatement were £66.4m and £83.2m as at 1 July 2021 and 30 June 2022 respectively. See note 10 for detail.

⁴ The capital contribution reserve arose as a result of a shareholder transactions. These transactions represent cash injections into the company.

Notes to the financial statements

1 General information

Arqiva Financing No 1 Limited ('the Company') is a private company limited by shares, incorporated in England, United Kingdom ('UK') under the Companies Act under registration number 06137924. 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.

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, as modified by the revaluation of disclosure of financial assets and financial liabilities measured as fair value through profit and loss, and in accordance with the Companies Act 2006 as applicable to FRS101. 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:

<u>EU-adopted IFRS</u>	<u>Relevant disclosure exemptions</u>
IFRS 3 <i>Business Combinations</i>	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 <i>Financial Instruments: Disclosures</i>	All disclosure requirements.
IFRS 13 <i>Fair Value Measurement</i>	The requirements of paragraphs 91 to 99.
IAS 7 <i>Statement of Cash Flows</i>	All disclosure requirements.
IAS 24 <i>Related Party Disclosures</i>	The requirements of paragraph 17 and 18A; the requirement to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary party to the transaction is wholly owned by such a member and key management personnel.
IAS 1 <i>Presentation of financial statements</i>	The requirements of paragraph 38; comparative information in respect of paragraph 79(a)(iv) of IAS 1.
IAS 1 <i>Presentation of financial statements</i>	The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B to D, 40A to D, 111 and 134 to 136.
IAS 8 <i>Accounting policies, changes in accounting estimates and errors</i>	The requirements of paragraphs 30 and 31.

New and revised Standards

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements.

Initial Application of IFRS 17 and IFRS 9 (Amendments to IFRS 17)	Comparative Information about financial assets presented on initial application of IFRS 17.
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
	International tax reform - pillar two model rules

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At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Amendment to IFRS 16	Leases on sale and leaseback
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current

3 Principal accounting policies

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

(a) Exemption from consolidation

The Company is a wholly owned subsidiary of Arqiva Group Intermediate Limited ('AGIL') and of its ultimate parent, 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.

(b) 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 Group performs a review of going concern through a review of forecasting including cash flow forecasts and considering the requirements of capital expenditure and debt repayments and including any severe but plausible scenarios.

The Company has reported losses and has a significant net liability position on the Statement of Financial Position, caused by debt and the related financing costs. However, based on the support from its ultimate parent the AGL Group has continued to generate strong operating cashflows and has access to sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to repay the Company debt as it falls due. As such the Directors of the Company continue to be confident that the Company will have access to adequate resources to continue in operational existence and continue to meet debt and interest payments as they fall due.

(c) 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.

(d) Foreign currency translation

The financial statements of the Company are presented in 'Pounds Sterling' (£), which is also the entity's functional currency. Foreign currency transactions are translated into the functional currency using the rate of exchange prevailing on the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the re-translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(e) Investments in subsidiaries

Investments in subsidiaries are shown at cost less provision for impairment.

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(f) 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 the income statement, presented as an 'other gain or loss'.

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities' according to the substance of the contractual arrangements entered into.

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.

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage the Group's exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivative financial instruments are recognised at fair value at the date the derivative contract is entered into and are revalued at fair value at each balance sheet date. The fair value of these instruments is determined from the expected future cash flows discounted at a risk-adjusted rate. The future cash flows are estimated based on forward (interest/inflation/exchange) rates observable from rates and yield curves at the end of the reporting period, and contract rates. The difference between the fair value at the risk-adjusted rate and the fair value at the risk-free rate is used to determine the debit valuation adjustment and/or credit valuation adjustment to these instruments. The Group does not apply hedge accounting principles.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Otherwise derivatives are presented as current assets or current liabilities. Where derivatives have an amortising profile, the fair value of the element (i.e. the notional principal) that matures within 12 months is presented as a current asset or current liability.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

(g) Interest

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

4 Critical accounting estimates and judgements

In the application of the Group'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.

Critical judgements and key sources of estimation uncertainty in applying the Group's accounting policies

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:

Applicable accounting standards permit the recognition of deferred tax assets only to the extent that future taxable profits will be generated to utilise the deferred tax asset carried forward. The assessment of future taxable profits involves significant estimation uncertainty, principally relating to an assessment of managements projections of future taxable income based on business plans and on-going tax planning strategies. The carrying value of the deferred tax asset at the balance sheet date is shown in note 13.

5 Operating loss

The Company's audit fee for the year was £nil (2022: £nil) due to the exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Pre-exceptional operating expenses incurred in the year relate to professional fees payable.

6 Employees and Directors

Employees

The Company had no employees during the year (2022: none).

Directors

There are no recharges (2022: £nil) made to the Company in respect of any remuneration for any Directors, as their duties in respect of the Company are incidental to their normal duties on behalf of their employer companies.

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 2023	Year ended 30 June 2022
	£m	£m
Bank deposits	0.3	0.2
Interest receivable from other Group entities	565.0	514.0
Total finance income	565.3	514.2

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8 Finance costs

	Year ended 30 June 2023	Year ended 30 June 2022
	£m	£m
Bank and other loan interest	19.6	22.0
Amortisation of debt issue costs	0.5	0.6
Interest payable to other Group entities	992.7	888.3
Total finance costs	1,012.8	910.9

9 Other losses

	Year ended 30 June 2023	Year ended 30 June 2022
	£m	£m
Fair value loss on derivative financial instruments	(25.1)	(77.6)
Other losses	(25.1)	(77.6)
Total other losses	(25.1)	(77.6)

10 Tax

	Year ended 30 June 2023	Year ended 30 June 2022
	£m	£m
Current tax:		
UK corporation tax		
- Current year	(88.8)	(80.3)
- Prior period	(4.3)	
Total current tax	(93.1)	(80.3)
Deferred tax:		
Origination and reversal of timing differences	28.9	6.6
Prior period adjustment	(10.3)	1.3
Impact of rate change	(2.6)	(1.5)
Total deferred tax charge	16.0	6.4
Total tax credit for the year	(77.1)	(73.9)

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UK corporation tax is calculated at a blended rate of 20.5% (2022: 19.0%) of the taxable loss for the year. The tax credit for the year can be reconciled to the loss in the income statement as follows:

	Year ended 30 June 2023	Year ended 30 June 2022
	£m	£m
Loss before tax	(473.4)	(475.3)
Tax at the UK Corporation tax rate of 20.5% (2022: 19.0%)	(97.0)	(90.3)
Tax effect of expenses that are not deductible in determining taxable profit	-	-
Deemed interest on intercompany balances	(7.8)	-
Change in unrecognised deferred tax	44.9	16.6
Prior period adjustment	(14.6)	1.3
Impact of change in tax rates	(2.6)	(1.5)
Total tax credit for the year	(77.1)	(73.9)

The current year UK corporation tax credit (2022: credit) represents the payment received from other Group companies for the provision of tax losses by way of group relief.

The average blended rate of UK corporation tax was 20.5% during the year. In the Finance Act 2022 it was enacted that the main rate of UK corporation tax would be increased to 25.0% from 1 April 2023. UK deferred tax has been valued at 25% (30 June 2022: between 19% and 25%; depending on the period it is forecast to reverse in).

11 Investments

	Investments in subsidiaries £m
At 30 June 2022 and 30 June 2023	2,599.4

The Directors consider the carrying value of the Company's investments in its subsidiaries on an annual basis, or more frequently should indicators arise including transactions that significantly deplete the net assets within an invested entity, and believe that the carrying values of the investments valued using the cost method are supported by the underlying trade and net assets.

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	Transmission services	30-Jun	100%
Arqiva (Scotland) Limited	United Kingdom	Transmission services	30-Jun	100%
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 Group Holdings Limited	United Kingdom	Holding company	30-Jun	100% (held directly)

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Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
Arqiva Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Inc.	USA	Satellite transmission services	30-Jun	100%
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 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 Pension Trust Limited	United Kingdom	Dormant company	31-Mar	100%
Arqiva PP Financing Plc	United Kingdom	Financing vehicle	30-Jun	100% (held directly)
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 SRL	Italy	Satellite transmission services	30-Jun	100%
Arqiva Telecoms Investment Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva UK Broadcast Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Capablue Limited	United Kingdom	Dormant company	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%
Now Digital (Oxford) Limited	United Kingdom	Transmission services	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	Dormant company	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 Limited	United Kingdom	Holding company	30-Jun	100%

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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 Pte Limited	8 Marina Boulevard #05-02, Marina Bay Financial Centre, 018981, Singapore.
Arqiva SAS	Tour Vendome 204, Rond Point du Pont De Sevres, 92100, Boulogne, France.
Arqiva SRL	c/o Studio Bandini & Associati, Via Calabria 32, Rome, Italy.
Arqiva (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%
Associate undertakings:					
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	96a, Curtain Road, London, EC2A 3AA	31-Dec	25.0%
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%

12 Receivables

	30 June 2023 £m	30 June 2022 £m
Non-current		
Loans receivable from other Group entities	1,770.0	1,770.0
Amounts receivable from other Group entities	3,896.2	3,357.6
Total non-current receivables	5,666.2	5,127.6
Current		
Amounts receivable from other Group entities	397.9	283.4
Prepayments	0.9	1.0
Other receivables	9.7	-
Total current receivables	408.5	284.4

Amounts receivable from other Group entities are unsecured. Interest has been charged on the loan principal balance of £1,770.0m (2022: £1,770.0m) and the accrued interest balance of £3,905.2 (2022: £3,386.8) at 9.5% and interest has been charged on £239.2m (2022: £218.1m) at 0%. The loan principal balance is included within non-current receivables, repayable in February 2033, whilst accrued interest is included within current receivables. Other amounts receivable from other Group entities are repayable on demand.

Amounts receivable from other Group entities are stated after deducting allowances for doubtful debts of £1.4m (2022: £1.4m).

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13 Deferred tax

The Company has recognised a deferred tax asset of £53.5m (2022: £69.5m).

	Tax losses £m	Financial Instruments £m	Total £m
As at 1 July 2021	1.3	74.6	75.9
Charged to the income statement	(1.3)	(5.1)	(6.4)
At 1 June 2022	-	69.5	69.5
Charged to the income statement	-	(16.0)	(16.0)
At 30 June 2023	-	53.5	53.3

The corporation tax rate was increased to 25% from 19% effective from 1 April 2023; the deferred tax asset is therefore recognised at the 25% tax rate.

There is an unrecognised deferred tax asset of £219.7m (2022: £185.7m) in respect of deferred interest expenses. These deferred tax assets may be carried forward indefinitely. These assets have not been recognised since it is not probable that these assets will be able to be utilised against future taxable profits of the Group.

The Group continues to recognise the deferred tax asset based on forecast taxable profits that will arise based upon the long-term forecast results prepared for the Group. No attributes have a time expiry and these forecasts show the deferred tax assets reversing to a net liability position by 30 June 2031. Due to the long-term stable nature of the business, with significant long term contracts, the recognised deferred tax asset is not considered to be materially exposed to the performance of the Group based on reasonably possible trading forecasts.

14 Cash and cash equivalents

	30 June 2023 £m	30 June 2022 £m
Cash at bank	12.1	0.3
Total cash and cash equivalents	12.1	0.3

15 Payables

	30 June 2023 £m	30 June 2022 £m
Accruals	2.9	-
Total payables	2.9	-

The accruals relate to loan issue costs on the US dollar private placement loan entered into in June 2023 (see note 16).

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16 Borrowings

	30 June 2023	30 June 2022
	£m	£m
Within current liabilities:		
Amounts payable to other Group entities	8,761.3	7,650.0
Bank facilities	15.0	34.0
Bank loans	261.5	-
- <i>Senior debt</i>	262.0	-
- <i>Issue costs</i>	(0.5)	-
Borrowings due within one year	9,037.8	7,684.0
Within non-current liabilities:		
Bank loans	-	261.5
- <i>Senior debt</i>	-	262.0
- <i>Issue costs</i>	-	(0.5)
Other loans	2,074.7	2,036.1
- <i>Loans from other Group entities</i>	2,081.1	2,040.0
- <i>Issue costs</i>	(6.4)	(3.9)
Borrowings due after more than one year	2,074.7	2,297.6

The weighted average interest rate of borrowings is 7.23% (2022: 4.04%).

An analysis of total external borrowings (excluding issue costs and loans from other Group entities) by maturity is as follows:

	30 June 2023	30 June 2022
	£m	£m
Borrowings falling due within:		
One year	262.0	-
Two to five years	-	262.0
Total	262.0	262.0

Bank loans comprise the Company's **senior debt**. **Other loans** are comprised of loans from other group entities whereby externally raised funds have been advanced to the Company.

Senior debt includes an institutional term loan with £90.0m outstanding (2022: £90.0m outstanding), maturing in December 2023 and a loan from the European Investment Bank with £172.0m outstanding (2022: £172.0m outstanding), maturing in June 2024. Both loans were repaid early, they were repaid after the year ended in July 2023, as explained in Note 23.

Bank facilities represents the working capital facility (2023: £15.0m outstanding; 2022: £34.0m), which has an expected maturity date of July 2026. This facility is floating rate in nature with a margin over SONIA of 120 bps.

The Company has been advanced funds raised by **other Group entities**. The principal balances of these loans are shown within non-current liabilities unless amounts are due to be settled within one year. Included within these balances are funds advanced from Arqiva Financing Plc which issued £750.0m (2023: £253.4m outstanding, 2022: £280.0m outstanding) of Notes in February 2013 and £164.0m (2023: £164.0m outstanding, 2022: £164.0m outstanding) of Notes in February 2014, at rates ranging between 4.882% and 5.34% to be repaid between June 2030 and December 2032.

Also included within the balance are funds advanced from Arqiva PP Financing ('APPF') of £239.8m (2022: £263.3m) sterling denominated floating rate US private placements that are amortising in nature with repayments due between December 2023 and December 2029. These instruments have a margin over LIBOR of between 210 and 220 bps.

In addition, in June 2023 Arqiva PP Financing ('APPF') completed the issue of £93.5m (2022: £nil) of US dollar denominated floating rate US private placements and advanced these funds to the Company. At the hedged rate these are valued at £95.1m (2022: £nil). These notes have fixed interest rates of 6.24% and have an amortising repayment profile commencing in December 2027 with a final maturity date of June 2031.

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The remaining loans advanced by other group entities incur interest at 9.5% and are repayable in February 2033 unless otherwise agreed between the lender and borrower.

Other amounts payable to Group entities classified as due within one year are unsecured and repayable on demand.

Where unpaid interest accrues on each of the interest-bearing loans from other Group entities, this interest is included within current liabilities and interest continues to compound on the total balance owed at the same rate as the principal.

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

17 Financial instruments and risk management

Derivative financial instruments

The Company operates as part of the Group's management of the exposures of its debt payment obligations through a combination of index linked, interest rate swaps and cross currency swaps.

At the year end, the Company held interest rate swaps with notional amounts of £179.5m (2022: £420.5m) which hedge the interest obligations of the Company's floating rate debt. The average fixed rate on these instruments is 0.3% (2022: 0.2%). The swap contracts have termination dates that match the maturities of the underlying floating rate debt instruments (see note 15).

The Company has also entered into index linked swaps (notional amounts of £681.8m in 2023; 2022: £681.8m) where the Company receives floating and pays fixed linked to inflation interest obligations to an average rate of 2.9% indexed with RPI. The notional amounts of these swaps increase with RPI and these accretion amounts are cash settled annually in most recently June, based on the March index. The 2023 financial year accretion settlement amounted to £146.9m (2022: £90.0m).

All of these instruments have a maturity date of April 2027. These instruments were established to hedge the companies fixed or floating rate debt and in order to ensure that the cash flow characteristics align with these instruments, the Group has entered into £470.4m (2022: £600.5m) of fixed to floating rate interest rate swaps to match the cash flows on both the fixed rate debt instruments and the index linked swaps set out above.

The Group also holds USD 118.0m (2022: nil) of cross-currency swaps to fix the Sterling costs of future interest and capital repayment obligations relating to the US dollar denominated private placement issue at an exchange rate of 1.241.

In June 2023 Arqiva has agreed to close out a set of interest rate swaps of £9.7m. Effective 4 of July with settlement on 6 of July 2023. These were terminated as the underlying floating rate debt was refinanced prior to its maturity in FY24 with the fixed rate debt and these derivative instruments become surplus to Group's hedging requirements. These are held as other receivables at 30 June 2023.

In June 2023 the Company completed its accretion RPI collar execution which caps future accretion exposure to inflation at circa 6%. Inflation-linked swaps convert fixed or floating rate interest costs to RPI-linked costs.

The fair value of the interest rate, inflation linked swaps and cross currency swaps at 30 June 2023 is a liability of 203.1m (2022: £313.6m). This fair value is calculated using a risk-adjusted discount rate.

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The following table details the fair value of financial instruments recognised on the statement of financial position:

	30 June 2023	30 June 2022
	£m	£m
Within non-current assets		
Interest rate swaps	34.8	31.9
	<u>34.8</u>	<u>31.9</u>
Within non-current liabilities		
Inflation-linked interest rate swaps	(235.8)	(345.5)
Cross-currency swaps	(2.1)	-
	<u>(237.9)</u>	<u>(345.5)</u>
Total	<u>(203.1)</u>	<u>(313.6)</u>
Change in fair value recognised in the income statement:		
- Attributable to changes in market conditions	(28.3)	(74.0)
- Attributable to changes in perceived credit risk	3.4	(3.7)
Change in fair value on foreign exchange	(1.8)	-
Total loss recognised in the income statement	(26.7)	(77.6)
Cash settlement of principal accretion on inflation-linked swaps	146.9	90.0
Accrued settlement on close out of inflation linked swaps	(9.7)	-
Total change in fair value	<u>110.5</u>	<u>(12.4)</u>

18 Share capital

	30 June 2023	30 June 2022
	£m	£m
Allotted and fully paid:		
1 ordinary share (2022: 1 ordinary share) of £1 each	-	-

19 Reserves

The capital recognised within the capital contribution reserve relates to a payment made by Arqiva Financing No3 plc ('AF3') to the Company in respect of the disallowance of interest under the Corporate Interest Restriction legislation.

20 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.

21 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 key management personnel.

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22 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 parent of the smallest group to consolidate these financial statements is Arqiva Group Parent Limited ('AGPL').

Copies of the AGL and the 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 Digital 9 Infrastructure, Macquarie European Infrastructure Fund II, other Macquarie managed funds and minorities.

D9 acquired Canada Pension Plan Investment Board's (CPPIB) entire 48% stake in Arqiva. This deal completed in October 2022. At this point the representatives from CPPIB appointed to the Board of Directors were replaced by representatives from Digital 9 Infrastructure. This has not changed the day-to-day operations of our business.

23 Events after the reporting period

Post year end, in July 2023 the Company was advanced the proceed of a £250m public bond issue raised by Arqiva Financing plc (another subsidiary in the Group) on back-to-back terms with a maturity in 2028 and coupon rate of 7.21%. The proceeds of this facility have been utilised to prepay the Company's outstanding £90m ITL and £172m EIB term debt.