Arqiva Smart Financing Limited

Registered number 08723426

Annual Report and Financial Statements

For the year ended 30 June 2024

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Directors' report

The Directors of Arqiva Smart Financing Limited, registered number 08723426, (the 'Company') submit the following annual report and 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.

The Company operates within the Arqiva Group Limited ('AGL') group (the 'Group') of companies.

The Company is entitled to take the small companies exemption (as defined by the Companies Act 2006) and therefore has elected to take the exemption from preparing a strategic report in accordance with section 414B of the Companies Act 2006.

Business review and principal activities

The Company acts as a finance vehicle within the Group in respect of the Communication Service Provider North ('CSPN') Smart Metering contracts. The Company's share capital is wholly owned by Arqiva Smart Holdings Limited ('ASHL').

The Company has made a loss before tax of £808,000 (restated[1] 2023: £1,172,000 profit before tax). The Company has net assets of £1,130,000 (restated 2023: Net assets of £1,733,000).

The Company has bank facilities in place to raise funds for the payments of amounts due from the Company under the Receivables Sale Agreement. The total amount drawn down at the year ended 30 June 2024 is £16,148,00 (2023: £19,650,000). This relates to the 15-year contract in fellow Group company, Arqiva Smart Metering Limited ('ASML') with the Data and Communications Company ('DCC') to provide shared infrastructure and services related to Smart Metering communications across Scotland and Northern England. As part of this contract, ASML procures and supplies to DCC certain assets, the funding for which is raised by the Company, and under a Receivables Sales Agreement the Company advances these funds to ASML in exchange for the legal assignment of certain future cash flows. These future cash flows are then paid directly to the Company by DCC over the contracted period.

Principal risks and uncertainties facing the business
From the perspective of the Company, the principal risks and uncertainties arising from its activities as a finance vehicle are integrated with the principal risks of ASML, the trading company to which the Company on-lends its funds, and are also linked with the principal risks and uncertainties of the Group. The principal risks of ASML are discussed within the strategic report of the ASML financial statements and those of the Group are discussed within the strategic report of the AGL financial statements, copies of which can be obtained from the address in note 19 of these financial statements or the Group's website at www.arqiva.com.

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 an 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 19 of these financial statements or the Group's website at www.arqiva.com.
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Future developments
It is the intention of the Company to continue to act as a finance vehicle.

Financial risk management

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

Liquidity risk
The Company utilises medium-term external debt finance with a maturity date of June 2028. For short-term funding the Company utilises intercompany loans.

Credit risk
The Company is only exposed to credit risk on its one customer, DCC, and in respect of intercompany balances within the Group. Credit risk on customer receivables is managed through credit-checking procedures prior to taking on new

[1] The comparative profit figure has been restated to reflect adjustments to finance income and costs. See note 21 to the financial statements for detail.

customers. Performance is closely monitored to ensure agreed service levels are maintained, reducing the level of queried payments, and mitigating the risk of uncollectible debts.

Interest rate risk
The Company is exposed to interest rate risk due to its floating rate bank facilities and the Company uses interest rate swaps to hedge some of its exposure to rising interest rates. Interest rate swaps convert variable rate interest costs to fixed rate interest costs. Details of the interest profile of the Company's liabilities are provided in notes 13 and 15. Intercompany loans balances are interest free or at SONIA plus a fixed rate of interest.

Dividends, transfers to reserves and results
The Directors do not propose to pay a dividend for the year (2023: £nil). The loss for the financial year of £603,000 (restated[2] 2023: profit of £890,000) 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. The Company's 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.

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

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

Susana Leith-Smith
Paul Donovan
Matthew Postgate
Maximilian Fieguth
Scott Longhurst
David Stirton
Michael Darcey
Andrew Macleod (appointed 1 July 2023)
Diego Massidda (appointed 16 November 2023)
Arnaud Jaguin (resigned 16 November 2023, 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. This indemnity was in force during the full financial year and up to the date of approval of the financial statements.

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's Annual General Meeting.

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[2] The comparative profit figure has been restated to reflect adjustments to finance income and costs. See note 21 to the financial statements for detail.

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.

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 Smart Financing Limited

Report on the audit of the financial statements

Opinion

In our opinion, Arqiva Smart Financing 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 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.

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the 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 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. 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;
- 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. 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.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the Directors were not entitled to: prepare financial statements in accordance with the small companies regime; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

N. Comello

Nigel Comello (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 October 2024

Income statement

	Note	Year ended 30 June 2024 £'000	Year ended 30 June 2023 (Restated)[1] £'000
Operating expenses	5	(54)	(28)
Operating loss		**(54)**	**(28)**
Finance income	7	1,128	1,291
Finance costs	8	(866)	(986)
Other (losses) and gains	9	(1,016)	895
(Loss) / profit before tax		**(808)**	**1,172**
Tax credit / (charge)	10	205	(282)
(Loss) / profit for the financial year		**(603)**	**890**

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 11 to 20 form part of these financial statements.

[1] Prior year figures have been restated to reflect adjustments to finance income and costs. See note 21 to the financial statements for detail.

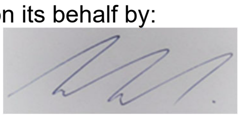
Statement of financial position

	Note	30 June 2024 £'000	30 June 2023 (Restated)[1] £'000
Non-current assets			
Contract assets	11	13,774	17,862
Derivative financial assets	16	989	2,004
Total non-current assets		**14,763**	**19,866**
Current assets			
Trade and other receivables	11	586	652
Contract assets	11	3,756	3,559
Cash and cash equivalents	12	3,776	3,204
Total current assets		**8,118**	**7,415**
Total assets		**22,881**	**27,281**
Current liabilities			
Trade and other payables	13	(5,520)	(5,561)
Total current liabilities		**(5,520)**	**(5,561)**
Net current assets		**2,598**	**1,854**
Non-current liabilities			
Borrowings	15	(16,148)	(19,650)
Deferred tax	14	(83)	(337)
Total non-current liabilities		**(16,231)**	**(19,987)**
Total liabilities		**(21,751)**	**(25,548)**
Net assets		**1,130**	**1,733**
Equity			
Called up share capital	17	130	130
Retained earnings		1,000	1,603
Total equity		**1,130**	**1,733**

The notes on pages 11 to 20 form part of these financial statements.

For the year ending 30 June 2024, the financial statements have been prepared in accordance with the provisions applicable by the small companies' regime (as defined by the Companies Act 2006).

These financial statements on pages 8 to 20 were approved by the Board of Directors on 24 October 2024 and were signed on its behalf by:



Scott Longhurst
Director

[1] Prior year figures have been restated. See note 21 to the financial statements for detail.

Statement of changes in equity

	Called up Share capital* £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2022	**130**	**713**	**843**
Profit for the year (Restated[1])	-	890	890
Total comprehensive income for the year (Restated)	**-**	**890**	**890**
Balance at 30 June 2023 (Restated)	**130**	**1,603**	**1,733**
Loss for the year	-	(603)	(603)
Total comprehensive loss for year	**-**	**(603)**	**(603)**
Balance at 30 June 2024	**130**	**1,000**	**1,130**

*Compromises 129,801 (2023: 129,801) authorised, issued and fully paid ordinary shares of £1 each

[1] Prior year figures have been restated. See note 21 to the financial statements for detail.

Notes to the financial statements

1 General information

Arqiva Smart Financing 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 08723426. 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 Directors' report and statement of Directors' responsibilities on pages 3 and 4.

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 Group has not applied the following new and revised IFRS Standards that have been issued but are 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 on a going concern basis under historic cost modified by revaluation of financial assets and financial liabilities held at fair value through profit or loss, and in accordance with the Companies Act 2006. The Group's consolidated financial statements are available online at 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 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. The requirements of paragraph 38; comparative information in respect of paragraph 79(a)(iv) of IAS 1.
IAS 7 Statement of Cash Flows	All disclosure requirements.
IAS 8 Accounting policies, changes in accounting estimates and errors	The requirements of paragraphs 30 and 31.
IAS 24 Related Party Disclosures	The requirements of paragraph 17 and 18A; the requirement to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary party to the transaction is wholly owned by such a member and key management personnel.

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.

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. The Company's 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.

(b) 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.

(c) Financial instruments

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

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

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

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

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

Derivative financial instruments
The Company enters into derivative financial instruments in the form of interest rate swaps to manage its exposure to interest rate risk.

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) 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 Company does not apply hedge accounting principles.

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

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

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

(d) Interest

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

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.

5 Operating expenses

The Company's audit fee for the year was £7,000 (2023: £9,000) and this was paid by Arqiva Limited, a fellow Group company.

Other operating expenses comprise finance arrangement fees of £44,000 (2023: £42,000) and management charges of £10,000 (2023: £10,000)

6 Employees and Directors

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

None of the Directors (2023: none) are employees of the Company and no Director (2023: none) received any remuneration from the Company during the year. Some of the Directors are representatives of the ultimate UK parent undertaking's shareholders 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 any of the Directors' emoluments in respect of their service to the Company. Accordingly, no emoluments (2023: none) in respect of these Directors' services have been disclosed.

7 Finance income

	Year ended 30 June 2024 £'000	Year ended 30 June 2023 (Restated) £'000
Other interest receivable	1,128	1,291
Total finance income	**1,128**	**1,291**

Prior year figures have been restated. See note 21 to the financial statements for detail.

8 Finance costs

	Year ended 30 June 2024	Year ended 30 June 2023 (Restated)
	£'000	£'000
Interest payable to Group companies	247	276
Amortisation of debt issue costs	37	36
Other interest payable	582	674
Total finance costs	**866**	**986**

Prior year figures have been restated. See note 21 to the financial statements for detail.

9 Other losses and gains

	Year ended 30 June 2024	Year ended 30 June 2023
	£'000	£'000
Fair value (loss) / gain on derivative financial instruments	(1,016)	895
Total other (losses) / gains	**(1,016)**	**895**

Fair value gains and losses on derivative financial instruments reflect the re-measurement of the Company's derivative financial instruments (see note 16).

10 Tax on (loss) / profit

	Year ended 30 June 2024	Year ended 30 June 2023
	£'000	£'000
UK Corporation Tax:		
- Current year	49	59
Total current tax	49	59
Deferred tax (see note 14)		
- Origination and reversal of temporary differences	(254)	183
- Impact of change in tax rate	-	40
	(254)	223
Total tax (credit)/charge for the year	**(205)**	**282**

UK Corporation tax is calculated at the rate of 25.0% (2023: 20.5%) of the taxable profit for the year.

The tax (credit) / charge for the year can be reconciled to the (loss)/profit in the Income Statement as follows:

	Year ended 30 June 2024 £'000	Year ended 30 June 2023 £'000
(Loss) / profit before tax	(808)	1,172
(Loss) / profit before tax multiplied by standard rate of corporation tax in the United Kingdom of 25.0% (2023: 20.5%)	(202)	240
Tax effect of expenses adjusted for tax purposes	(3)	2
Impact of rate change	-	40
Total tax (credit)/charge for the year	**(205)**	**282**

The current year UK corporation tax credit (2023: charge) represents the payment made to 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 25.0%.

On 20 June 2023, Finance (No.2) Bill Act 2024 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15.0%; the implications of this upon the Companies in the group are set out in the Arqiva Group Ltd financial statements.

11 Trade and other receivables

	30 June 2024 £'000	30 June 2023 £'000 (Restated)
Current		
Amounts receivable from other Group entities	490	490
Prepayments	94	131
Accrued Interest	2	31
Total trade and other receivables	**586**	**652**
Contract assets	**3,756**	**3,559**
Non-current		
Contract assets	**13,774**	**17,862**

Included within prepayments is £73,000 (2023: £110,000) relating to arrangement fees on undrawn facilities, which are being amortised over the life of the facilities. See note 15 for more information on the facilities. Amounts receivable from other Group entities are interest free, unsecured and repayable on demand. Contract assets of £17,530,000 (2023: £21,421,000) relate to the assignment of receivables from ASML of which the majority is funded by amounts drawn from external lenders within the borrowings of the Company.

Prior year figures have been restated. See note 21 to the financial statements for detail.

12 Cash and cash equivalents

	30 June 2024 £'000	30 June 2023 £'000
Cash at bank	3,776	3,204
Total cash and cash equivalents	**3,776**	**3,204**

13 Trade and other payables

	30 June 2024 £'000	30 June 2023 £'000 (Restated)
Amounts payable to other Group entities	3,847	3,962
Taxation and social security	83	83
Other creditors	1,590	1,516
Total payables	**5,520**	**5,561**

Amounts payable to other Group entities are unsecured and repayable on demand. Interest has been charged on the balance at 6.3% plus an index which reflects the blended interest rate swap rates, which for the year ended 30 June 2024 was 0.9% (2023: 0.9%). This was put in place as part of the external funding the Company established to finance the communications hubs.

Prior year figures have been restated. See note 21 to the financial statements for detail.

14 Deferred Tax

The balance of deferred tax recognised at 30 June 2024 is a liability of £83,000 (2023: £337,000 liability). The movement in deferred income tax assets and liabilities during the year is as follows:

	Tax Losses £'000	Total £'000
Deferred tax assets		
At 1 July 2022	**164**	**164**
Charged to the income statement	-	-
At 30 June 2023	**164**	**164**
Charged to the income statement	-	-
At 30 June 2024	**164**	**164**

	Derivative financial instruments £'000	Total £'000
Deferred tax liabilities		
At 1 July 2022	**278**	**278**
Charged to the income statement	223	223
At 30 June 2023	**501**	**501**
Credited to the income statement	(254)	(254)
At 30 June 2024	**247**	**247**

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

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

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

15 Borrowings

	30 June 2024 £'000	30 June 2023 £'000
Non-current		
Bank loans – CHuRP debt	16,148	19,650

The Comms Hub Receivables Purchasing ('CHuRP') debt reflects the amount outstanding under the original bank facility set up to fund the initial tranche of communications hubs purchases. At 30 June 2024 a balance outstanding was £16,148,100 (2023: £19,650,000). This loan has floating interest rate of SONIA + 2.53% and is expected to amortise over time with the final maturity in June 2028.

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

16 Financial instruments and risk management

Derivative financial instruments
The Group's treasury function manages the Company's interest rate exposures on its debt through interest rate swaps. The measurement and control of this risk is monitored on a Group–wide basis.

A condition of the CHuRP facility is such that the Company is required to enter into interest rate swaps to fix the interest cost of the debt.

The following table details the fair value of financial instruments recognised on the statement of financial position within non-current liabilities:

	30 June 2024 £'000	30 June 2023 £'000
Interest rate swaps	989	2,004
Total	**989**	**2,004**
Change in fair value recognised in the income statement:		
- Attributable to changes in market conditions	(1,016)	895
Total (loss) / gain recognised in the income statement	**(1,016)**	**895**
Total change in fair value	**(1,016)**	**895**

17 Called up share capital

	30 June 2024 £'000	30 June 2023 £'000
Allotted and fully paid:		
129,801 ordinary shares (2023: 129,801) of £1 each (2023: £1 each)	**130**	**130**

18 Related party disclosures

The Company has applied the provisions within FRS 101 to be exempt from the disclosure of transactions entered into, and balance outstanding, with a Group entity which is wholly owned by another Group entity and key management personnel.

19 Controlling parties

The Company's immediate parent is Arqiva Intermediate Limited ('AIL). Copies of the AIL financial statements can be obtained from the Company Secretary at Crawley Court, Winchester, Hampshire, SO21 2QA.

The ultimate UK parent undertaking is Arqiva Group Limited ('AGL') which is the parent undertaking of the largest group to consolidate these financial statements.

Copies of the AGL consolidated financial statements can be obtained from the Arqiva website www.arqiva.com or 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.

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 Prior year restatements

	Year ended 30 June 2023 £'000	Adjustment 1 £'000	Adjustment 2 £'000	Adjustment 3 £'000	Year ended 30 June 2023 (Restated) £'000
Finance income - other interest receivable	1,754	(424)	(39)	-	1,291
Finance costs – other interest payable	(1,439)	424	-	29	(986)
Trade and other receivables - accrued Interest	623	-	-	29	652
Trade and other payables - other creditors	(5,522)	-	(39)	-	(5,561)
Retained earnings	1,613	-	(39)	29	1,603

The financial statements for the year ended 30 June 2023 have been restated to reflect adjustments in the presentation and recognition of certain income and expenses.

Adjustment 1 - swap income, which was previously presented separately as income, has now been appropriately netted against the interest expense. The impact of correcting this error is to reduce the other interest payable and other interest receivable by £424,000.

Adjustment 2 - interest income which was previously recognised within other interest receivable in error, has now been appropriately recognised as other creditors. The impact of this error is to reduce other interest receivable and increase other creditors by £39,000.

Adjustment 3 - swap income, not previously recognised has now been appropriately rectified. The impact of correcting this error is to reduce other interest payable and increase accrued interest receivables by £29,000.