Registered number: 08682562

ARQIVA SMART METERING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2025

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2025

Introduction

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

Business review

The principal activities of Arqiva Smart Metering Limited (the 'Company') throughout the year have been the establishment and delivery of shared infrastructure and services related to smart metering communications.

The Company is contracted to build and operate a smart metering communication network in the North of England and Scotland as part of a 15-year contract signed in September 2013 with the Data and Communications Company ('Smart DCC Limited' or the 'DCC', a body licensed by statute and backed by the utility companies).

The Company is supported by the Arqiva Group Limited ('AGL') group (the 'Group') of companies in the fulfilment of this contract:

- The Company procures the necessary Communications Hubs for installation by energy suppliers in the 9.3 million homes and small businesses covered by the contract and manages the aggregation of services provided by the Group and associated contract deliverables to the DCC;

- Arqiva Limited, a fellow Group company, builds and operates the communications network utilising circa 800 wireless sites on behalf of the Company; and

- Arqiva Smart Financing Limited, a fellow Group company, raises external financing which is advanced to the Company under a Receivables Purchase Agreement in exchange for the legal assignment of certain future cash flows in connection with the Communications Hubs. These future cash flows are paid directly to Arqiva Smart Financing Limited by the DCC over the contract period. The Receivables Purchase Agreement supports the Company's requirements for financing the procurement of Communications Hubs.

The Group's smart metering communication network in the North of England and Scotland continues to cover 99.5% of premises with over 4.5 million communications hubs operating on the network. The DCC continues to submit change requests that reflect new industry requirements and Arqiva maintains a strong pipeline. Arqiva continues to partner with the DCC to deliver the UK energy smart programme, working in collaboration to deliver improvements in experience alongside continued performance against contractual SLAs.

Principal risks and uncertainties

The principal risk to the Company relates to a possible delay in performance of our contractual obligations brought about by other stakeholders which could increase our costs beyond estimated contingencies. Our contracts are worded such that the Company's risk is mitigated through contractual reimbursements. Our contracts are structured into milestones such that we are accountable to our stakeholders for our contractual obligations and our performance is managed accordingly.

The principal risks and uncertainties of the Group, which include those of the Company, are discussed further in the AGL annual report, a copy of which is available from the address given in note 20 to these financial statements or the Group's website at www.arqiva.com.

Financial key performance indicators

Our key performance indicators ('KPIs') reflect both a measure of the financial performance and long-term growth of the business and the level of service provided to our customers, including meeting our contractual milestones. The key measure of the Company's performance is EBITDA. EBITDA is a non-GAAP measure and refers to earnings before interest, tax, depreciation and amortisation. EBITDA for the year ended 30 June 2025 is £4,134,000 *(2024: £794,000)*. This has increased for 2025 is due to an increase in revenue, as well as a reduction in the management fee charged by group company Arqiva Limited. This reduced for 2025 due to a reduction in the maintenance fee charged to the company, and because the prior year charge included a one-off catch up for indexation. There are no reconciling items between operating profit and EBITDA.

The Company recorded revenue for the year of £101,694,000 *(2024: £99,879,000)*, and a profit before taxation of £4,523,000 *(2024: £1,049,000)*. The increase in revenue is primarily driven by an update to the revenue recognition profile over the course of the contract, as well as and indexation linked increases. This, as well as a reduction in the management charge, increased profit compared to the previous year.

The Company has net current assets of £76,029,000 *(2024: £113,147,000)* and net assets of £4,939,000 *(2024: £1,547,000).*

Other key performance indicators

The Smart metering contract has continued to achieve 99.5% network coverage in the North of England and Scotland *(2024: 99.5%).*

Directors' statement of compliance with duty to promote the success of the Company

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 Executive Committee and continuing to govern the Company on behalf of its shareholders. See below for how the Directors have ensured this:

Consequences of any decisions in the long term:

- Arqiva Smart Metering Limited is contracted to build and operate the smart metering communication network in the North of England and Scotland with DCC, a body licenced by statute and backed by the utility companies. The Directors make decisions to ensure the successful performance of the company's obligations under this contract.
- The Company is investing additional funds to expand the network capacity, in support of additional network traffic and demands forecast. The expansion is progressing to plan with further service evolution options being evaluated. These investments will deliver long-term revenues for the Company.

Interests of the company's employees:

- This Company has no employees, employees of the Group are employed and managed by another group company, Arqiva Limited.

Fostering relationships with suppliers, customers and others:

- The DCC is itself transitioning to a new regulatory model, to operate its core business on a not-for-profit basis in the next licence period as the company operations have reached maturity and are operating at scale. These changes will not affect Arqiva's contractual relationship with the DCC.
- Across the Group, AGL actively manages its supplier and customer relationships to ensure healthy relationships and timely payments of amounts owed and receivable.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2025

Directors' statement of compliance with duty to promote the success of the Company (continued)

Impact of operations on the community and the environment:
- AGL reviews and assesses the impact of its operations on the community and the environment at a Group level, within the Group's ESG strategy. To understand how these factors have been addressed, refer to the 'Corporate Responsibility' section of the Arqiva Group Limited ('AGL') Annual Report and Consolidated Financial Statements, a copy of which can be obtained from the Group's website at www.arqiva.com.

Maintaining a high standard of business conduct:
- The Group's smart metering communication network in the North of England and Scotland continues to cover 99.5% of eligible premises.
- A strong relationship continues to be maintained with the company's customers and suppliers, supporting consistent operational and commercial performance. The company adopts fully the Group high standard of business conduct.

Acting fairly between members:
- AGL manage the business at the Group level, not at individual entity level. Therefore the Company does not need to manage Intercompany relationships, as decisions are made to benefit the group as a whole. Further the Group's letter of support ensures Intercompany balances are recoverable.

Future developments and market outlook

It is the intention of the Company to continue its smart metering activities, and the intention of the Group to continue to operate and invest in machine-to-machine connectivity infrastructure and services.

The Strategic report was approved by the board on 3 December 2025 and signed on its behalf.

Scott Longhurst
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2025

The directors present their report and the audited financial statements for the year ended 30 June 2025.

Results and dividends

The profit for the year, after taxation, amounted to £3,392,000 *(2024 - £787,000)*.

The Company has not declared or paid any dividends for the year to 30 June 2025 (*2024 - none*). The profit for the financial year was transferred to reserves.

Principal risks and uncertainties

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

Future developments

The future developments of the Company are discussed within the Strategic report on page 4.

Engagement with suppliers, customers and others

Details of the Company's engagement with suppliers are discussed within the Strategic report on page 3.

Risk management

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

Foreign currency risk
While some supplier contracts are denominated in US dollars ('USD'), the majority of the Group's costs are Sterling based and accordingly exposure to foreign exchange risk is limited.

Credit risk
The Company is exposed to credit risk on customer receivables. This is managed through appropriate credit checking procedures prior to taking on new customers. Performance is closely monitored to ensure agreed service levels are maintained reducing the level of queried payments and mitigating the risk of uncollectible debts.

Purchase price risk
Key revenue and cost milestones are set on larger projects to ensure the financial risks of volatile market pricing are mitigated. Supplier relationships for the existing contract held by the Company have agreed prices for the duration of the contract. A large proportion of price increases resulting from changes to the contract can be managed via pass-through arrangements to customers.

Liquidity risk
The Company is funded through reserves and intercompany debt; there is no external financing within this Company and intercompany debt owed to other Group companies cannot be recalled if the Company is unable to make the repayments. The Group carefully manages the credit risk on liquid funds 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 Group's on-going risk management processes, which include a regular review of the credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.

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. The parent 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 severe but plausible downside scenarios.

The Capital Structure Committee regularly reviews the debt position of the group to ensure it is appropriate and has concluded it has sufficient cash to service its debt structure obligations. The parent Group has provided a letter of support which confirms that Arqiva Group Limited will provide such financial assistance to all its wholly owned (directly and indirectly held) subsidiaries in order to meet liabilities as they fall due for a period of 12 months from the date of signing the 30 June 2025 financial statements.

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 for the 12 month period post signing of the consolidated financial statements.

Post balance sheet events

Subsequent to the reporting date, Macquarie Asset Management announced its intention to dispose of its investments in the Arqiva Group. The transaction is subject to completion and regulatory approvals and, as at the date of these financial statements, remains outstanding. Based on current information, the directors do not expect the proposed disposal to have a material impact on the Group’s ongoing operations. No adjustments have been made to these financial statements in respect of this event.

Directors

The directors who served during the year were:

Jonathan Carter (appointed 27 February 2025)
Drummond Clark (appointed 28 February 2025)
Susana Leith-Smith
Scott Longhurst
James O'Halloran (appointed 30 December 2024)
Michael Osborne (appointed 26 November 2024)
Matthew Postgate
David Stirton
Patrick Tillieux (appointed 24 April 2025)
Michael Darcey (resigned 18 March 2025)
Paul Donovan (resigned 31 August 2025)
Maximilian Fieguth (resigned 28 February 2025)
Arnaud Jaguin (resigned 31 October 2024)
Andrew Macleod (resigned 26 November 2024)
Diego Massidda (resigned 11 December 2024)

Qualifying third party indemnity provisions

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.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' 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.

The directors are responsible for the maintenance and integrity of the company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Directors' report was approved by the board on 3 December 2025 and signed on its behalf.

Scott Longhurst
Director

Independent auditors' report to the members of Arqiva Smart Metering Limited

Report on the audit of the financial statements

Opinion

In our opinion, Arqiva Smart Metering Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2025 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, including 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 2025; the Income Statement and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

Independence

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

Conclusions relating to 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 2025 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 Directors' responsibilities statement, 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 the Companies Act 2006 and UK Tax law, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 posting inappropriate journal entries to manipulate the financial performance of the Company and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Enquiry of management, those charged with governance, and the entity's in-house legal team around actual and potential litigation, claims, and fraud;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness and testing accounting estimates (because of the risk of management bias); and
- As required by ISA (UK) 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.

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.

Andy Grimbly (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
3 December 2025

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2025

	Note	2025 £000	*2024 £000*
Turnover	4	**101,694**	*99,879*
Cost of sales		**(95,493)**	*(94,966)*
Gross profit		**6,201**	*4,913*
Administrative expenses		**(2,067)**	*(4,119)*
Operating profit	5	**4,134**	*794*
Finance income	8	**389**	*255*
Profit before tax		**4,523**	*1,049*
Tax on profit	9	**(1,131)**	*(262)*
Profit for the financial year		**3,392**	*787*

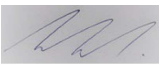
There are no items of other comprehensive income other than the profit for the year. As a result, no separate Statement of comprehensive income has been presented.

The notes on pages 14 to 25 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2025

	Note	2025 £000	2025 £000	*2024 £000*	*2024 £000*
Current assets					
Debtors: amounts falling due after more than one year	10	**1,153**		*1,153*	
Debtors: amounts falling due within one year	10	**114,563**		*141,376*	
Cash at bank and in hand	11	**4,872**		*8,614*	
		120,588		*151,143*	
Creditors: amounts falling due within one year	12	**(44,559)**		*(37,996)*	
Net current assets			**76,029**		*113,147*
Total assets less current liabilities			**76,029**		*113,147*
Creditors: amounts falling due after more than one year	13		**(69,605)**		*(110,260)*
			6,424		*2,887*
Provisions for liabilities					
Other provisions	15	**(1,485)**		*(1,340)*	
			(1,485)		*(1,340)*
Net assets			**4,939**		*1,547*
Capital and reserves					
Called up share capital	16		**-**		*-*
Profit and loss account	17		**4,939**		*1,547*
Total equity			**4,939**		*1,547*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 3 December 2025.



Scott Longhurst
Director

The notes on pages 14 to 25 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2025

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 July 2023	-	760	760
Profit for the year	-	787	787
Total comprehensive income for the year	-	787	787
At 1 July 2024	-	1,547	1,547
Profit for the year	-	3,392	3,392
Total comprehensive income for the year	-	3,392	3,392
At 30 June 2025	-	4,939	4,939

The notes on pages 14 to 25 form part of these financial statements.

1. General information

Arqiva Smart Metering Limited (the 'Company') is a private company limited by shares, incorporated and domiciled in England, United Kingdom ('UK') under the Companies Act under registration number 08682562. 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. Summary of material accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- 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 of IFRS 3 Business Combinations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures

This information is included in the consolidated financial statements of Arqiva Group Limited for the year ended 30 June 2025 and these financial statements may be obtained from www.arqiva.com.

2. Summary of material accounting policies (continued)

2.3 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. The parent 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 severe but plausible downside scenarios.

The Capital Structure Committee regularly reviews the debt position of the group to ensure it is appropriate and has concluded it has sufficient cash to service its debt structure obligations. The parent Group has provided a letter of support which confirms that Arqiva Group Limited will provide such financial assistance to all its wholly owned (directly and indirectly held) subsidiaries in order to meet liabilities as they fall due for a period of 12 months from the date of signing the 30 June 2025 financial statements.

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 for the 12 month period post signing of the consolidated financial statements.

2.4 Impact of new international reporting standards, amendments and interpretations

New and amended standards adopted by the Company

Amendment to IAS 1 - Non-current Liabilities with Covenants
The amendment listed above did not have any material impact on the amounts recognised in prior years and is not expected to have a material impact on current or future periods.

New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Company's future financial statements:
·

- Amendment to IAS 21 - Lack of Exchangeability
- Amendments IFRS 9 and IFRS 7 - Regarding the classification and measurement of financial instruments
- Amendment to IFRS 18 - Presentation and Disclosures in Financial Statements

The new and revised standards not yet effective are not expected to have a material impact on the Company.

2. Summary of material accounting policies (continued)

2.5 Revenue

Revenue represents the gross inflow of economic benefit in respect of machine-to-machine connectivity infrastructure services and associated products, and includes the value of charges made for infrastructure service fees, sale of communication hubs and their associated servicing. Revenue is stated net of value added tax. Revenue is measured at fair value of the consideration received or receivable.

On inception of a contract, performance obligations are identified for each of the distinct goods or services that have been promised to be provided to the customer. The consideration specified in the contract is allocated to each performance obligation identified based on their relative standalone selling prices and is recognised as revenue as they are satisfied. Determining the standalone selling price often requires judgement and may be derived from regulated prices, list prices, a cost-plus derived price, or the price of similar products when sold on a standalone basis by Arqiva or a competitor. In some cases it may be appropriate to use the contract price when this represents a bespoke price that would be the same for a similar customer in a similar circumstance.

Cash received, or invoices raised in advance are taken to deferred income and recognised as contract liabilities, and subsequently recognised as revenue when the services are provided. Where consideration received in advance is discounted, reflecting a significant financing component, it is reflected within revenue and interest payable and similar charges on a gross basis. Revenue recognised in advance of cash being received or an invoice being raised is recognised as accrued income within contract assets and subsequently reclassified to receivables once an invoice is raised. Invoices are issued in line with contract terms.

The following summarises the performance obligations we have identified and provides information on the timing of when they are satisfied and the related revenue recognition policy.

Rendering of services
Performance obligations under contracts for the rendering of services are identified for each distinct service or deliverable for which the customer has contracted and are considered to be satisfied over the time period that the services or deliverables are delivered. Revenue is recognised over time in line with the service provision over the contractual period and appropriately reflects the pattern by which the performance obligation is satisfied. Such revenues include machine-to-machine connectivity and network operation.

For long-term services, contract revenue is recognised on a straight-line basis over the term of the contract. However, if the performance pattern is other than straight line, revenue is recognised as services are provided, usually on an output or network coverage basis.

Where contract modifications arise, resulting in changes to the underlying services provided in exchange for an increase in the contract price reflective of the fair value of the additional services provided, the value of these additional services is recognised as revenue over the period of delivery of these services.

Sale of communications equipment
Performance obligations from the sale of communications equipment provided as part of customer contracts are satisfied and revenue is recognised at the point in time that control passes to the customer, which is typically upon delivery and acceptance by the customer. In some cases payment is not received in full at the time of the sale, and a contract asset is recognised for the amount due from the customer that will be recovered over the contract period. Revenue to be recognised is calculated by reference to the relative standalone selling price of the equipment.

2. Summary of material accounting policies (continued)

2.5 Revenue (continued)

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the communications hubs, at the Directors' best estimate of the expenditure required to settle the Company's obligation.

2.6 Contract costs

Costs incurred in the initial set up phase of a contract or a contract change request are deferred. These costs are then recognised in the Income Statement on a straight-line basis over the remaining contract term, unless the pattern of service delivery indicates a different profile is appropriate. These costs are directly attributable to specific contracts, relate to future activity, will generate future economic benefits and are assessed for recoverability on a regular basis. Costs related to delivering services under long-term contractual arrangements are expensed as incurred.

2.7 Finance income

Finance income is recognised in profit or loss using the effective interest method.

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.9 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2. Summary of material accounting policies (continued)

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.12 Provisions for liabilities

Provisions are recognised when an event has taken place that gives rise to a legal or constructive obligation, a transfer of economic benefits is probable and a reliable estimate can be made.

Provisions are measured as the best estimate of the amount required to settle the obligation, taking into account the related risks and uncertainties.

Increases in provisions are generally charged as an expense to profit or loss.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company’s accounting policies, which are described in note 2, 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.

4. Turnover

An analysis of turnover by class of business is as follows:

	2025 £000	*2024 £000*
Rendering of services	**78,934**	*69,303*
Sale of goods	**22,760**	*30,576*
	101,694	*99,879*

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2025 £000	*2024 £000*
Management recharge from fellow Group companies	**2,072**	*3,826*
Professional fees	**108**	*108*
Foreign exchange gain	**(108)**	*185*

6. Auditors' remuneration

The Company's audit fee for the year of £12,000 *(2024: £10,000)* was borne by Arqiva Limited, a fellow Group company. There were no non-audit fees in the year (2024: none).

7. Employees

The Company had no employees during the year *(2024: none).*

Directors

There are no recharges *(2024: £nil)* made to the Company in respect of any remuneration for any Directors, as their duties in respect of the Company are considered incidental to their normal duties on behalf of their employer companies, and the Group.

The Directors are representatives of their respective ultimate UK parent undertaking's shareholders and are not remunerated directly by the Company. Their individual remuneration reflects the services they provide to the Company, other Group companies and, in some cases, other entities outside of the Group. 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 *(2024: nil).*

8. Finance income

	2025 £000	2024 £000
Other interest receivable	**389**	*255*
	389	*255*

9. Taxation

	2025 £000	2024 £000
Corporation tax		
Current tax on profits for the year	**1,131**	*262*
	1,131	*262*
Total current tax	**1,131**	*262*

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as *(2024 - the same as)* the standard rate of corporation tax in the UK of 25% *(2024: 25%)* as set out below:

	2025 £000	*2024 £000*
Profit on ordinary activities before tax	**4,523**	*1,049*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2024: 25%)	**1,131**	*262*
Total tax charge for the year	**1,131**	*262*

Factors that may affect future tax charges

The current year UK corporation tax charge *(2024: charge)* represents the payment made to other Group companies for the provision of tax losses by way of group relief.

There are no recognised or unrecognised deferred tax balances *(2024: none).*

The average blended rate of UK corporation tax was 25% during the year.

On 20 June 2023, Finance (No.2) Bill 2023 (the 'Bill') was substantively enacted in the UK, introducing a global minimum effective tax rate of 15.0%; the implications of this upon the Companies in the group are set out in the AGL financial statements.

10. Debtors

	2025 £000	*2024 £000*
Amounts falling due after more than one year		
Deferred tax asset	**1,153**	*1,153*
	1,153	*1,153*

	2025 £000	*2024 £000*
Amounts falling due within one year		
Trade debtors	**4,472**	*3,976*
Amounts owed by group undertakings	**2,669**	*3*
Other debtors	**1,567**	*2,272*
Prepayments and accrued income	**103,791**	*133,282*
Contract assets	**2,064**	*1,843*
	114,563	*141,376*

No interest is charged on the amounts owed from Group companies, which are unsecured and are repayable on demand.

Other receivables include pre-contract costs of £379,000 *(2024: £488,000)* incurred during the preferred bidder phase and in finalisation of the contract. They do not include any cost relating to bid activity. These are amortised to the Income statement over the life of the contract.

11. Cash and cash equivalents

	2025 £000	*2024 £000*
Cash at bank and in hand	**4,872**	*8,614*
	4,872	*8,614*

12. Creditors: Amounts falling due within one year

	2025 £000	*2024 £000*
Trade creditors	**2,006**	*2,028*
Amounts owed to group undertakings	**3,222**	*3,947*
Other taxation and social security	**203**	-
Accruals and deferred income	**4,238**	*5,418*
Contract liabilities	**34,890**	*26,603*
	44,559	*37,996*

No interest is charged on the amounts owed to Group companies, which are unsecured and are repayable on demand.

13. Creditors: Amounts falling due after more than one year

	2025 £000	*2024 £000*
Contract liabilities	**69,605**	*110,260*
	69,605	*110,260*

Total contract liabilities of £104,495,000 *(2024: £136,863,000)* comprises cash received in advance of work being performed. This income is being recognised during the operational phase of the associated contract.

14. Deferred taxation

	2025 £000	*2024 £000*
At beginning of year	**1,153**	*1,153*
At end of year	**1,153**	*1,153*

The deferred tax asset is made up as follows:

	2025 £000	*2024 £000*
Tax losses carried forward	**1,153**	*1,153*
	1,153	*1,153*

The corporation tax rate was increased to 25.0% from 19.0% effective from 1 April 2023; the deferred tax asset is therefore recognised at the 25.0% tax rate.

Deferred tax assets are not recognised unless it is probable that there will be sufficient taxable profits against which they will be realised.

The average blended rate of UK corporation tax was 25% during the year.

The Company recognises its deferred tax assets based upon the long term contract held by the Company. No attributes have a time expiry. Due to the long-term stable nature of the business, with a significant long term contract, the recognised deferred tax asset is not considered to be materially exposed to the performance of the Group based on reasonably possible trading forecasts.

15. Provisions

	Other £000	Total £000
At 1 July 2024	**1,340**	**1,340**
Charged to profit or loss	**145**	**145**
At 30 June 2025	**1,485**	**1,485**

All of the Company's non-current provisions relate to warranties in respect of Communications Hubs installed.

16. Called up share capital

	2025	*2024*
	£	*£*
Allotted, called up and fully paid		
1 *(2024 - 1)* Ordinary share of £1.00	**1**	*1*

17. Reserves

Profit and loss account

All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

18. 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.

19. Post balance sheet events

Subsequent to the reporting date, Macquarie Asset Management announced its intention to dispose of its investments in the Arqiva Group. The transaction is subject to completion and regulatory approvals and, as at the date of these financial statements, remains outstanding. Based on current information, the directors do not expect the proposed disposal to have a material impact on the Group's ongoing operations. No adjustments have been made to these financial statements in respect of this event.

20. Controlling party

The Company's immediate parent undertaking is Arqiva Smart Parent Limited ('ASPL'), a company incorporated in England and Wales.

The ultimate UK parent undertaking is AGL, which is the parent undertaking of both the largest and smallest UK group to consolidate these financial statements.

Copies of the ASPL financial statements and the AGL 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. There is no ultimate controlling party of the Company.