



# **Arqiva Financing No 3 Plc**

Registered number 05253998

## **Annual Report and Financial Statements**

**For the year ended 30 June 2022**

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## Strategic report

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

### Business model, environment and strategy

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

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

The Company has made a loss for the financial year of £612.1m (2021 restated: £767.9m), principally driven by interest payable on borrowings. The Company has net liabilities £557.6m (2021 restated: £54.5m net assets).

During the year the Company transferred the investment in its subsidiaries Arqiva Broadcast Parent Limited and Arqiva Smart Parent Limited to a new direct subsidiary incorporated in the year, Arqiva Intermediate Limited, in exchange for £100 share capital in the new subsidiary. See note 11 for detail.

### Financial KPIs

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

The KPIs of the Group are managed as a whole and are discussed on page 33 of the Annual Report and Consolidated Financial Statements of AGL, a copy of which is available from the address in note 21 to the financial statements, or the Group website [www.arqiva.com](http://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 on page 50 of the Annual Report and Consolidated Financial Statements of AGL, a copy of which can be obtained from the address in note 21 of these financial statements, or the Group's website at [www.arqiva.com](http://www.arqiva.com).

## Future developments and outlook

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

## Section 172 Statement

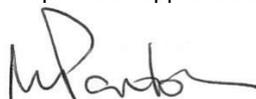
The Companies Act 2006 sets out a set of general duties owed by directors to a company, including a list of matters to which the Directors must have regard, which are set out in s.172(1)(a) to (f). During the year, in continuing to exercise their duties, the Directors have had regard to these matters,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

From the perspective of the Company the s.172 factors are considered as a whole by the Directors across the Group. How these factors have been addressed, are discussed within the Annual Report and Consolidated Financial Statements of AGL on page 40, a copy of which can be obtained from the address in note 21 of these financial statements or the Group's website at [www.arqiva.com](http://www.arqiva.com).

### Stakeholder engagement

Throughout the year, the Board has continued to ensure engagement with relevant stakeholders both in day to day business, and as part of key developments. How this has been achieved is discussed within the Annual Report and Consolidated Financial statements of AGL on pages 40 and 41, a copy of which can be obtained from the address in note 21 of these financial statements or the Group's website at [www.arqiva.com](http://www.arqiva.com).

This report was approved by the Board of Directors on 17 October 2022 and signed on its behalf by:



**Mike Parton**  
Director

## Directors' report

The Directors of Arqiva Financing No 3 Plc, registered company number 05253998, (the 'Company') submit the following annual report and audited financial statements (the 'financial statements') in respect of the year ended 30 June 2022.

The Company operates within the AGL group of companies.

### Business review and principal activities

#### Financing activities

The Company holds shareholder loan notes which are unsecured, listed on the Channel Islands Stock Exchange, and are repayable between September 2024 and September 2025. See note 16 for further information.

### Future developments and outlook

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

### Financial risk management

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

#### *Credit risk*

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

#### *Liquidity risk*

The Company maintains a mixture of long-term external debt finance raised from shareholders of the ultimate parent undertaking and intercompany loans. For short-term resources the Company utilises intercompany loans. The maturity of the Company's borrowings is shown in note 16. The Company's capital requirements are managed by the Group treasury team.

#### *Interest rate risk*

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

### Dividends, results and transfers to reserves

The Directors do not propose to pay a dividend for the year (2021: £nil). The loss for the financial year of £612.1m (2021 restated: £767.9m) was transferred to reserves.

### Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future. As the principal activity of the Company is to conduct financing activities for the benefit of fellow group undertakings, its ability to continue as a going concern is dependent on the operational performance of the Group, and whether there is sufficient cash generated to service the debt obligations. The Group performs a review of going concern through a review of forecasting including cash flow forecasts and considering the requirements of capital expenditure and debt repayments and including any severe but plausible scenarios.

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

## Arqiva Financing No 3 Plc (05253998)

Annual Report and Financial Statements - Year Ended 30 June 2022

### Events after the reporting year

The maturity of Shareholder Loan notes have also been extended since year end and now have maturity dates ranging from March 2029 to March 2030.

On 23 September 2022, it was announced that the corporation tax rate change from 19% to 25% with effect from 1 April 2023 was to be cancelled. For further detail see notes 10 and 14.

### Directors

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

- Christian Seymour
- Mark Braithwaite (Resigned 13 May 2022)
- Peter Adams (alternate) (Resigned 9 December 2021)
- Mike Parton
- Nathan Luckey (Appointed 1 July 2021, resigned 30 June 2022)
- Sally Davis
- Neil King
- Frank Dangeard (Resigned 1 July 2021)
- Mike Darcey
- Max Fieguth (alternate) (Resigned 9 December 2021)
- Batiste Ogier
- Paul Donovan (Appointed 1 July 2022)
- Susana Leith-Smith (Appointed 13 May 2022)

### Company Secretary

Katrina Dick was appointed as the Company Secretary on 6 April 2022 (previously Jeremy Mavor from 1 July 2021 to 6 April 2022).

### Directors' indemnities

The Company has provided an indemnity for its Directors and the Company Secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. The indemnity was in force during the full financial year and up to the date of approval of the financial statements.

### Disclosure of information to the Independent Auditors

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

- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

### Independent auditors

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

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

The Directors are responsible for preparing the Annual Report and 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 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.



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

17 October 2022

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

## Report on the audit of the financial statements

### Opinion

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

- give a true and fair view of the state of the Company's affairs as at 30 June 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 30 June 2022; the Income statement and Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

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

### Our audit approach

#### Overview

Audit scope

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

Key audit matters

- Borrowings in the form of shareholder loan notes
- Recoverability of intercompany receivable balances
- Carrying value of investments in subsidiaries
- Recognition and recoverability of deferred tax assets

## Arqiva Financing No 3 Plc (05253998)

Annual Report and Financial Statements - Year Ended 30 June 2022

### Materiality

- Overall materiality: £46.3 million (2021: £46.0 million) based on approximately 1% of total assets.
- Performance materiality: £34.7 million (2021: £34.5 million).

### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

### Key audit matters

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

This is not a complete list of all risks identified by our audit.

Recognition and recoverability of deferred tax assets is a new key audit matter this year. Covid-19 impact, which was a key audit matter last year, is no longer included because of the limited ongoing impact of Covid-19 on the Company. Otherwise, the key audit matters below are consistent with last year.

| Key audit matter   | How our audit addressed the key audit matter  |
|--|---|
| <p><b><i>Borrowings in the form of shareholder loan notes</i></b></p> <p>The Company has significant borrowings in the form of shareholder loan notes listed on the Channel Islands Stock Exchange.</p> <p>At 30 June 2022, these financial statements comprise of £2,148.1 million of principal and accrued interest of £2,846.9 million.</p> <p>This is a key audit matter due to the quantum of the balance as any misstatements in this balance would likely be material.</p> <p>Refer to page 25 (note 16 - Borrowings)</p> | <p>We agreed the principal, interest rates and maturity profiles of the shareholder loan notes to the Channel Island Stock Exchange website and did not identify any material differences.</p> <p>We recalculated the accrued interest at 30 June 2022 and interest expense for the year on the shareholder loan notes using the outstanding balances throughout the year and the prevailing interest rates per the agreed terms, with no material differences noted.</p>   |
| <p><b><i>Recoverability of intercompany receivable balances</i></b></p> <p>The Company has balances receivable from Group companies amounting to £1,714.6 million as at 30 June 2022.</p> <p>This is considered a key audit matter as there is judgement involved in the assessment of the recoverability of receivable balances along with its impact on the Company's ability to repay external debts.</p> <p>Refer to page 23 (note 12 - Receivables)</p>   | <p>We evaluated management's assessment of the recoverability of intercompany receivables, including compliance with the requirements of IFRS 9 and expected credit loss methodology, and reviewed and independently tested an assessment of the ability of other Group companies to repay by comparing the receivable to net assets of the counterparties.</p> <p>As the net asset values did not support the recoverability of the intercompany receivables, we evidenced the letter of support in place from the ultimate parent entity, and considered the profitability of the overall Group. By taking this into account we obtained sufficient evidence that the intercompany receivable is recoverable.</p> |
| <p><b><i>Carrying value of investments in subsidiaries</i></b></p> <p>The Company has significant investments in subsidiaries amounting to £2,872.1 million as at 30 June 2022.</p> <p>This is considered a key audit matter due to the quantum of the balance and the assumptions and estimates applied in determining the recoverable</p>  | <p>For the Company's investment in subsidiaries, we have compared the higher of value in use and fair value less costs to sell with the carrying value of the investments held. When considering the recoverable amount we have agreed key estimates to supporting evidence including verifying the appropriateness of the assumptions for revenue and cost growth, capital expenditure and the discount rate used, where applicable. We also reviewed management's sensitivity analysis and</p>  |

## Arqiva Financing No 3 Plc (05253998)

Annual Report and Financial Statements - Year Ended 30 June 2022

|  |   |
|--|---|
| <p>amount; any misstatements in these estimates and assumptions would likely be material.</p> <p>Refer to page 17 and page 20 (note 4- critical accounting estimates and judgements - Impairment and note 11 - Investments)</p>  | <p>performed our own sensitivity analysis considering various reasonably possible scenarios impacting key assumptions, including forecast cash flows, terminal growth rate and discount rates.</p> <p>Our testing did not identify any material differences to the position reflected in the financial statements.</p>  |
| <p><b>Recognition and recoverability of deferred tax assets</b></p> <p>At 30 June 2022, a deferred tax asset of £42.2m is recognised within the Statement of financial position with a further £252.1m of potential deferred tax assets not recognised on the basis that they are not considered to be recoverable.</p> <p>There is judgement involved in the accessibility of these assets and also within the estimate of their measurement. This depends on the capital structure of the Group, the application and interplay of several relevant tax rules and the extent to which there are foreseeable taxable profits to support the asset's recoverability.</p> <p>Refer to page 17 and page 24 (note 4 - critical accounting estimates and judgements – deferred tax and note 14 –deferred tax)</p> | <p>We obtained management's detailed workings which set out the Company's deferred tax asset, including support for judgements taken on recognition. The appropriateness of this assessment was in conjunction with our taxation specialists.</p> <p>We obtained management's forecast of taxable profits and agreed those to the Group's approved long term plan. The calculations of the forecast taxable profits were reviewed, and an analysis of the sensitivity of the utilisation to variations in EBITDA and capital structure were considered.</p> <p>We have reviewed the disclosure over the significant judgements in the financial statements and we concur with the disclosures made.</p> <p>As a result of our work performed no material errors were noted in respect of the amount of deferred tax asset recognised in the financial statements at 30 June 2022.</p> |

### How we tailored the audit scope

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

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

### Materiality

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

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

|  |  |
|--|--|
| <b>Overall Company materiality</b>     | £46.3 million (2021: £46.0 million).   |
| <b>How we determined it</b>            | Based on approximately 1% of total assets  |
| <b>Rationale for benchmark applied</b> | Based on our professional judgement, total assets is considered to be an appropriate measure to assess the performance of the Company as the purpose of the Company is to hold debt and investments in subsidiaries, and the measure is a generally accepted auditing benchmark. |

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £34.7 million (2021: £34.5 million) for the Company financial statements.

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

## **Arqiva Financing No 3 Plc (05253998)**

Annual Report and Financial Statements - Year Ended 30 June 2022

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £2.4 million (2021: £2.3 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### **Conclusions relating to going concern**

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

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

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

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

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

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

### **Reporting on other information**

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

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

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

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

### **Strategic report and Directors' report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 30 June 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the Directors for the financial statements**

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

## Arqiva Financing No 3 Plc (05253998)

Annual Report and Financial Statements - Year Ended 30 June 2022

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

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

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

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

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with UK Tax law and the Companies Act 2006, 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 management's manipulation through the posting of manual journals and judgements over significant accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and Directors, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenging assumptions and judgements made by management and considering risk of management bias in their significant accounting estimates and judgements as disclosed in Note 4 of the financial statements;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or journals posted by unexpected users;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statement disclosures made by management in their significant accounting estimates and judgements as disclosed in Note 4 of the financial statements; 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.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://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.



Nigel Comello (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

17 October 2022

## Arqiva Financing No 3 Plc (05253998)

Annual Report and Financial Statements - Year Ended 30 June 2022

### Income statement

|                          |      | Year ended 30 June 2022 | Year ended 30 June 2021 |
|--------------------------|------|-------------------------|-------------------------|
|                          |      | £m                      | (Restated) <sup>1</sup> |
|                          | Note |                         | £m                      |
| <b>Operating result</b>  |      | -                       | -                       |
| Impairment               | 6    | (173.0)                 | (340.0)                 |
| Finance income           | 8    | 151.2                   | 137.6                   |
| Finance costs            | 9    | (602.7)                 | (529.9)                 |
| <b>Loss before tax</b>   |      | <b>(624.5)</b>          | <b>(732.3)</b>          |
| Tax                      | 10   | 12.4                    | (35.9)                  |
| <b>Loss for the year</b> |      | <b>(612.1)</b>          | <b>(767.9)</b>          |

All results are from continuing operations.

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

The notes on pages 14 to 26 form part of these financial statements.

<sup>1</sup> Prior year figures have been restated to reflect an adjustment to the tax charge, as well as the associated tax balances. See note 10 and note 14 for detail.

# Arqiva Financing No 3 Plc (05253998)

Annual Report and Financial Statements - Year Ended 30 June 2022

## Statement of financial position

|                                   | Note | 30 June 2022<br>£m | 30 June 2021<br>(Restated) <sup>2</sup><br>£m |
|-----------------------------------|------|--------------------|---|
| <b>Non-current assets</b>         |      |                    |   |
| Investments                       | 0    | 2,872.1            | 3,028.3                                       |
| Receivables                       | 12   | 1,677.8            | 1,527.6                                       |
| Deferred tax                      | 14   | 42.2               | 43.4  |
|                                   |      | <b>4,592.1</b>     | <b>4,599.3</b>                                |
| <b>Current assets</b>             |      |                    |   |
| Receivables                       | 12   | 36.8               | 36.8  |
| Cash and cash equivalents         | 13   | 1.1                | 1.2   |
|                                   |      | <b>37.9</b>        | <b>38.0</b>                                   |
| <b>Total assets</b>               |      | <b>4,630.0</b>     | <b>4,637.3</b>                                |
| <b>Current liabilities</b>        |      |                    |   |
| Payables                          | 15   | (190.2)            | (188.1)                                       |
| Corporation tax                   | 15   | (2.4)              | (2.4)   |
| Borrowings                        | 16   | (2,846.9)          | (2,244.2)                                     |
|                                   |      | <b>(3,039.5)</b>   | <b>(2,434.7)</b>                              |
| <b>Net current liabilities</b>    |      | <b>(3,001.6)</b>   | <b>(2,396.7)</b>                              |
| <b>Non-current liabilities</b>    |      |                    |   |
| Borrowings                        | 16   | (2,148.1)          | (2,148.1)                                     |
|                                   |      | <b>(2,148.1)</b>   | <b>(2,148.1)</b>                              |
| <b>Total liabilities</b>          |      | <b>(5,187.6)</b>   | <b>(4,582.8)</b>                              |
| <b>Net (liabilities) / assets</b> |      | <b>(557.6)</b>     | <b>54.5</b>                                   |
| <b>Equity</b>                     |      |                    |   |
| Share capital                     | 17   | 1.0                | 1.0   |
| Retained earnings                 |      | (558.6)            | 53.5  |
| <b>Total equity</b>               |      | <b>(557.6)</b>     | <b>54.5</b>                                   |

The notes on pages 14 to 2626 form part of these financial statements.

These financial statements on pages 115 to 26 were approved by the Board of Directors on 17 October 2022 and signed on its behalf by:



Mike Parton - Director

<sup>2</sup> Prior year figures have been restated to reflect an adjustment to the tax charge, as well as the associated tax balances. See note 10 and note 14 for detail.

## Arqiva Financing No 3 Plc (05253998)

Annual Report and Financial Statements - Year Ended 30 June 2022

### Statement of changes in equity

|   | Share capital | Retained earnings | Total equity   |
|---|---------------|-------------------|----------------|
|   | £m            | £m                | £m             |
| <b>Balance at 1 July 2020</b>                             | <b>1.0</b>    | <b>821.4</b>      | <b>822.4</b>   |
| Loss for the year (as reported)                           | -             | (730.7)           | (730.7)        |
| Prior year restatement                                    | -             | (37.2)            | (37.2)         |
| Loss for the year (Restated) <sup>3</sup>                 | -             | (767.9)           | (767.9)        |
| <b>Balance at 30 June 2021<br/>(Restated)<sup>3</sup></b> | <b>1.0</b>    | <b>53.5</b>       | <b>54.5</b>    |
| Loss for the year   | -             | (612.1)           | (612.1)        |
| <b>Balance at 30 June 2022</b>                            | <b>1.0</b>    | <b>(558.6)</b>    | <b>(557.6)</b> |

<sup>3</sup> Prior year figures have been restated to reflect an adjustment to the tax charge, as well as the associated tax balances. See note 12 for detail.

## Notes to the financial statements

### 1 General information

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

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

### 2 Basis of preparation and statement of compliance

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

|  |  |
|--|--|
| IFRS 3 <i>Business Combinations</i>  | The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67.  |
| IFRS 7 <i>Financial Instruments: Disclosures</i>                             | All disclosure requirements.   |
| IFRS 13 <i>Fair Value Measurement</i>  | The requirements of paragraphs 91 to 99  |
| IAS 1 <i>Presentation of financial statements</i>                            | The requirements of paragraph 38; comparative information in respect of paragraph 79(a)(iv) of IAS 1; also the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B to D, 40A to D, 111 and 134 to 136.   |
| IAS 7 <i>Statement of Cash Flows</i>   | All disclosure requirements.   |
| IAS 24 <i>Related Party Disclosures</i>                                      | The requirements of paragraph 17; the requirement to disclose related party transactions entered into between two or more members of a Group, and the requirement to disclose remuneration of key management personnel, provided that any subsidiary party to the transaction is wholly owned by such a member and key management personnel. |
| IAS 8 <i>Accounting policies, changes in accounting estimates and errors</i> | The requirements of paragraphs 30 and 31.  |

#### Exemption from consolidation

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

These financial statements are separate financial statements.

#### New and revised Standards

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

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|   |                                |
|---|--------------------------------|
| Amendments to IFRS 9, IAS 39 and IFRS 7 | Interest Rate Benchmark Reform |
|---|--------------------------------|

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

## Arqiva Financing No 3 Plc (05253998)

Annual Report and Financial Statements - Year Ended 30 June 2022

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|  |   |
|--|---|
| Amendments to IAS 1                                | Classification of Liabilities as Current or Non-current   |
| Amendments to IFRS 3                               | Reference to the Conceptual Framework   |
| Improvements to IFRS Standards 2018-2020 Cycle     | Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture |
| Amendments to IAS 1 and IFRS Practice Statements 2 | Disclosure of Accounting Policies   |
| Amendments to IAS 8                                | Definition of Accounting Estimates  |
| Amendments to IAS 12                               | Deferred Tax related to Assets and Liabilities arising from a Single Transaction  |

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None of the above are expected to have a material impact on the Company.

### 3 Principal accounting policies

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

#### (a) Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future. As the principal activity of the Company is to conduct financing activities for the benefit of fellow group undertakings, its ability to continue as a going concern is dependent on the operational performance of the Group, and whether there is sufficient cash generated to service the debt obligations. The Group performs a review of going concern through a review of forecasting including cash flow forecasts and considering the requirements of capital expenditure and debt repayments and including any severe but plausible scenarios.

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

#### (b) Taxation and deferred taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes. The charge is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred taxation is provided fully in respect of all timing differences using the liability method for timing differences where there is an obligation to pay more tax, or a right to pay less tax, in the future. The provision is calculated using the rates expected to be applicable when the asset or liability crystallises, based on current tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

A deferred tax asset is regarded as recoverable and therefore recognised only when it is more likely than not that there will be sufficient taxable profits against which to recover carried forward tax losses and from which the future reversal of timing differences can be deducted. Deferred tax is measured on an undiscounted basis.

#### (c) Investments in subsidiaries and joint ventures

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

#### (d) Interest

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

## **Arqiva Financing No 3 Plc (05253998)**

Annual Report and Financial Statements - Year Ended 30 June 2022

### **(e) Financial instruments**

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

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

#### Borrowings

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

## Arqiva Financing No 3 Plc (05253998)

Annual Report and Financial Statements - Year Ended 30 June 2022

### 4 Critical accounting estimates and judgements

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

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

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

#### Deferred tax

##### *Critical accounting judgements:*

As disclosed in note 10, the Company has recognised deferred tax assets, in respect of tax losses carried forward. Judgement is required in determining whether these assets can be accessed considering the restrictions of relevant tax legislation and expectations of future profit.

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

#### Impairment

##### *Critical accounting estimates:*

The carrying amount of the Companies investments are reviewed at each statement of financial position date to determine whether there are any impairment indicators, in compliance with the Group's accounting policies. If an impairment indicator is identified, then a full review is performed to assess whether an impairment exists. Estimations are made in determining the discount rate and long term growth rates applied in this process.

A sensitivity analysis on the applied rates indicates that an increase to the discount rate of 0.1% would impact our assessment of the impairment by £88.0m (2021: £46.0m), and that a decrease to the terminal growth rate of 0.1% would impact our assessment of the impairment by £74.0m (2021: £78.0m).

### 5 Audit fee

The Company's audit fee for the year was £10,000 (2021: £10,000) and this was borne by Arqiva Limited, a fellow Group company, and not recharged to the Company. There were no non-audit fees in the year.

### 6 Impairment of investments

|   | Year ended<br>30 June 2022 | Year ended<br>30 June 2021 |
|---|----------------------------|----------------------------|
|   | £m                         | £m                         |
| Impairment of investments in other Group entities | 173.0                      | 340.0                      |
| <b>Total impairments</b>                          | <b>173.0</b>               | <b>340.0</b>               |

During the year the Company transferred the investment in its subsidiaries Arqiva Broadcast Parent Limited and Arqiva Smart Parent Limited to a new direct subsidiary incorporated in the year, Arqiva Intermediate Limited, in exchange for £100 share capital in the new subsidiary. See note 11 for detail.

An impairment of £173.0m has been recognised in the financial year in relation to the investment in Arqiva Intermediate Limited

In the previous financial year, the Company incurred an impairment charge of £340.0m relating to an investment in a direct subsidiary of the Company, Arqiva Broadcast Parent Limited. The impairment was identified as part of the AGL Group's annual impairment review when the future cashflows of the group, along with debt and equity balances showed the full value of the investment held in Arqiva Broadcast Parent Limited was not likely to be fully recoverable.

## Arqiva Financing No 3 Plc (05253998)

Annual Report and Financial Statements - Year Ended 30 June 2022

### 7 Employees and Directors

#### Employees

The Company had no employees during the year (2021: none).

#### Directors

There are no recharges (2021: none) made to the Company in respect of any remuneration for any Directors, as their duties in respect of the Company are incidental to their normal duties on behalf of their employer companies.

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

### 8 Finance income

|   | Year ended<br>30 June 2022 | Year ended<br>30 June 2021 |
|---|----------------------------|----------------------------|
|   | £m                         | £m                         |
| Interest receivable from other Group entities | 151.2                      | 137.6                      |
| <b>Total finance income</b>                   | <b>151.2</b>               | <b>137.6</b>               |

### 9 Finance costs

|                                 | Year ended<br>30 June 2022 | Year ended<br>30 June 2021 |
|---------------------------------|----------------------------|----------------------------|
|                                 | £m                         | £m                         |
| Shareholder loan notes interest | 602.7                      | 529.9                      |
| <b>Total finance costs</b>      | <b>602.7</b>               | <b>529.9</b>               |

The shareholder loan notes carry fixed interest rates of between 13.0% and 14.0% (2021: between 13.0% and 14.0%), payment of which can be deferred at the option of the Company subject to certain conditions, qualification of which are subject to bi-annual review (see note 16).

Included within loan note interest is £0.1m (2021: £0.1m) in respect of amortisation of the premium paid on issue.

## Arqiva Financing No 3 Plc (05253998)

Annual Report and Financial Statements - Year Ended 30 June 2022

### 10 Tax

|   | Year ended<br>30 June 2022 | Year ended<br>30 June 2021<br>(Restated) |
|---|----------------------------|--|
|   | £m                         | £m                                       |
| UK Corporation tax:                                       |                            |  |
| - Current year  | 11.2                       | 7.5                                      |
| <b>Total current tax</b>                                  | <b>11.2</b>                | <b>7.5</b>                               |
| Deferred Tax:   |                            |  |
| Origination and reversal of temporary differences         | (35.7)                     | (30.4)                                   |
| Change in unrecognised deferred tax                       | 36.9                       | 30.4                                     |
| Recognition of previously unrecognised deferred tax asset | -                          | (43.4)                                   |
| <b>Total deferred tax charge</b>                          | <b>1.2</b>                 | <b>(43.4)</b>                            |
| <b>Total tax (credit)/charge for the year</b>             | <b>12.4</b>                | <b>(35.9)</b>                            |

UK Corporation tax is calculated at a rate of 19.0% (2021: 19.0%) of the taxable loss for the year.

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

|   | Year ended<br>30 June 2022 | Year ended<br>30 June 2021<br>(Restated) |
|---|----------------------------|--|
|   | £m                         | £m                                       |
| Loss before tax   | (624.5)                    | (732.3)                                  |
| Loss before tax multiplied by standard rate of corporation tax in the United Kingdom of 19.0% (2021: 19.0%) | (118.7)                    | (139.1)                                  |
| Tax effect of expenses not deductible for tax purposes  | 102.7                      | 123.3                                    |
| Change in unrecognised deferred tax assets  | 28.1                       | 23.3                                     |
| Recognition of previously unrecognised deferred tax asset   | -                          | (43.4)                                   |
| Impact of change in tax rate  | 0.3                        | -  |
| <b>Total tax (credit) / charge for the year</b>   | <b>12.4</b>                | <b>(35.9)</b>                            |

The current year UK corporation tax charge (restated 2021: credit) represents a payment due to HMRC of £nil (2021: £2.4m) with the remaining payment made to (2021: payment made to) 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 25.0% (30 June 2021: 25.0%).

Expenses that are not deductible in determining taxable profit principally relate to interest payable on shareholder loan notes and the impairment (note 9).

On 23 September 2022, it was announced that the corporation tax rate change from 19% to 25% with effect from 1 April 2023 was to be cancelled. This was not substantively enacted at the balance sheet date and therefore the impact of this change is not reflected in the measurement of deferred tax. If the rate change had been substantively enacted prior to 30 June 2022, the impact would have been to reduce the deferred tax asset by £10.1m with a corresponding debit to the income statement.

## Arqiva Financing No 3 Plc (05253998)

Annual Report and Financial Statements - Year Ended 30 June 2022

### Restatement

The restatement of the tax position involves, a deferred tax asset has been recognised in the year ended 30 June 2021. This resulted from a review of the ability of the Company to utilise this asset. This gives rise to an increased deferred tax asset of £31.2m and a reduced unrecognised deferred tax asset of £31.2m (see note 4). In addition as a result of amendments elsewhere within the Group there is a reduction in the current tax liability of £3.1m.

## 11 Investments

|   | Investments in subsidiaries<br>£m |
|---|-----------------------------------|
| <b>Cost</b>                             |                                   |
| At 1 July 2020                          | 3,352.8                           |
| Additions                               | 15.5                              |
| <b>At 30 June 2021</b>                  | <b>3,368.3</b>                    |
| Additions                               | 2,978.7                           |
| Disposals                               | (3,301.9)                         |
| <b>At 30 June 2022</b>                  | <b>3,045.1</b>                    |
| <b>Accumulated impairment</b>           |                                   |
| <b>At 1 July 2020 and 30 June 2021,</b> | <b>340.0</b>                      |
| Additions                               | 173.0                             |
| Disposals                               | (340.0)                           |
| <b>At 30 June 2022</b>                  | <b>173.0</b>                      |
| <b>Net book value</b>                   |                                   |
| <b>At 30 June 2022</b>                  | <b>2,872.1</b>                    |
| At 30 June 2021                         | 3,028.3                           |

In December 2021, Arqiva Intermediate Limited ('AIL') was incorporated as a direct subsidiary of the Company. Following incorporation, the Arqiva Financing No 3 plc transferred its entire investment holding in Arqiva Broadcast Parent Limited ('ABPL') and Arqiva Smart Parent Limited ('ASPL') to AIL in exchange for £100 share capital in the new subsidiary. An investment in AIL was recognised at a carrying value of £2,961.9m. An impairment of £173.0m has been recognised in the financial year in relation to the investment in Arqiva Intermediate Limited

The additions in both the prior year and current year includes additional investment in Arqiva Financing No1 Limited ('AF1'), a subsidiary company. Additions and disposals in the current year also include the disposal of investments in ABPL and ASPL to AIL, and the subsequent recognition of the investment in AIL as disclosed above.

In the previous financial year, the Company incurred an impairment charge of £340.0m relating to an investment in a direct subsidiary of the Company, Arqiva Broadcast Parent Limited. This calculation is considered to be a critical accounting estimate, as the value of the Company's investment in Arqiva Broadcast Parent Limited is sensitive to future cash flow projections, specifically in relation to the debt financing operations of Arqiva Financing No 3 plc.

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                  | United Kingdom           | Transmission services | 30-Jun   | 100%                               |
| Arqiva (Scotland) Limited             | United Kingdom           | Transmission services | 30-Jun   | 100%                               |
| Arqiva Broadcast Finance Plc          | United Kingdom           | Financing vehicle     | 30-Jun   | 100%                               |
| Arqiva Broadcast Intermediate Limited | United Kingdom           | Holding company       | 30-Jun   | 100%                               |
| Arqiva Broadcast Limited              | United Kingdom           | Dormant company       | 30-Jun   | 100%                               |
| Arqiva Broadcast Parent Limited       | United Kingdom           | Holding company       | 30-Jun   | 100%                               |

## Arqiva Financing No 3 Plc (05253998)

Annual Report and Financial Statements - Year Ended 30 June 2022

| Company  | Country of incorporation | Principal activities            | Year end | Percentage of ordinary shares held                 |
|--|--------------------------|---------------------------------|----------|--|
| Arqiva Communications Limited                        | United Kingdom           | Dormant company                 | 30-Jun   | 100%   |
| Arqiva Defined Benefit Pension Plan Trustees Limited | United Kingdom           | Pension company                 | 30-Jun   | 100%   |
| Arqiva Digital Limited                               | United Kingdom           | Dormant company                 | 30-Jun   | 100%   |
| Arqiva Finance Limited                               | United Kingdom           | Dormant company                 | 30-Jun   | 100%   |
| Arqiva Financing No. 1 Limited                       | United Kingdom           | Holding company                 | 30-Jun   | 100%   |
| Arqiva Financing No. 2 Limited                       | United Kingdom           | Holding company                 | 30-Jun   | 100%   |
| Arqiva Financing Plc                                 | United Kingdom           | Financing vehicle               | 30-Jun   | 100%   |
| Arqiva Group Holdings Limited                        | United Kingdom           | Holding company                 | 30-Jun   | 100%   |
| Arqiva Group Intermediate Limited                    | United Kingdom           | Holding company                 | 30-Jun   | 100%   |
| Arqiva Group Parent Limited                          | United Kingdom           | Holding company                 | 30-Jun   | 100%   |
| Arqiva Holdings Limited                              | United Kingdom           | Holding company                 | 30-Jun   | 100%   |
| Arqiva Inc.  | USA                      | Satellite transmission services | 30-Jun   | 100%   |
| Arqiva Intermediate Limited                          | United Kingdom           | Holding Company                 | 30-Jun   | 100% (incorporated 1 December 2021)(held directly) |
| Arqiva International Holdings Limited                | United Kingdom           | Holding company                 | 30-Jun   | 100% (held directly)                               |
| Arqiva Limited                                       | United Kingdom           | Transmission services           | 30-Jun   | 100%   |
| Arqiva Limited                                       | Ireland                  | Transmission services           | 30-Jun   | 100%   |
| Arqiva Media Limited                                 | United Kingdom           | Dormant company                 | 30-Jun   | 100%   |
| Arqiva Mobile Broadcast Limited                      | United Kingdom           | Dormant company                 | 30-Jun   | 100%   |
| Arqiva Mobile Limited                                | United Kingdom           | Dormant company                 | 30-Jun   | 100%   |
| Arqiva Mobile TV Limited                             | United Kingdom           | Dormant company                 | 30-Jun   | 100%   |
| Arqiva No. 10 Limited                                | United Kingdom           | Dormant company                 | 30-Jun   | 100%   |
| Arqiva No. 11 Limited                                | United Kingdom           | Dormant company                 | 30-Jun   | 100%   |
| Arqiva Pension Trust Limited                         | United Kingdom           | Dormant company                 | 31-Mar   | 100%   |
| Arqiva PP Financing Plc                              | United Kingdom           | Financing vehicle               | 30-Jun   | 100%   |
| Arqiva Pte Limited                                   | Singapore                | Satellite transmission services | 30-Jun   | 100%   |
| Arqiva Public Safety Limited                         | United Kingdom           | Dormant company                 | 30-Jun   | 100%   |
| Arqiva SAS   | France                   | Satellite transmission services | 30-Jun   | 100%   |
| Arqiva Satellite Limited                             | United Kingdom           | Dormant company                 | 30-Jun   | 100%   |
| Arqiva Senior Finance Limited                        | United Kingdom           | Financing vehicle               | 30-Jun   | 100%   |
| Arqiva Smart Financing Limited                       | United Kingdom           | Financing vehicle               | 30-Jun   | 100%   |
| Arqiva Smart Holdings Limited                        | United Kingdom           | Holding company                 | 30-Jun   | 100%   |
| Arqiva Smart Metering Limited                        | United Kingdom           | Smart metering communications   | 30-Jun   | 100%   |
| Arqiva Smart Parent Limited                          | United Kingdom           | Holding company                 | 30-Jun   | 100%   |
| Arqiva SRL   | Italy                    | Satellite transmission services | 30-Jun   | 100%   |
| 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           | Dormant company                 | 30-Jun   | 100%   |
| Digital One Limited                                  | United Kingdom           | Transmission services           | 30-Jun   | 100%   |
| Inmedia Communications (Holdings) Limited            | United Kingdom           | Dormant company                 | 30-Jun   | 100%   |

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

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

| Company                   | Registered office   |
|---------------------------|---|
| Arqiva Inc.               | c/o The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE19801, United States of America. |
| Arqiva (Ireland) Limited  | Unit 9 Willborough, Clonshaugh Industrial Estate, Dublin 17, Co. Dublin, Ireland  |
| Arqiva Pte Limited        | 8 Marina Boulevard #05-02, Marina Bay Financial Centre, 018981, Singapore.  |
| Arqiva SAS                | 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 |
|--------------------------------|--------------------------|---|---|----------|------------------------------------|
| <b>Joint ventures</b>          |                          |   |   |          |                                    |
| 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%                              |
| <b>Associate undertakings:</b> |                          |   |   |          |                                    |
| Muxco Limited                  | United Kingdom           | Bidding for UK DAB digital radio multiplex licences       | 96a, Curtain Road, London, EC2A 3AA   | 31-Dec   | 25.0%                              |
| UK Digital Radio Limited       | United Kingdom           | Support delivery of a digital future for radio            | 55 New Oxford Street, 6th Floor, London, WC1A 1BS   | 31-Mar   | 10.0%                              |

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### 12 Receivables

|  | 30 June 2022   | 30 June 2021   |
|--|----------------|----------------|
|  | £m             | £m             |
| <b>Current</b>                               |                |                |
| Amounts receivable from other Group entities | 36.8           | 36.8           |
| <b>Total current receivables</b>             | <b>36.8</b>    | <b>36.8</b>    |
| <b>Non-current</b>                           |                |                |
| Amounts receivable from other Group entities | 1,677.8        | 1,527.6        |
| <b>Total non-current receivables</b>         | <b>1,677.8</b> | <b>1,527.6</b> |

Included in the receivables balance due within one year are amounts of £36.8m (2021: £36.8m) upon which no interest is charged.

Included within non-current amounts receivables are £3.9m (2021: £3.6m) upon which interest is charged at a rate of 6.3% plus an index reflecting the blended interest rate swap rates that were in place as part of the external funding the Group has established to finance communications hubs, which for the year ended 30 June 2022 was 0.9% (2021: 0.9%). The remaining amounts receivable from other Group entities of £1,673.9m (2021: £1,524.0m) carried interest at 9.5% (2021: 9.5%).

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

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

|                             | 2022       | 2021       |
|-----------------------------|------------|------------|
|                             | £m         | £m         |
| <b>Allowance at 1 July</b>  | <b>1.2</b> | <b>1.2</b> |
| <b>Allowance at 30 June</b> | <b>1.2</b> | <b>1.2</b> |

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

### 13 Cash and cash equivalents

|  | 30 June 2022 | 30 June 2021 |
|--|--------------|--------------|
|  | £m           | £m           |
| Cash at bank                           | 1.1          | 1.2          |
| <b>Total cash and cash equivalents</b> | <b>1.1</b>   | <b>1.2</b>   |

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### 14 Deferred tax

The balance of deferred tax recognised at 30 June 2022 is £42.2m (2021: £43.4m (Restated)). The movement in deferred income tax assets and liabilities during the year is as follows:

|  | Tax Losses  | Total       |
|--|-------------|-------------|
|  | £m          | £m          |
| <b>Deferred tax assets</b>                 |             |             |
| At 1 July 2020                             | -           | -           |
| Charged to the income statement (Restated) | 43.4        | 43.4        |
| <b>At 30 June 2021 (Restated)</b>          | <b>43.4</b> | <b>43.4</b> |
| Credited to the income statement           | (1.2)       | (1.2)       |
| <b>At 30 June 2022</b>                     | <b>42.2</b> | <b>42.2</b> |

Prior year figures have been restated to reflect an adjustment to the tax charge, as well as the associated tax balances. See note 10 for detail.

There is an unrecognised deferred tax asset of £252.1m (2021: £214.6m (Restated)). This is in deferred interest expenses £252.1m (2021: £214.6m (Restated)). 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.

Companies within the Group continue to recognise deferred tax assets as supported by the same long-term group profit forecasts. 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 Payables

|   | 30 June 2022 | 30 June 2021            |
|---|--------------|-------------------------|
|   | £m           | (Restated) <sup>4</sup> |
|   |              | £m                      |
| Amounts payable to other Group entities | 190.1        | 188.1                   |
| Accruals                                | 0.1          | 0.1                     |
| <b>Total payables</b>                   | <b>190.2</b> | <b>122.1</b>            |
| <b>Corporation tax</b>                  | <b>2.4</b>   | <b>2.4</b>              |

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

<sup>4</sup> Prior year figures have been restated to reflect an adjustment to the tax charge, as well as the associated tax balances. See note 10 for detail.

## Arqiva Financing No 3 Plc (05253998)

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### 16 Borrowings

|  | 30 June 2022   | 30 June 2021   |
|--|----------------|----------------|
|  | £m             | £m             |
| <b>Within current liabilities:</b>             |                |                |
| Accrued interest on shareholder loan notes     | 2,846.9        | 2,244.2        |
| <b>Borrowings due within one year</b>          | <b>2,846.9</b> | <b>2,244.2</b> |
| <b>Within non-current liabilities:</b>         |                |                |
| Shareholder loan notes                         | 2,148.1        | 2,148.1        |
| <b>Borrowings due after more than one year</b> | <b>2,148.1</b> | <b>2,148.1</b> |
| <b>Total borrowings</b>                        | <b>4,995.0</b> | <b>4,392.3</b> |

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

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

As disclosed in note 20, the shareholder loan notes were extended following the year end and now have maturity dates ranging from March 2029 to March 2030.

An analysis of total borrowings by maturity is as follows:

|                                | 30 June 2022   | 30 June 2021   |
|--------------------------------|----------------|----------------|
|                                | £m             | £m             |
| Borrowings falling due within: |                |                |
| One year                       | 2,846.9        | 2,244.2        |
| Two to five years              | 2,148.1        | 2,148.1        |
| <b>Total</b>                   | <b>4,995.0</b> | <b>4,392.3</b> |

### 17 Share capital

|  | 30 June 2022 | 30 June 2021 |
|--|--------------|--------------|
|  | £m           | £m           |
| <b>Allotted and fully paid:</b>                        |              |              |
| 1,000,000 (2021: 1,000,000) ordinary shares of £1 each | 1.0          | 1.0          |

### 18 Contingent liabilities

#### Financing commitments

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

### 19 Related party transactions

#### Intercompany transactions

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

## Arqiva Financing No 3 Plc (05253998)

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### Investor transactions

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

| 30 June 2022                                | MGIF II * | MEIF II + | Macquarie Prism * | FICAL + |
|---|-----------|-----------|-------------------|---------|
|   | £m        | £m        | £m                | £m      |
| Shareholder loan notes                      | 12.8      | 626.6     | 9.3               | 1,208.4 |
| Shareholder loan note interest for the year | 3.0       | 153.5     | 5.2               | 296.1   |
| Accrued shareholder loan note interest      | 12.8      | 644.3     | 34.0              | 1,243.0 |

\* A related party by virtue of common influence.

+ An investor company and a related party by virtue of significant shareholding (as at 30 June 2022).

| 30 June 2021                                | MGIF II * | MEIF II + | Macquarie Prism * | FICAL + |
|---|-----------|-----------|-------------------|---------|
|   | £m        | £m        | £m                | £m      |
| Shareholder loan notes                      | 12.8      | 626.6     | 9.3               | 1,208.4 |
| Shareholder loan note interest for the year | 2.7       | 134.9     | 4.6               | 260.3   |
| Accrued shareholder loan note interest      | 9.8       | 490.8     | 28.7              | 946.8   |

\* A related party by virtue of common influence.

+ An investor company and a related party by virtue of significant shareholding (as at 30 June 2021).

## 20 Events after the reporting period

The maturity of Shareholder Loan notes have also been extended since year end and now have maturity dates ranging from March 2029 to March 2030.

On 23 September 2022, it was announced that the corporation tax rate change from 19% to 25% with effect from 1 April 2023 was to be cancelled. For further detail see notes 10 and 14.

## 21 Controlling parties

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

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

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

In June 2022 it was announced that Digital 9 Infrastructure has agreed to purchase Canada Pension Plan Investment Board's (CPPIB) entire 48% stake in AGL. Digital 9 Infrastructure is a dedicated infrastructure investor, headquartered in the UK and with significant experience in the infrastructure industry. It is anticipated that this deal will be completed later in this calendar year. At that point the representatives from CPPIB appointed to the Board of Directors will be replaced by representatives from Digital 9 Infrastructure. This will not change the day-to-day operations of the Group's business.