



# **Arqiva Financing No 2 Limited**

**Registered number 06137899**

## **Annual Report and Financial Statements**

**For the year ended 30 June 2024**

# **Arqiva Financing No 2 Limited (06137899)**

Annual Report and Financial Statements – Year ended 30 June 2024

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# Arqiva Financing No 2 Limited (06137899)

Annual Report and Financial Statements – Year ended 30 June 2024

## Strategic report

The directors present their strategic report for the year ended 30 June 2024.

### Business model, environment and strategy

The principal activity of Arqiva Financing No 2 Limited (the 'Company') throughout the year has been that of an intermediate holding company within the Arqiva Group Limited ('AGL') group of companies (the 'Group') and as issuer for the external junior debt. The Company holds an investment in an operational sub-group of companies which it funds via intercompany debt and external junior debt.

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

The Company has made a loss for the financial year of £85,325,000 (2023: £1,011,053,000). The Company has net assets of £2,224,956,000 (2023: £2,310,281,000). The loss for the year includes an impairment in the Company's investment. See note 11 of these financial statements for further information on the impairment recognised.

#### 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 21 of these financial statements or the Group's website at [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 are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed within the annual report and consolidated financial statements of AGL, a copy of which is available 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.

### 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.

Section 172 Factor	How the Company has satisfied this:
Consequences of any decisions in the long term:	<p>Arqiva Financing No2 Ltd is a holding Company for the Group, holding investments in an operational sub-group of companies which it funds via intercompany debt and external junior debt. The decisions that the Directors make are to ensure that the sub-group continues to be efficiently funded, supporting them to meet their operational, investment and financial requirements.</p> <p>In its role as a financing vehicle for the Group, as the issuer of the external junior debt, the decisions that the Directors of this Company make are to ensure that the Group continues to operate efficiently from a financial and liquidity standpoint and continues to meet its obligations under debt covenant requirements.</p> <p>No key decisions were made by the Directors during the year as the activities of the entity have not changed since previous years. The Company continues to finance the operational sub-group via Intercompany loans, supporting the long-term performance of these Companies.</p>
Interests of the company's employees;	<p>This Company has no employees, employees of the Group are employed and managed by another group company, Arqiva Ltd.</p>
Fostering relationships with suppliers, customers and others	<p>The Company's only external relationships relate to the Borrowings held in the Company. AGL fosters strong relations with junior debt issuers primarily by ensuring compliance with the debt covenants in place at the Group level, and by timely servicing of debt and interest payments.</p>

## Arqiva Financing No 2 Limited (06137899)

Annual Report and Financial Statements – Year ended 30 June 2024

Impact of operations on the community and the environment	As a financing vehicle, this Company sets a high standard by supporting the Group in meeting its debt covenant requirements and timely servicing of its debt to bond holders. The Company made all required debt service payments on time and met its debt covenant requirements for the financial year. There are no operations carried out by this company, it is a holding company for the Group. Therefore there is no impact. For a review of the Group's impact, refer to the AGL FY24 Financial Statements, Section 172 Statement.
Maintaining a high standard of business conduct:	As a holding Company, the Company must ensure the Intercompany loans are correctly accounted for and that funds are flowing through the Group to the sub-group as required. The Company has delivered on this during the year.
Acting fairly between members	AGL manage the business at the Group level, not at individual entity level. Therefore the Company does not need to manage Intercompany relationships, as decisions are made to benefit the group as a whole. Further the Group's letter of support ensures Intercompany balances are recoverable.

### 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 43 and 44, 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 24 October 2024 and signed on its behalf by:



**Scott Longhurst**  
Director

# Arqiva Financing No 2 Limited (06137899)

Annual Report and Financial Statements – Year ended 30 June 2024

## Directors' report

The Directors of Arqiva Financing No 2 Limited, registered company number 06137899, (the 'Company') submit the following annual report and audited financial statements (the 'financial statements') in respect of the year ended 30 June 2024. The Company's registered office is Crawley Court, Winchester, Hampshire, SO21 2QA.

## Business review and strategy

The Company acts as an intermediate holding company within the Arqiva Group Limited ('AGL') group of companies ('the Group') and as issuer for the external junior debt. It holds an investment in a group of operating companies which it continued to fund during the year from intercompany debt and external junior debt.

The Company has made a loss for the financial year of £85,325,000 (2023: £1,011,053,000). The Company has net assets of £2,224,956,000 (2023: £2,310,281,000). The loss for the year includes an impairment in the Company's investment. See note 11 of these financial statements for further information on the impairment recognised.

## Future developments

It is the intention of the Directors of the Company to continue to act as an intermediate holding company.

## Principal risks and uncertainties

Details of the principal risks and uncertainties are included in the Strategic report on page 2.

## Financial risk management

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

### *Liquidity risk*

The Company is funded through reserves and external junior debt. The Company's capital requirements are managed by the Group's treasury team. The maturity of the Company's borrowings is shown in note 16. The Group 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.

### *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.

### *Credit risk*

The Company is exposed to credit risk to the extent of external junior loan balance. The levels of credit risk are monitored through the Group's on-going risk management processes, which include a regular review of the credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.

The Company is otherwise exposed to credit risk 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.

## Dividends and transfers to reserves

The Company has not declared any dividends for the year (2023: £nil). The loss for the year of £85,325,000 (2023: £1,011,053,000) was transferred to reserves.

## **Arqiva Financing No 2 Limited (06137899)**

Annual Report and Financial Statements – Year ended 30 June 2024

### **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.

### **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 severe but plausible downside scenarios.

The Group has provided a letter of support which confirms that Arqiva Group Limited will provide such financial assistance to all its wholly owned (directly and indirectly held) subsidiaries in order to meet liabilities as they fall due for a period of 12 months from the date of signing the 30 June 2024 financial statements.

The Company adopts the going concern basis in preparing its financial statements, based on the support from its ultimate parent undertaking, the future cash flow forecasts of the Group and Company and available facilities, which lead the Directors of the Company to be confident that the Company will have adequate resources to continue in operational existence and continue to meet debt and interest payments as they fall due.

### **Directors**

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Michael Darcey	
Susana Leith-Smith	
Paul Donovan	
Matthew Postgate	
Maximilian Fieguth	
Scott Longhurst	
David Stirton	
Andrew Macleod	(appointed 1 July 2023)
Diego Massidda	(appointed 16 November 2023)
Arnaud Jaguin	(resigned 16 November 2023 and reappointed 6 December 2023)

### **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.

### **Independent auditors**

The independent 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 the financial statements in accordance with applicable law and regulation.

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

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

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

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

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

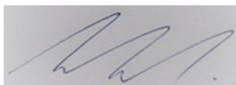
The Directors are responsible for the maintenance and integrity of the Company's financial statements published on the Ultimate Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Directors' confirmations**

In the case of each director in office at the date the Directors' report is approved:

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

On behalf of the Board



**Scott Longhurst**  
Director

24 October 2024

# Independent auditors' report to the members of Arqiva Financing No 2 Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Arqiva Financing No 2 Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2024 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, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 30 June 2024; the Income statement and the Statement of changes in equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

### Basis for opinion

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

### Independence

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

### Conclusions relating to going concern

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

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

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

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



## **Reporting on other information**

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

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

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

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

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

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 30 June 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and UK Tax law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in 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 as well as reviewing associated financial statement disclosures as disclosed in Note 4 of the financial statements;
- Identifying and testing unexpected journal entries, including any journal entries posted with unusual account combinations;
- Reviewing minutes of meetings of those charged with governance; and
- As required by ISA 240, incorporating an element of unpredictability into our audit testing.

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

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  
24 October 2024

## Arqiva Financing No 2 Limited (06137899)

Annual Report and Financial Statements – Year ended 30 June 2024

### Income statement

	Note	Year ended 30 June 2024 £'000	Year ended 30 June 2023 £'000
Operating expenses	5	(34)	(77)
<b>Operating loss</b>		<b>(34)</b>	<b>(77)</b>
Impairment on investment	11	(51,100)	(989,242)
Finance income	7	202,955	188,358
Finance costs	8	(232,623)	(216,060)
Other losses	9	(4,034)	(3,093)
<b>Loss before taxation</b>		<b>(84,836)</b>	<b>(1,020,114)</b>
Tax	10	(489)	9,061
<b>Loss for the financial year</b>		<b>(85,325)</b>	<b>(1,011,053)</b>

All results are from continuing operations.

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

The notes on pages 13 to 24 form part of these financial statements.

# Arqiva Financing No 2 Limited (06137899)

Annual Report and Financial Statements – Year ended 30 June 2024

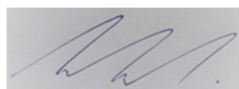
## Statement of financial position

	Note	30 June 2024 £'000	30 June 2023 £'000
<b>Non-current assets</b>			
Investments in subsidiaries	11	2,452,919	2,504,019
Receivables	12	2,217,821	2,061,528
Deferred tax	14	1,881	872
		<b>4,672,621</b>	<b>4,566,419</b>
<b>Current assets</b>			
Receivables	12	19,414	30,703
Cash and cash equivalents	13	781	1,045
		<b>20,195</b>	<b>31,748</b>
<b>Total assets</b>		<b>4,692,816</b>	<b>4,598,167</b>
<b>Current liabilities</b>			
Payables	15	(1,979,087)	(1,806,412)
		<b>(1,979,087)</b>	<b>(1,806,412)</b>
<b>Net current liabilities</b>		<b>(1,958,892)</b>	<b>(1,774,664)</b>
<b>Non-current liabilities</b>			
Borrowings	16	(481,646)	(478,381)
Derivative financial instruments	17	(7,127)	(3,093)
		<b>(488,773)</b>	<b>(481,474)</b>
<b>Total liabilities</b>		<b>(2,467,860)</b>	<b>(2,287,886)</b>
<b>Net assets</b>		<b>2,224,956</b>	<b>2,310,281</b>
<b>Equity</b>			
Share capital	18	50	50
Capital reserves		3,301,637	3,301,637
Accumulated losses		(1,076,731)	(991,406)
<b>Total equity</b>		<b>2,224,956</b>	<b>2,310,281</b>

The notes on pages 13 to 24 form part of these financial statements.

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

These financial statements and related notes on pages 10 to 24 were approved by the Board of Directors on 24 October 2024 and were signed on its behalf by:



Scott Longhurst

Director

## Arqiva Financing No 2 Limited (06137899)

Annual Report and Financial Statements – Year ended 30 June 2024

### Statement of changes in equity

	Share capital <sup>1</sup>	Retained earnings/ (Accumulated losses)	Capital reserve <sup>2</sup>	Total equity
	£'000	£'000	£'000	£'000
<b>Balance at 1 July 2022 (unaudited)</b>	<b>50</b>	<b>19,647</b>	<b>3,301,637</b>	<b>3,321,334</b>
Loss for the year	-	(1,011,053)	-	(1,011,053)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(1,011,053)</b>	<b>-</b>	<b>(1,011,053)</b>
<b>Balance at 30 June 2023</b>	<b>50</b>	<b>(991,406)</b>	<b>3,301,637</b>	<b>2,310,281</b>
Loss for the year	-	(85,325)	-	(85,325)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(85,325)</b>	<b>-</b>	<b>(85,325)</b>
<b>Balance at 30 June 2024</b>	<b>50</b>	<b>(1,076,731)</b>	<b>3,301,637</b>	<b>2,224,956</b>

<sup>1</sup> Comprises 50,002 (2023:50,002) authorised, issued and fully paid ordinary shares of £1 each.

<sup>2</sup> The capital contribution reserve arose from the release of intercompany loans due to the Company's immediate parent. This reserve is non-distributable in accordance with section 830 of the Companies Act 2006.

## Notes to the financial statements

### 1 General Information

Arqiva Financing No 2 Limited (the 'Company') is a private company, limited by shares, incorporated and domiciled in England, United Kingdom ('UK') under the Companies Act under registration number 06137899. 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 2.

### 2 Adoption of new and revised Standards

#### 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.

Amendment to IFRS 16	Leases on sale and leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 7 and IFRS 7	Supplier Finance

At the date of authorisation of these financial statements, the company has not applied the following new and revised IFRS Standard that had been issued but is not yet effective:

Amendment to IAS 21	Lack of Exchangeability
Amendment to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments
IFRS 18	Presentation and Disclosure in Financial Statements
IFRS 19	Subsidiaries without Public Accountability: Disclosures

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

### 3 Material accounting policies

#### Basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared under the historical cost convention, except for the valuation of financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below, and in accordance with the Companies Act 2006. The Group's consolidated financial statements are available online at [www.arqiva.com](http://www.arqiva.com).

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

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

IFRS 7 Financial Instruments: Disclosures	All disclosure requirements.
IFRS 13 Fair Value Measurement	The requirements of paragraphs 91 to 99.
IAS 7 Statement of Cash Flows	All disclosure requirements.
IAS 24 Related Party Disclosures	The requirements of paragraph 17; the requirement to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary party to the transaction is wholly owned by such a member and key management personnel.

## Arqiva Financing No 2 Limited (06137899)

Annual Report and Financial Statements – Year ended 30 June 2024

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 to 136.
IAS 8 Accounting policies, changes in accounting estimates and errors	The requirements of paragraphs 30 and 31.

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 Broadcast Parent Limited ('ABPL') 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.

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 severe but plausible downside scenarios.

The Group has provided a letter of support which confirms that Arqiva Group Limited will provide such financial assistance to all its wholly owned (directly and indirectly held) subsidiaries in order to meet liabilities as they fall due for a period of 12 months from the date of signing the 30 June 2024 financial statements.

The Company adopts the going concern basis in preparing its financial statements, based on the support from its ultimate parent undertaking, the future cash flow forecasts of the Group and Company and available facilities, which lead the Directors of the Company to be confident that the Company will have adequate resources to continue in operational existence and continue to meet debt and interest payments as they fall due.

### (c) Taxation and deferred taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable in other years and it further excludes items that are never taxable or deductible.

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.

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.

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

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

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### **(e) Impairment of non-financial assets**

At each reporting period date, the Company reviews the carrying amounts of its investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss unless the impairment relates to goodwill, in which case it cannot be reversed.

### **(f) Interest**

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

### **(g) 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

Obligations for borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs. After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest rate method.

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, including interest rate 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.



## **Arqiva Financing No 2 Limited (06137899)**

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### *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.

## **4 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's material 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 judgements, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these judgements, estimates and assumptions.

The judgements, estimates and underlying assumptions are reviewed on an on-going basis. Revisions are recognised in the period in which the estimate is revised.

### **Critical judgements and key sources of estimation uncertainty in applying the Group's material 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 and could reasonably be expected to change materially in the next 12 months.

#### **Impairment of investments**

##### *Key estimates:*

The calculation of impairment of investments in subsidiaries held is considered to be a critical accounting estimate, as the value of the Company's investment in Arqiva Broadcast Intermediate Limited is sensitive to future cash flow projections, specifically in relation to the debt financing operations of the Group. Reductions identified in the future cash flows of this subsidiary would result in a further impairment of the investment. An impairment charge of £51,100,000 (2023: £989,242,000) has been recognised in the year. See note 11 for further information.

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 £59.4m (2023: £61.9m), and that a decrease to the terminal growth rate of 0.1% would impact our assessment of the impairment by £49.0m (2023: £50.7m).

## **5 Operating expenses**

The Company's audit fee for the year was £25,000 (2023: £30,000) and this was borne by Arqiva Limited, a fellow Group company, and was not recharged. There were no non-audit fees in the year.

The Company has received a £5,000 (2023: £5,000) management recharge in respect of senior executive management costs within the group, from a fellow Group company. The management recharge is included within operating expenses within the income statement.

The remaining operating expenses of £29,000 (2023: £72,000) relate to agency fees.

## **6 Employees and Directors**

### **Employees**

The Company has no employees during the year (2023: none).

### **Directors**

There are no recharges (2023: £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.

## Arqiva Financing No 2 Limited (06137899)

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The Directors are either representatives of the ultimate UK parent undertaking's shareholders or other Group companies and their individual remuneration reflects the services they provide to the Company and other Group companies.

It is not possible to make an accurate apportionment of each Director's emoluments in respect of their services to the Company. Accordingly, no emoluments in respect of these Directors services have been disclosed.

### 7 Finance income

	Year ended 30 June 2024	Year ended 30 June 2023
	£'000	£'000
Interest receivable from other group entities	202,955	188,358
<b>Total finance income</b>	<b>202,955</b>	<b>188,358</b>

### 8 Finance costs

	Year ended 30 June 2024	Year ended 30 June 2023
	£'000	£'000
Amortisation of debt issue costs	3,602	2,648
Other interest	2,564	7,504
Interest on loans	44,578	30,514
Interest payable to other group entities	181,879	175,394
<b>Total finance costs</b>	<b>232,623</b>	<b>216,060</b>

### 9 Other losses

	Year ended 30 June 2024	Year ended 30 June 2023
	£'000	£'000
Fair value loss on derivative financial instruments	4,034	3,093
<b>Total other gains and losses</b>	<b>4,034</b>	<b>3,093</b>

## Arqiva Financing No 2 Limited (06137899)

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### 10 Tax

	Year ended 30 June 2024	Year ended 30 June 2023
	£'000	£'000
UK Corporation tax		
- Current year	(3,813)	(8,189)
- Adjustment in respect of prior years	5,311	-
Total current tax	1,498	(8,189)
<b>Deferred tax (see note 14)</b>		
Origination and reversal of temporary differences	(1,009)	(773)
Recognition of previously unrecognised deferred tax asset	-	(99)
	(1,009)	(872)
<b>Total tax charge / (credit) for the year</b>	<b>489</b>	<b>(9,061)</b>

UK corporation tax is calculated at the blended rate of 25.0% (2023: 20.5%) of the taxable loss for the year.

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

	Year ended 30 June 2024	Year ended 30 June 2023
	£'000	£'000
Loss before tax	(84,836)	(1,020,114)
Tax at the UK Corporation tax rate of 25.0% (2023: 20.5%)	(21,209)	(209,123)
Tax effect of expenses that are not deductible in determining taxable loss (a)	12,775	202,794
Deemed interest on intercompany balances (b)	3,612	(2,494)
Adjustment in respect of prior years (c)	5,311	-
Recognition of previously unrecognised deferred tax asset	-	(99)
Impact of change in tax rate	-	(139)
<b>Total tax charge / (credit) for the year</b>	<b>489</b>	<b>(9,061)</b>

The current year UK corporation tax charge (2023: credit) represents the payment received from other Group companies for the provision of tax losses by way of group relief.

The average blended rate of UK corporation tax was 25.0% during the year. In the Finance Act 2022 it was enacted that the main rate of UK corporation tax would be increased to 25.0% from 1 April 2023. UK deferred tax has been valued at 25% (2023: 25%).

(a) Expenses that are not deductible in determining taxable loss relate to the impairment of the inter-company balances and investment - not deductible for corporation tax purposes.

(b) Deemed interest expense in respect of inter-company debt, taxable for corporation tax purposes.

(c) The adjustment in respect of prior years, relates to refinements of estimates of taxable profits arising from the completion of the tax compliance process. This is primarily as a result of the introduction by the Group of a revised intra-group interest charging policy for tax purposes commencing in the year ended 30 June 2023.

On 20 June 2023, Finance (No.2) Bill 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%; the implications of this upon the Companies in the group are set out in the Arqiva Group Ltd financial statements. The Company has applied the temporary exception under IAS 12 in relation to the accounting for deferred taxes arising from the implementation of the Pillar Two rules.

## Arqiva Financing No 2 Limited (06137899)

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### 11 Investments in subsidiaries

	Investments in subsidiaries £'000
<b>Cost</b>	
At 1 July 2023 and 30 June 2024	<u>3,493,261</u>
<b>Accumulated impairment</b>	
At 1 July 2023	989,242
Impairment	51,100
<b>At 30 June 2024</b>	<u>1,040,342</u>
<b>Net book value</b>	
<b>At 30 June 2024</b>	<u>2,452,919</u>
<b>At 30 June 2023</b>	<u>2,504,019</u>

The Directors consider the carrying value of the Company's investments in its subsidiaries on an annual basis, or more frequently should indicators arise, and believe that the carrying values of the investments are supported by the underlying trade and net assets.

The recoverable amounts is determined from value-in-use calculations ('VIU').

The key assumptions for the VIU calculations are those regarding the discount rates, growth rates and expected changes to cash flows during the year for which management has detailed plans.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Group. Growth rates are based on internal and external growth forecasts. Changes to cash flows are based on past practices and expectations of future changes in the market.

#### *Projected cash flows and the 'recoverable amount'*

The value in use is determined from the cash flow forecasts derived from the latest financial forecasts available at year end. They reflect management's expectations of revenue, EBITDA growth, capital expenditure and working capital based on past experience and future expectations of performance.

#### *Discount rate*

The pre-tax discount rate applied to the Group's cash flow forecasts are derived using the capital asset pricing model for comparable businesses. The assumptions used are benchmarked to externally available data. The pre-tax discount rate used is 8.8% (2023: 8.7%).

This discount rate does not represent the weighted average cost of capital (WACC) for AGL, but instead is an industry and comparative company-based capital asset pricing model (CAPM) derived discount rate, utilising current spot rates at the time of calculation.

#### *Terminal growth rates*

The terminal growth rate is determined based on the long-term growth rates of the markets in which the CGU operates (2024: 1.9%; 2023: 1.9%). The growth rate has been benchmarked against externally available data.

During the year the Company incurred an impairment charge of £51,100,000 (2023: £989,242,000) relating to a direct subsidiary of the Company, Arqiva Broadcast Intermediate Limited. This calculation is considered to be a key accounting estimate, as the value of the Company's investment in Arqiva Broadcast Intermediate Limited is sensitive to future cash flow projections, discount rate and terminal growth rate applied to the Groups value in use calculation. Reductions identified in the future cash flows of this subsidiary would result in a further impairment of the investment.

## Arqiva Financing No 2 Limited (06137899)

Annual Report and Financial Statements – Year ended 30 June 2024

The Company's investments (held indirectly unless stated), are shown below:

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
Arqiva Broadcast Intermediate Limited	United Kingdom	Holding company	30-Jun	100% (held directly)
Arqiva Financing No. 1 Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Financing Plc	United Kingdom	Financing vehicle	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 Senior Finance Limited	United Kingdom	Financing vehicle	30-Jun	100%
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 Communications Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Defined Benefit Pension Plan Trustees Limited	United Kingdom	Pension company	30-Jun	100%
Arqiva Group Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Inc.	USA	Satellite transmission services	30-Jun	100%
Arqiva Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva Limited	Ireland	Transmission services	30-Jun	100%
Arqiva Media Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile TV Limited	United Kingdom	Transmission services	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	Pension 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 SRL	Italy	Satellite transmission services	30-Jun	100%
Arqiva Telecoms Investment Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva UK Broadcast Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Capablue Limited	United Kingdom	Dormant company	30-Jun	100%
Cast Communications Limited	United Kingdom	Dormant company	30-Jun	100%
Connect TV (Scotland) Limited	United Kingdom	Dormant company	30-Jun	100%
Connect TV Limited	United Kingdom	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%
Inmedia Communications Group Limited	United Kingdom	Dormant company	30-Jun	100%
Inmedia Communications Limited	United Kingdom	Dormant company	30-Jun	100%

## Arqiva Financing No 2 Limited (06137899)

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Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
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%
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	Dormant company	30-Jun	100%
South West Digital Radio Limited	United Kingdom	Transmission services	30-Jun	66.67%
Spectrum Interactive (UK) Limited	United Kingdom	Dormant company	30-Jun	100%
Spectrum Interactive Limited	United Kingdom	Holding company	30-Jun	100%

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	4 Rue Paul Dautier, 78140 Vélizy-Villacoublay, 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.

In addition to the subsidiary undertakings the Company indirectly holds the following interests in associates and joint ventures:

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 Oxford Street, 6 <sup>th</sup> floor, London, WC1A 1BS	31-Mar	10.0%

## Arqiva Financing No 2 Limited (06137899)

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### 12 Receivables

	30 June 2024	30 June 2023
	£'000	£'000
Amounts receivable from other group entities	19,409	30,394
Prepayments and other receivables	5	309
<b>Total current receivables</b>	<b>19,414</b>	<b>30,703</b>
Amounts receivable from other group entities	2,217,821	2,061,528
<b>Total non-current receivables</b>	<b>2,217,821</b>	<b>2,061,528</b>

Amounts receivable from other group entities are unsecured. Interest has been charged on £2,217,821,000 (2023: £2,061,528,000) at 9.5%.

As part of the Group's refinancing, the majority of the balances with group undertakings have been formalised under a single subordinated loan agreement with a subsidiary company which has a maturity date in 2033.

### 13 Cash and cash equivalents

	30 June 2024	30 June 2023
	£'000	£'000
Cash and cash equivalents	781	1,045

### 14 Deferred Tax

The balance of deferred tax recognised at 30 June 2024 is an asset of £1,881,000 (2023: £872,000). The movement in deferred income tax assets and liabilities during the year is as follows:

	Tax losses	Derivative financial instruments	Total
	£'000	£'000	£'000
<b>Deferred tax assets</b>			
<b>At 30 June 2023</b>	<b>99</b>	<b>773</b>	<b>872</b>
Credited to the income statement	-	1,009	1,009
<b>At 30 June 2024</b>	<b>99</b>	<b>1,782</b>	<b>1,881</b>

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

Deferred tax assets are not recognised unless it is probable that there will be sufficient taxable profits against which they will be realised. The Company has an unrecognised deferred tax asset of £297,000 (2023: £297,000) in respect of tax losses. 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 Company.

## Arqiva Financing No 2 Limited (06137899)

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### 15 Payables

	30 June 2024	30 June 2023
	£'000	£'000
Amounts payable to other group entities	1,965,479	1,792,724
Accrued interest	13,608	13,688
<b>Total payables</b>	<b>1,979,087</b>	<b>1,806,412</b>

Amounts owed to other group entities are unsecured. Interest has been charged on £1,965,479,000 (2023: £1,782,312,000) at 9.5% and £nil (2023: £10,413,000) was interest free and repayable on demand.

### 16 Borrowings

	30 June 2024	30 June 2023
	£'000	£'000
Amounts payable to other group entities	45,154	45,154
External loans: Junior loan	450,000	450,000
Less: issue costs	(13,508)	(16,773)
<b>Total borrowings</b>	<b>481,646</b>	<b>478,381</b>

Amounts payable to other group entities relate to balances formalised under a single subordinated loan agreement with the direct parent company which has a long term maturity date of 2033. In addition, further funds have been advanced by parent undertakings on a subordinated basis which facilitated the repayment of previous bank facilities. Accrued interest on these intercompany loan balances are included as amounts payable to other group entities within payables. The balances cannot be recalled earlier than the final maturity date other than with the agreement of the borrower. Interest can be deferred if the borrower does not have sufficient available cash flow.

The £450m junior debt comprises of £138.9m (2023: £138.9m) loan at a fixed rate of 9.1% (2023: 9.1%) and £311.1m (2023: £311.1m) at floating rate with a margin of 5% over SONIA. It has an expected maturity date of 31 March 2028.

### 17 Financial Instruments

#### Derivative financial instruments

The Company operates as part of the Group's management of the exposures of its debt payment obligations through the use of interest rate swaps.

The £450m junior debt comprises of £138.9m (2023: £138.9m) loan at a fixed rate of 9.1% (2023: 9.1%) and £311.1m (2023: £311.1m) at floating rate with a margin of 5% over SONIA.

At the year end, the company held junior interest rate swaps with a notional of £450m (2023: £450m) which hedges interest obligations of the Group's junior loan that was originally drawn at floating rate. The average fixed rate of this instrument is at 5.3%. After the initial drawdown of £450m floating rate loan in September 2022 a portion of the loan was restructured to fixed rate and therefore the Group has entered £138.9m of corresponding fixed to floating overlay interest rate swaps to align the cash flow characteristics of the underlying fixed rate debt and original floating to fixed interest rate swaps.

The fair value of the junior interest rate swaps portfolio at 30 June 2024 is a liability of £7.1m (2023: £3.1m). This fair value is calculated using a risk-adjusted discount rate.



## Arqiva Financing No 2 Limited (06137899)

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

	30 June 2024 £'000	30 June 2023 £'000
<b>Within non-current liabilities</b>		
Interest rate swaps	(7,127)	(3,093)
	<u>(7,127)</u>	<u>(3,093)</u>
<b>Total</b>	<b><u>(7,127)</u></b>	<b><u>(3,093)</u></b>
Change in fair value recognised in the income statement:		
- Attributable to changes in market conditions	(4,034)	(3,093)
- Attributable to changes in perceived credit risk	-	-
<b>Total loss recognised in the income statement</b>	<b><u>(4,034)</u></b>	<b><u>(3,093)</u></b>
<b>Total change in fair value</b>	<b><u>(4,034)</u></b>	<b><u>(3,093)</u></b>

## 18 Share capital

	30 June 2024 £	30 June 2023 £
<b>Allotted, called up and fully paid:</b>		
50,002 (2023: 50,002) ordinary shares of £1 each	<u>50,002</u>	<u>50,002</u>

## 19 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.

## 20 Events after the reporting period

As at the reporting date, the directors were not aware of any event, within the business or external to the business but which may have an impact on the business, or any unrecognised liabilities, that could have a material impact on the Company, its financial position or performance.

## 21 Controlling parties

The Company's immediate parent undertaking is Arqiva Broadcast Parent Limited ('ABPL'). Copies of the ABPL 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 ABPL.

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

AGL is owned by a consortium of shareholders including Digital 9 Infrastructure, Macquarie European Infrastructure Fund II, other Macquarie managed funds and minorities. There is no ultimate controlling party of the Company.