Arqiva Financing No 1 Limited

Registered number 06137924

Annual Report and Financial Statements

For the year ended 30 June 2021

Table of Contents

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 £360.1m (2020: loss of £146.5m). 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 £1,812.9m (2020: net liabilities of £1,468.3m).

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 23 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 23 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 23 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 22 October 2021 and signed on its behalf by:

M Parton

Mike Parton
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 2021. 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 £360.1m (2020: loss of £146.5m). 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 £1,812.9m (2020: net liabilities of £1,468.3m).

Financing overview

The Group holds senior notes relate to a number of US private placement issues in sterling with floating interest rates. The Group has £293.4m (2020: £478.5m) of sterling denominated floating rate US private placements that are amortising in nature with repayments due between December 2021 and December 2029. These instruments have a margin over LIBOR of between 210 and 220 bps.

Prior to being fully repaid in July 2020, the Group held fixed rate US private placements (2021: £nil; 2020: £391.2m) in sterling and US dollar denominated notes. At the hedged rate these are valued at £nil (2020: £342.7m). These notes had fixed interest rates which ranging between 4.10% and 4.42%. Arqiva PP Financing Plc ('APPF') is the issuer of all of the Group's private placement notes, and the Company holds matching intercompany loans with APPF against these debt balances.

In July 2020, the Company repaid £90.0m of its institutional term loan which matures in December 2023m as well as £18.0m of a loan from the European Investment Bank, which matures in June 2024. These repayments were made using proceeds of the sale of the AGL Group's Telecommunications business unit in July 2020.

In addition, on 9 July 2021 the Company refinanced its bank facility and now has access to a £100.0m Working Capital Facility maturing in 2024 and a £150.0m Liquidity Fund. These facilities are floating rate in nature with a margin over SONIA of between 120 and 130bps. The Company is the borrower under all of these arrangements.

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 17. 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.

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. 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
Until August 2020, the Company held intercompany debt denominated in US Dollars. The Company had taken out cross currency swaps to fix the exchange rate volatility in relation to this US Dollar denominated debt, which was also exited in August 2020. Details of the cross-currency swaps are provided in note 18. All other transactions are denominated in sterling.

Dividends, results and transfers to reserves
The Directors do not propose to pay a dividend for the year (2020: £nil). The loss for the financial year of £360.1m (2020: loss of £146.5m) 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.

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

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

Events after the reporting period
There have been no events since the balance sheet date which would have a material impact on the Company and require disclosure within the financial statements.

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

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

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

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

Mike Parton
Director
Crawley Court
Winchester
Hampshire
SO21 2QA

22 October 2021

Income statement

	Note	Year ended 30 June 2021			Year ended 30 June 2020		
		Pre-exceptional items £m	Exceptional items £m	Total £m	Pre-exceptional items £m	Exceptional items £m	Total £m
Operating expenses	5	(0.1)	(1.9)	(2.0)	(0.1)	(7.2)	(7.3)
Operating loss	5	**(0.1)**	**(1.9)**	**(2.0)**	**(0.1)**	**(7.2)**	**(7.3)**
Finance income	8	467.6	-	467.6	427.6	-	427.6
Finance costs	9	(827.4)	-	(827.4)	(701.1)	-	(701.1)
Other gains and losses	10	(67.4)	(7.6)	(75.0)	113.6	1.1	114.7
Loss before taxation		**(427.3)**	**(9.5)**	**(436.8)**	**(160.0)**	**(6.1)**	**(166.1)**
Tax	11			76.7			19.6
Loss for the financial year				**(360.1)**			**(146.5)**

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 22 form part of these financial statements.

Statement of financial position

	Note	30 June 2021 £m	30 June 2020 £m
Non-current assets			
Investments	12	2,599.4	2,599.4
Receivables	13	4,700.1	1,770.0
Deferred tax	14	75.9	103.4
Derivative financial instruments	18	7.2	-
		7,382.6	**4,472.8**
Current assets			
Receivables	13	328.8	3,013.3
Cash and cash equivalents	15	138.0	33.1
		466.8	**3,046.4**
Total assets		**7,849.4**	**7,519.2**
Current liabilities			
Borrowings	17	(7,032.2)	(5,039.6)
Payables	16	-	(122.6)
		(7,032.2)	**(5,162.2)**
Net current liabilities		**(6,565.4)**	**(2,115.8)**
Non-current liabilities			
Borrowings	17	(2,297.0)	(3,106.6)
Derivative financial instruments	18	(333.1)	(718.7)
		(2,630.1)	**(3,825.3)**
Total Liabilities		**(9,662.3)**	**(8,987.5)**
Net liabilities		**(1,812.9)**	**(1,468.3)**
Equity			
Share capital	19	-	-
Capital contribution reserve	20	66.4	50.9
Accumulated losses		(1,879.3)	(1,519.2)
Total equity		**(1,812.9)**	**(1,468.3)**

The notes on pages 8 to 22 form part of these financial statements.

For the period ending 30 June 2021 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 22 were approved by the Board of Directors and authorised for issue on 22 October 2021 and were signed on its behalf by:

M Parton

Mike Parton - Director

Statement of changes in equity

	Share capital	Capital contribution reserve	Accumulated losses	Total equity
	£m	£m	£m	£m
Balance at 1 July 2019	**-**	**32.3**	**(1,372.7)**	**(1,340.4)**
Loss for the financial year	-	-	(146.5)	(146.5)
Capital contribution	-	18.6	-	18.6
Total comprehensive income / (loss) for the	**-**	**18.6**	**(146.5)**	**(127.9)**
Balance at 30 June 2020	**-**	**50.9**	**(1,519.2)**	**(1,468.3)**
Loss for the financial year	-	-	(360.1)	(360.1)
Capital contribution	-	15.5	-	15.5
Total comprehensive income / (loss) for the year	**-**	**15.5**	**(360.1)**	**(344.6)**
Balance at 30 June 2021	**-**	**66.4**	**(1,879.3)**	**(1,812.9)**

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:

EU-adopted IFRS	Relevant disclosure exemptions
IFRS 3 *Business Combinations*	The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67.
IFRS 7 *Financial Instruments: Disclosures*	All disclosure requirements.
IFRS 13 *Fair Value Measurement*	The requirements of paragraphs 91 to 99.
IAS 7 *Statement of Cash Flows*	All disclosure requirements.
IAS 24 *Related Party Disclosures*	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 *Presentation of financial statements*	The requirements of paragraph 38; comparative information in respect of paragraph 79(a)(iv) of IAS 1.
IAS 1 *Presentation of financial statements*	The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B to D, 40A to D, 111 and 134 to136.
IAS 8 *Accounting policies, changes in accounting estimates and errors*	The requirements of paragraphs 30 and 31.

Impact Assessment of new Standards
There were no new standards adopted in the year which had any significant impact on the Company's financial statements.

3 Principal accounting policies

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

(a) 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.

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

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

(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.

(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.

(h) Exceptional items

Results are stated before exceptional items. Exceptional items are those that are considered to be one-off, non-recurring in nature or so material that the Directors believe that they require separate disclosure to avoid the distortion of underlying performance. Underlying performance is the reported performance excluding significant one-off and non-recurring events that more fairly represents the on-going trading performance of the business. These items are presented separately on the face of the income statement.

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.

<u>*Deferred tax*</u>
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 11.

5 Operating loss

The Company's audit fee for the year was £nil (2020: £16,500). The prior year fee was borne by Arqiva Limited, a fellow Group company, and was not recharged to the Company. No non-audit fees were incurred during the year.

Pre-exceptional operating expenses incurred in the year relate to professional fees payable. Exceptional operating expenses are disclosed in note 6.

6 Exceptional items

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

Loss before taxation is stated after charging:

	Year ended 30 June 2021	Year ended 30 June 2020
	£m	£m
Operating expenses:		
Corporate finance activities	(1.9)	(7.2)
Total operating exceptional items	**(1.9)**	**(7.2)**

Exceptional operating expenses incurred in the year relate to corporate finance projects including costs associated with re-financing activities and one-off projects. An exceptional loss of £7.6m (2020: profit of £1.1m) on the close out of inflation linked swaps arises on exit of swap arrangements as disclosed in the other gains and losses disclosure in note 10.

7 Employees and Directors

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

Directors
There are no recharges (2020: £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.

8 Finance income

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Bank deposits	-	0.1
Interest receivable from other Group entities	467.6	427.5
Total finance income	**467.6**	**427.6**

9 Finance costs

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Bank and other loan interest	22.4	88.6
Amortisation of debt issue costs	2.4	2.7
Interest payable to other Group entities	802.6	609.8
Total finance costs	**827.4**	**701.1**

10 Other gains and losses

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Foreign exchange loss on financing	(0.8)	(8.1)
Fair value (loss)/gain on derivative financial instruments	(10.7)	121.7
Break costs on early debt repayment and derivatives	(55.9)	-
Other (losses) / gains	**(67.4)**	**113.6**
Exceptional (loss) / gain recognised on close out of inflation linked swaps	(3.9)	1.1
Exceptional loss recognised on close out of interest rate swaps	(3.7)	-
Exceptional other (losses) / gains	**(7.6)**	**1.1**
Total other (losses) / gains	**(75.0)**	**114.7**

Foreign exchange loss on financing arises on the revaluation of the Group's US dollar denominated debt (see note 17), although until July 2020 the Group economically hedged these instruments with cross currency swaps. In July 2020 the entire cross currency swap portfolio was exited as detailed in note 18), at the same time the Group repaid its US dollar denominated debt.

11 Tax

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Current tax:		
UK corporation tax		
- Current year	(104.2)	(70.2)
Total current tax	**(104.2)**	**(70.2)**
Deferred tax:		
Origination and reversal of timing differences	21.2	40.1
Change in unrecognised deferred tax asset	15.8	20.5
Prior period adjustment	3.9	7.2
Impact of rate change	(13.4)	(17.2)
Total deferred tax charge	**27.5**	**50.6**
Total tax credit for the year	**(76.7)**	**(19.6)**

UK Corporation tax is calculated at 19.0% (2020: 19.0%) of the estimated taxable loss for the year. The credit for the year can be reconciled to the loss in the income statement as follows:

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Loss before tax	(436.8)	(166.1)
Tax at the UK Corporation tax rate of 19.0% (2020: 19.0%)	(83.0)	(31.6)
Tax effect of expenses that are not deductible in determining taxable profit	-	1.5
Change in unrecognised deferred tax	15.8	20.5
Prior period adjustment	3.9	7.2
Impact of change in tax rates	(13.4)	(17.2)
Total tax credit for the year	**(76.7)**	**(19.6)**

The current year UK corporation tax credit (2020: credit) represents the payment received from other Group companies for the provision of tax losses by way of group relief.

The main rate of UK corporation tax was 19.0% during the year. In the Finance Act 2021 it was enacted that the main rate of UK corporation tax would be increased to 25.0% from 1 April 2023. UK deferred tax has been valued at either 19% or 25.0% (30 June 2019: 19.0%) depending on the period it is forecast to unwind as this is the rate substantively enacted for these periods.

12 Investments

	Investments in subsidiaries £m
At 30 June 2020 and 30 June 2021	**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 Aerial Sites Limited	United Kingdom	Management of aerial sites	30-Jun	100% (Sold 8 July 2020)
Arqiva Broadcast Limited	United Kingdom	Dormant company	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 Digital Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Finance Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Group Holdings Limited	United Kingdom	Holding company	30-Jun	100% (held directly)
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 Broadcast Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile TV Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 10 Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 11 Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 2 Limited	United Kingdom	Transmission services	30-Jun	100% (Sold 8 July 2020)
Arqiva No. 3 Limited	United Kingdom	Transmission services	30-Jun	100% (Sold 8 July 2020)
Arqiva No. 4 Limited	United Kingdom	Dormant company	30-Jun	100% (Sold 8 July 2020)
Arqiva Pension Trust Limited	United Kingdom	Dormant company	31-Mar	100%
Arqiva PP Financing Plc	United Kingdom	Financing vehicle	30-Jun	100% (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%

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
Arqiva Services Limited	United Kingdom	Transmission services	30-Jun	100% (Sold 8 July 2020)
Arqiva SRL	Italy	Satellite transmission services	30-Jun	100%
Arqiva Telecommunications Asset Development Company Limited	United Kingdom	Dormant company	30-Jun	100% (Sold 8 July 2020)
Arqiva Telecoms Investment Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Transmission Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva UK Broadcast Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Wireless Limited	United Kingdom	Dormant company	30-Jun	100%
Capablue Limited	United Kingdom	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 GmbH	Germany	Dormant company	30-Jun	100%
Spectrum Interactive Limited	United Kingdom	Holding company	30-Jun	100%

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

Company	Registered office
Arqiva Inc.	c/o The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE19801, United States of America.
Arqiva 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%
YouView TV Limited	United Kingdom	Open source IPTV development	10 Lower Thames Street, Third Floor, London, EC3R 6YT	31-Mar	14.3% until exited 31 March 2021
***Associate undertakings**:*					
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	96a, Curtain Road, London, EC2A 3AA	31-Dec	25.0%
DTT Multiplex Operators Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Mar	25.0%
Digital UK Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Dec	25.0% until exited 28 February 2021
DTV Services Limited	United Kingdom	Freeview market services	2nd Floor 27 Mortimer Street, London, England, W1T 3JF	31-May	20.0% until exited 31 December 2020
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%

13 Receivables

	30 June 2021 £m	30 June 2020 £m
Non-current		
Loans receivable from other Group entities	1,770.0	1,770.0
Amounts receivable from other Group entities	2,930.1	-
Total non-current receivables	**4,700.1**	**1,770.0**
Current		
Amounts receivable from other Group entities	329.4	3,010.8
Other receivables	-	1.5
Prepayments	0.4	1.0
Total current receivables	**329.8**	**3,013.3**

Amounts receivable from other Group entities are unsecured. Interest has been charged on the loan principal balance of £1,770.0m (2020: £1,770.0m) and the accrued interest balance of £3,210.2m (2020: £2,815.6m) at 9.5% and interest has been charged on £49.7m (2020: £195.3m) 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. During the year management has performed a review of intercompany receivable balances which has resulted in the reclassification of some financial statement items between current and non-current. The reclassification of balances is based on whether there is an intention for the Directors to recall them within 12 months.

Amounts receivable from other Group entities are stated after deducting allowances for doubtful debts of £1.4m (2020: £1.4m).

14 Deferred tax

The Company has recognised a deferred tax asset of £75.9m (2020: £103.4m).

	Tax losses £m	Financial Instruments £m	Total £m
As at 1 July 2020	-	103.4	103.4
Charged to the income statement	1.3	(28.8)	(27.5)
At 30 June 2021	**1.3**	**74.6**	**75.9**

Deferred tax has been measured at the UK corporation tax rate at which it is anticipated to reverse, 19.0% for the period to 31 March 2023 and 25% from 1 April 2023 (2020: 19.0%); these are the rate substantively enacted at the balance sheet date at which the deferred tax is expected to reverse. The corporation tax rate was increased to 25% from 19% effective from 1 April 2023; the deferred tax asset is anticipated to reverse both in the periods prior to and after 1 April 2023 and therefore the deferred tax asset has been recognised at the relevant tax rate. The impact of this rate change on the income statement is shown in Note 11.

There is an unrecognised deferred tax asset of £90.8m (2020: £63.2m) 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 forecasts used for deferred tax asset recognition are the same as those used in the Group’s impairment testing.

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 2030. 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.

15 Cash and cash equivalents

	30 June 2021 £m	30 June 2020 £m
Cash at bank	138.0	33.1
Total cash and cash equivalents	**138.0**	**33.1**

16 Payables

	30 June 2021 £m	30 June 2020 £m
Accruals	-	122.6
Total payables	**-**	**122.6**

Included within the prior year accruals balance of £122.6m were amounts of £116.5m connected with the exit of swap arrangements on 30 June 2020, which were settled in July 2020. For year ended 30 June 2021 there were no such amounts included within the accruals balance.

17 Borrowings

	30 June 2021 £m	30 June 2020 £m
Within current liabilities:		
Amounts payable to other Group entities	7,032.2	4,689.6
Bank facilities	-	350.0
Borrowings due within one year	**7,032.2**	**5,039.6**
Within non-current liabilities:		
Bank loans	**261.5**	**369.0**
- *Senior debt*	*262.0*	*370.0*
- *Issue costs*	*(0.5)*	*(1.0)*
Bank Facilities	-	*200.0*
Other loans	**2,035.5**	**2,537.5**
- *Loans from other Group entities*	*2,040.0*	*2,543.5*
- *Issue costs*	*(4.5)*	*(6.0)*
Borrowings due after more than one year	**2,297.0**	**3,106.5**

All borrowings are held in sterling denominated currency (2020: all borrowings were held in sterling with the exception of £251.0m of USD denominated intercompany loans ($307.9m nominal value). As at 30 June 2021 all USD denominated intercompany loans had been settled and therefore £nil was carried on the balance sheet (2020: £46.7m was included within current liabilities and £204.3m was included within non-current liabilities).

The weighted average interest rate of borrowings is 4.74% (2020: 6.38%).

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

	30 June 2021 £m	30 June 2020 £m
Borrowings falling due within:		
One year	-	350.0
Two to five years	262.0	570.0
Total	**262.0**	**920.0**

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 (2020: £180.0m outstanding), maturing in December 2023 and a loan from the European Investment Bank with £172.0m outstanding (2020: £190.0m outstanding), maturing in June 2024.

Bank facilities of £nil outstanding previously included £350.0m which had an expected maturity date of March 2021. The remaining £200.0m had maturity dates over a period to March 2025, however following the full repayment of the capital expenditure facility, this could no longer be redrawn. These facilities were all fully repaid during the second half of 2020 using proceeds from the sale of the Group's Telecommunications business unit. All three facilities were floating rate in nature with a margin over LIBOR of between 145 and 180 bps. The Company is the borrower under all of these arrangements.

On 9 July 2021, the Company refinanced its bank facility and now has access to a £100.0m Working Capital Facility maturing in 2024 and a £150.0m Liquidity Fund. These facilities are floating rate in nature with a margin over SONIA of between 120 and 130bps. The Company is the borrower under all of these arrangements.

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 (2021: £306.7m outstanding, 2020; £333.3m outstanding) of Notes in February 2013 and £164.0m (2020: £164.0m outstanding, 2019: £164.0m outstanding) of Notes in February 2014, at rates ranging between 4.882% and 5.34% to be repaid between December 2021 and December

2032. Also included within the balance are funds advanced from Arqiva PP Financing ('APPF') of £293.4m (2020: £478.5m) sterling denominated floating rate US private placements that are amortising in nature with repayments due between December 2021 and December 2029. These instruments have a margin over LIBOR of between 210 and 220 bps. In addition, APPF has advanced £nil (2020: £342.7m) of fixed rate US private placements in sterling and US dollar denominated notes. These notes had fixed interest rates which ranged between 4.101% and 4.420% and had amortising repayment profiles which commenced December 2018 with a final maturity date of June 2025. These notes were fully repaid in July and August 2020.

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.

18 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 Group held interest rate swaps with notional amounts of £444.6m (2020: £848.5m) which hedge the interest obligations of the Group's floating rate debt. The average fixed rate on these instruments is 0.2% (2020: 6.8%). The swap contracts have termination dates that match the maturities of the underlying floating rate debt instruments (see note 23).

Between July and September 2020, the Group exited or recouponed a number of interest rate swap arrangements, reducing the notional holdings of interest rate swaps by £395.1m, whilst recognising losses upon exit totalling £3.7m.

The Group has also entered into index linked swaps (notional amounts of £681.8m in 2021; 2020: £1,062.7m) where the Group 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, most recently in June 2021 (£14.5m; 2020: £48.8m).

All of these instruments have a maturity date of April 2027. These instruments were established to hedge the Group's fixed rate debt (namely fixed rate sterling bonds and the fixed rate US Private Placement issues) and in order to ensure that the cash flow characteristics align with these instruments, the Group has entered into £657.1m (2020: £1,062.7m) 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.

In July and August 2020, following the Group's repayment of £391.2m fixed rate US private placement sterling and US dollar denominated notes and £350m public bond maturing in June 2020, the Group exited a number of index linked swap arrangements, reducing the notional holdings of index linked swaps by £630.7m, whilst recognising losses upon exit totalling £3.9m.

The Group previously held USD cross-currency swaps (June 2020: USD 307.9m) to fix the Sterling cost of future interest and capital repayment obligations relating to the US dollar denominated private placement issue at an exchange rate of 1.52. The entire cross-currency swap portfolio was exited in July 2020 with the fair value at time of disposal being £51.8m.

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

	30 June 2021 £m	30 June 2020 £m
Within non-current assets		
Interest rate swaps	7.2	-
	7.2	-
Within non-current liabilities		
Interest rate swaps	-	(261.5)
Inflation-linked interest rate swaps	(333.1)	(507.8)
Cross-currency swaps	-	50.6
	(333.1)	
Total	**(325.9)**	**(718.7)**
Change in fair value recognised in the income statement:		
- Attributable to changes in market conditions	(1.0)	124.4
- Attributable to changes in perceived credit risk	(9.6)	(2.7)
Total gain / (loss) recognised in the income statement	**(10.6)**	**121.7**
Cash settlement of principal accretion on inflation-linked swaps	14.5	48.8
Accrued settlement on close out of inflation linked swaps	-	116.5
Cash outflow / (inflow) on redemption of swaps	396.5	(5.0)
Exceptional (loss) / gain recognised on close out of inflation linked swaps	(3.9)	1.1
Exceptional loss recognised on close out of interest rate swaps	(3.7)	-
Total change in fair value	**392.8**	**283.1**

19 Share capital

	30 June 2021 £m	30 June 2020 £m
Allotted and fully paid:		
1 ordinary share (2020: 1 ordinary share) of £1 each	-	-

20 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.

21 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.

22 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.

23 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 Canada Pension Plan Investment Board, Macquarie European Infrastructure Fund II, other Macquarie managed funds and minorities. There is no ultimate controlling party of the Company.

24 Events after the reporting period

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