Arqiva Financing No 3 Plc
Registered number 05253998

Annual Report and Financial Statements
For the year ended 30 June 2018

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Strategic report

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

Business model, environment and strategy

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

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

The Company has made a loss for the financial year of £257.2m (2017: £223.4m), principally due to interest payable on borrowings. The Company has net assets of £1,466.1m (2017: £1,723.3m).

Financial KPIs

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

The KPIs of the Group are managed as a whole and are discussed within the annual report and consolidated financial statements of AGL, a copy of which is available from the address in note 18 to the financial statements.

Risk management

Principal risks and uncertainties facing the business

From the perspective of the Company, the principal risks and uncertainties arising from its activities as an intermediate holding company and financing vehicle are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed within the annual report and consolidated financial statements of AGL, a copy of which can be obtained from the address in note 18 of these financial statements.

Future developments and outlook

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

This report was approved by the Board of Directors on 22 October 2018 and signed on its behalf by:

Frank Dangeard
Director
22 October 2018

Directors' report and statement of Directors' responsibilities

The Directors of Arqiva Financing No 3 Plc, registered company number 05253998, ('the Company') submit the following annual report and audited financial statements ('the financial statements') in respect of the year ended 30 June 2018.

The Company operates within the AGL group of companies.

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

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

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

Liquidity risk
The Company maintains a mixture of long-term external debt finance raised from shareholders of the ultimate parent undertaking and intercompany loans. For short-term resources the Company utilises intercompany loans. The maturity of the Company's borrowings is shown in note 14.

Interest rate risk
Intercompany loan balances are interest free, fixed interest rates or LIBOR plus a fixed rate of interest. Shareholder loans carry fixed rates of interest.

Dividends and transfers to reserves
The Directors do not propose to pay a dividend for the year (2017: £nil). The loss for the financial year of £257.2m (2017: £223.4m) was transferred to reserves.

Going concern
The Company adopts the going concern basis in preparing its financial statements based upon the support from its ultimate parent undertaking, the future cash flow forecasts of the Company and the Group 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 for the foreseeable future.

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

Events after the reporting year

There have been no events since the balance sheet date that 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 end up to the date of signing were:

- Christian Seymour	
- Damian Walsh	(resigned 10 September 2018)
- Mark Braithwaite	
- Peter Adams (alternate)	
- Paul Mullins	(resigned 17 September 2017)
- Michael Parton	
- Nathan Luckey	
- Sally Davis	
- Deepu Chintamaneni (alternate)	
- Paul Dollman	(resigned 10 September 2018)
- Neil King	
- Martin Healey	(appointed 23 April 2018)
- Frank Dangeard	(appointed 10 September 2018)
- Paul Donovan	(appointed 10 September 2018)
- Mike Darcey	(appointed 10 September 2018)

Company Secretary

Michael Giles resigned as Company Secretary on 1 January 2018.

Jeremy Mavor was appointed as Company Secretary on 1 January 2018.

Directors' indemnities

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

Disclosure of information to the Independent Auditors

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

- So far as the Directors are aware there is no relevant information of which the Company's Auditors are unaware; and
- Each Director has taken all the steps that he/she ought to have taken as a Director to make themselves aware of any relevant information and to establish that the Company's Auditors are aware of that information.

Independent auditors

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

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the Directors are required to:

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

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

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

Directors' confirmations

Each of the Directors, whose names and functions are listed in Directors' report and statement of Directors' responsibilities confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the company; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Frank Dangeard
Director
Crawley Court
Winchester
Hampshire
SO21 2QA

22 October 2018

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 30 June 2018; the Income statement and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

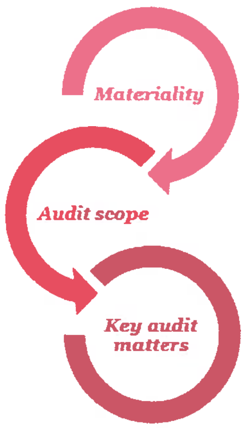
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit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

Independence

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

Our audit approach

Overview



- Overall materiality: £14.5 million (2017: £17.2 million), based on 1% of net assets.

- Audit of complete set of financial statements based on the determined materiality

- Borrowings in the form of shareholder loan notes
- Recoverability of intercompany receivable balances

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

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

Key audit matter	*How our audit addressed the key audit matter*
Borrowings in the form of shareholder loan notes *Refer to page 20 (note 14- Borrowings)* The Company has significant borrowings in the form of shareholder loan notes listed on the Channel Islands Stock Exchange. The balances included in these financial statements comprise of £2,148.1 million of principal and accrued interest of £838.7 million.	We agreed the principal, interest rates and maturity profiles of the shareholder loan notes to the Channel Island Stock Exchange website with no material differences noted. We recalculated the accrued interest at 30 June 2018 and interest expense for the year on the shareholder loan notes using the outstanding balances throughout the year and the prevailing interest rates per the agreed terms, with no material differences noted.
Recoverability of intercompany receivable balances *Refer to page 19 (note 11- Receivables)* The Company has balances receivable from group companies amounting to £1,182.4 million as at 30 June 2018. The repayment of external debt is reliant on the recoverability of the intercompany receivable balances.	We have looked at the statement of financial position of the entities with which the intercompany receivable balances are held, and confirmed the entities are in a net assets position as at 30 June 2018 and have available sufficient net assets to be able to settle the balances in the future. There were no exceptions.

How we tailored the audit scope

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

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

Materiality

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

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

Overall materiality	£14.5 million (2017: £17.2 million).
How we determined it	1% of net assets.
Rationale for benchmark applied	Net assets is considered to be an appropriate measure to assess the performance, given that this is a holding company and the measure is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.7 million (2017: £0.5 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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 and statement of Directors' responsibilities, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report and statement of Directors' responsibilities

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report and statement of Directors' responsibilities for the year ended 30 June 2018 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 and statement of Directors' responsibilities.

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 set out on page 4, 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.

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 received 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.

Graham Lambert

Graham Lambert (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

22 October 2018

Income statement

	Note	Year ended 30 June 2018 £'m	Year ended 30 June 2017 £'m
Operating result	5	-	-
Finance income	7	103.0	93.3
Finance costs	8	(360.2)	(316.7)
Loss before tax		**(257.2)**	**(223.4)**
Tax	9	-	-
Loss for the year		**(257.2)**	**(223.4)**

All results are from continuing operations.

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

Statement of financial position

	Note	30 June 2018 £m	30 June 2017 £m
Non-current assets			
Investments	10	3,320.9	3,301.9
Receivables	11	45.1	45.1
		3,366.0	**3,347.0**
Current assets			
Receivables	11	1,137.3	993.1
Cash and cash equivalents	12	5.2	9.9
		1,142.5	**1,003.0**
Total assets		**4,508.5**	**4,350.0**
Current liabilities			
Payables	13	(55.6)	(0.1)
Borrowings	14	(838.7)	(478.5)
		(894.3)	**(478.6)**
Net current assets		**248.2**	**524.4**
Non-current liabilities			
Borrowings	14	(2,148.1)	(2,148.1)
		(2,148.1)	**(2,148.1)**
Total Liabilities		**(3,042.4)**	**(2,626.7)**
Net assets		**1,466.1**	**1,723.3**
Equity			
Share capital	15	1.0	1.0
Retained earnings		1,465.1	1,722.3
Total equity		1,466.1	1,723.3

The notes on pages 12 to 21 form part of these financial statements.

These financial statements on pages 9 to 21 were approved by the Board of Directors on 22 October 2018 and signed on its behalf by:

Frank Dangeard - Director

Statement of changes in equity

	Share capital	Retained earnings	Total equity
	£m	£m	£m
Balance at 1 July 2016	**1.0**	**1,945.7**	**1,946.7**
Loss for the financial year	-	(223.4)	(223.4)
Balance at 30 June 2017	**1.0**	**1,722.3**	**1,723.3**
Loss for the financial year	-	(257.2)	(257.2)
Balance at 30 June 2018	**1.0**	**1,465.1**	**1,466.1**

Notes to the financial statements

1 General information

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

The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 1 and the Directors' Report on page 2.

2 Basis of preparation and statement of compliance

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006. The Group's consolidated financial statements are available online at www.arqiva.com.

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

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

Impact Assessment of new Standards
IFRS 9 Financial Instruments will be effective for the Company for the year ended 30 June 2019. The new standard addresses the classification, measurement and recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and debt modifications and a new impairment model for financial assets.

The majority of the Company's assets and liabilities are currently classified at fair value through profit or loss or amortised cost and hence there is no expected change to the accounting treatment of these instruments.

The changes to debt modifications will result in any changes to debt that do not result in the full extinguishment of the instrument needing to be fair valued based on the effective interest rate of the new instrument and a gain or loss to the carrying value recognised in other gains and losses. Management have performed an impact assessment of previous debt refinancing for retrospective application of the standard and do not expect these changes to have a material impact on the financial statements.

The new impairment model under IFRS 9, requires the recognition of impairment provisions against financial assets, including intercompany loans, based on an expected credit loss model rather than incurred credit losses as required under the current standard. Based on the impact assessments undertaken by the Group to date, there is not currently expected to be a material impact on the loss allowance recognised by the Company. The new standard will also introduce additional disclosure requirements for the Company.

3 Principal accounting policies

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

(a) Exemption from consolidation

The Company is a wholly owned subsidiary of Arqiva Group 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.

(b) Going concern

The Company adopts the going concern basis in preparing its financial statements based upon the support from its ultimate parent undertaking and the future profit, cash flows and available resources of the Group and Company which lead the Directors of the Company to be confident that the Company will have adequate resources to continue in operational existence for the foreseeable future.

(c) Taxation and deferred taxation

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

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

(d) Investments in subsidiaries and joint ventures

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

(e) Interest

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

(f) Financial instruments

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

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

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.

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

Deferred tax
Critical accounting judgements:

The largest element of deferred tax that requires judgement relates to tax losses carried forward (see note 9).

Applicable accounting standards permit the recognition of deferred tax assets only to the extent that future taxable profits will be generated to utilise the tax losses carried forward.

5 Operating result

The Company's audit fee for the year was £6,367 (2017: £6,000) and this was borne by Arqiva Limited, a fellow Group company.

6 Employees and Directors

Employees
The Company had no employees during the year (2017: none).

Directors
There are no recharges (2017: none) made to the Company in respect of any remuneration for any Directors, as their duties in respect of the Company are incidental to their normal duties on behalf of their employer companies.

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

7 Finance income

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Interest receivable from other group entities	103.0	93.3
Total finance income	**103.0**	**93.3**

8 Finance cost

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Shareholder loan note interest	360.2	316.7
Total finance costs	**360.2**	**316.7**

The shareholder loan notes carry fixed interest rates of between 13.0% and 14.0%, payment of which can be deferred at the option of the Company subject to certain conditions, qualification of which are subject to bi-annual review (see note 14).

Included within loan note interest is £0.1m (2017: £0.1m) in respect of amortisation of the premium paid on issue.

9 Tax

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
UK Corporation tax:		
- Current year	-	-
Total current tax	-	-
Deferred Tax:		
Origination and reversal of temporary differences	(31.5)	(36.8)
Change in unrecognised deferred tax	31.5	36.8
Total deferred tax charge	-	-
Total tax charge for the year	-	-

UK Corporation tax is calculated at the weighted average rate of 19.0% (2017: 19.75%) of the estimated taxable loss for the year.

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

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Loss before tax	(257.2)	(223.4)
Loss before tax multiplied by standard rate of corporation tax in the United Kingdom of 19.0% (2017: 19.75%)	(48.9)	(44.1)
Tax effect of expenses not deductible for tax purposes	13.7	1.4
Change in unrecognised deferred tax assets	31.5	36.8
Impact of change in tax rates	3.7	5.9
Total tax charge for the year	-	-

Due to the impact to the group from changing tax legislation, the decision was made with effect from 1 July 2017 to pay for group relief.

The main rate of UK corporation tax remained at 19% during the period and a 19% blended tax rate (2017: 19.75%) has therefore been used for the reconciliation of total tax. UK deferred tax has been valued at 17% (2017: 17%) as this is the substantially enacted rate at the balance sheet date at which the deferred tax balances are forecast to unwind.

Expenses that are not deductible in determining taxable profit principally relate to interest payable on shareholder loan notes, less, in the year ended 30 June 2017, the interest from earlier years on the shareholder loan notes which is deductible in this year.

Change in unrecognised deferred tax assets represents the tax losses and other temporary differences in respect of the shareholder loan note interest in the year which have not been recognised as a deferred tax asset.

Deferred tax assets are not recognised unless it is probable that there are sufficient taxable profits against which they will be realised. The Company has an unrecognised deferred tax asset of £104.2m (2017: £36.8m). This is in respect of tax losses and other temporary differences in respect of the shareholder loan note interest. This asset has not been recognised since it is not probable that these assets will be able to be utilised against future taxable profits of the Group.

10 Investments

	Investments in subsidiaries £m
Cost	
At 1 July 2016 and 30 June 2017	3,301.9
Additions	19.0
At 30 June 2018	**3,320.9**
Provision for impairment	
At 1 July 2016, 30 June 2017 and 30 June 2018	-
Net book value	
At 30 June 2018	**3,320.9**
At 30 June 2017	3,301.9

The additions in the year represent an additional investment in Arqiva Financing No1 Limited ('AF1'), a subsidiary company.

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

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
ABHL Digital Limited	United Kingdom	Holding company	30-Jun	100%
ABHL Digital Radio Limited	United Kingdom	Holding company	30-Jun	100%
ABHL Multiplex Limited	United Kingdom	Dormant company	30-Jun	100%
Aerial UK Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva (Scotland) Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva Aerial Sites Limited	United Kingdom	Management of aerial sites	30-Jun	100%
Arqiva Broadcast Finance Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Broadcast Intermediate Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Broadcast Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Broadcast Parent Limited	United Kingdom	Holding company	30-Jun	100% (held directly)
Arqiva Communications Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Defined Benefit Pension Plan Trustees Limited	United Kingdom	Pension company	30-Jun	100%
Arqiva Digital Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Finance Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Financing No. 1 Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Financing No. 2 Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Financing Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Group Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Group Intermediate Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Group Parent Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Inc.	USA	Satellite transmission services	30-Jun	100%
Arqiva International Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva Limited	Ireland	Transmission services	30-Jun	100%
Arqiva Media Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile Broadcast Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile Limited	United Kingdom	Dormant company	30-Jun	100%

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
Arqiva Mobile TV Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 10 Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 11 Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 2 Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva No. 3 Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva No. 4 Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Pension Trust Limited	United Kingdom	Dormant company	31-Mar	100%
Arqiva PP Financing Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Pte Limited	Singapore	Satellite transmission services	30-Jun	100%
Arqiva Public Safety Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva SAS	France	Satellite transmission services	30-Jun	100%
Arqiva Satellite Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Senior Finance Limited	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Smart Financing Limited	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Smart Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Smart Metering Limited	United Kingdom	Smart metering communications	30-Jun	100%
Arqiva Smart Parent Limited	United Kingdom	Holding company	30-Jun	100% (held directly)
Arqiva SRL	Italy	Satellite transmission services	30-Jun	100%
Arqiva Telecommunications Asset Development Company Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Telecoms Investment Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Transmission Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva UK Broadcast Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Wireless Limited	United Kingdom	Dormant company	30-Jun	100%
Capablue Limited	United Kingdom	Transmission services	30-Jun	100%
Cast Communications Limited	United Kingdom	Dormant company	30-Jun	100%
Connect TV (Scotland) Limited	United Kingdom	Dormant company	30-Jun	100%
Connect TV Limited	United Kingdom	Transmission services	30-Jun	100%
Digital One Limited	United Kingdom	Transmission services	30-Jun	100%
Inmedia Communications (Holdings) Limited	United Kingdom	Dormant company	30-Jun	100%
Inmedia Communications Group Limited	United Kingdom	Dormant company	30-Jun	100%
Inmedia Communications Limited	United Kingdom	Dormant company	30-Jun	100%
J F M G Limited	United Kingdom	Spectrum services	30-Jun	100%
Macropolitan Limited	United Kingdom	Dormant company	30-Jun	100%
Now Digital (East Midlands) Limited	United Kingdom	Transmission services	30-Jun	80.0% (52.50% until 24 January 2018)
Now Digital (Oxford) Limited	United Kingdom	Transmission services	30-Jun	100%
Now Digital (Southern) Limited	United Kingdom	Transmission services	30-Jun	100%
Now Digital Limited	United Kingdom	Transmission services	30-Jun	100%
NWP Spectrum Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Scanners (Europe) Limited	United Kingdom	Dormant company	30-Jun	100%
Scanners Television Outside Broadcasts Limited	United Kingdom	Dormant company	30-Jun	100%
Selective Media Limited	United Kingdom	WiFi services	30-Jun	100%
South West Digital Radio Limited	United Kingdom	Transmission services	30-Jun	66.67%
Spectrum Interactive (UK) Limited	United Kingdom	Dormant company	30-Jun	100%
Spectrum Interactive GmbH	Germany	Dormant company	30-Jun	100%
Spectrum Interactive Limited	United Kingdom	Holding company	30-Jun	100%

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

Company	Registered office
Arqiva Inc.	c/o The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE19801, United States of America.
Arqiva Pte Limited	8 Marina Boulevard #05-02, Marina Bay Financial Centre, 018981, Singapore.
Arqiva SAS	Tour Vendome 204, Rond Point du Pont De Sevres, 92100, Boulogne, France.
Arqiva SRL	c/o Studio Bandini & Associati, Via Calabria 32, Rome, Italy.
Arqiva (Scotland) Limited	c/o Morton Fraser, Quartermile 2, 2 Lister Square, Edinburgh, EH3 9GL, Scotland.

Company	Country of incorporation	Principal activities	Registered office	Year end	Percentage of ordinary shares held
Joint ventures					
Sound Digital Limited	United Kingdom	Ownership and operation of UK DAB radio multiplex licence	Media House Peterborough Business Park, Lynch Wood, Peterborough, United Kingdom, PE2 6EA	31-Dec	40.0%
Arts Alliance Media Investment Limited	British Virgin Islands	Digital cinema distribution	Landmark House, Hammersmith Bridge Road, London, W6 9EJ	30-Jun	22.5% (Disposed 26 October 2017)
YouView TV Limited	United Kingdom	Open source IPTV development	10 Lower Thames Street, Third Floor, London, EC3R 6YT	31-Mar	14.3%
Associate undertakings:					
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	96a, Curtain Road, London, EC2A 3AA	31-Dec	25.0%
DTT Multiplex Operators Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Mar	25.0%
Digital UK Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Dec	25.0%
DTV Services Limited	United Kingdom	Freeview market services	2nd Floor 27 Mortimer Street, London, England, W1T 3JF	31-May	20.0%
MXR Holdings Limited	United Kingdom	Transmission services	30 Leicester Square, London, WC2H 7LA	31-Mar	12.0%

11 Receivables

	30 June 2018 £m	30 June 2017 £m
Current		
Amounts receivable from other group entities	1,137.3	993.1
Total current receivables	**1,137.3**	**993.1**
Non-current		
Amounts receivable from other group entities	45.1	45.1
Total non-current receivables	**45.1**	**45.1**

Amounts receivable from other group entities are unsecured. Interest is charged at 0% on £2.1m (2017: £2.0m) and on £0.3m (2017: £0.2m) of the amounts due within one year at a rate of 6.3% plus an index reflecting the blended interest rate swap rates that were in place as part of the external funding the Group has established to finance communications hubs finance, which for the year ended 30 June 2018 was 1.329% (2017: 1.043%). The remaining amounts receivable from other group entities of £1,180.0m (2017: £1,036.0m) was charged at 9.5%. Amounts included within current receivables are repayable on demand. Amounts included within non-current receivables are repayable in 2033.

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

	2018 £m	2017 £m
Allowance at 1 July	**1.2**	**1.2**
Provided during the year	-	-
Allowance at 30 June	**1.2**	**1.2**

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

12 Cash and cash equivalents

	30 June 2018 £m	30 June 2017 £m
Cash at bank	0.2	-
Short term deposit	5.0	9.9
Total cash and cash equivalents	**5.2**	**9.9**

13 Payables

	30 June 2018 £m	30 June 2017 £m
Amounts payable to other group entities	55.5	-
Accruals	0.1	0.1
Total payables	**55.6**	**0.1**

Amounts payable to other group entities are unsecured and repayable on demand. Interest has been charged on £55.5m at 0%.

14 Borrowings

	30 June 2018 £m	30 June 2017 £m
Within current liabilities:		
Accrued interest on shareholder loan notes	838.7	478.5
Borrowings due within one year	**838.7**	**478.5**
Within non-current liabilities:		
Shareholder loan notes	2,148.1	2,148.1
Borrowings due after more than one year	**2,148.1**	**2,148.1**
Total borrowings	**2,986.8**	**2,626.6**

The shareholder loan notes are unsecured, are listed on the Channel Islands Stock Exchange and are repayable between March 2021 and March 2022; they cannot be called upon early. Since the balance sheet date, these notes have been extended to between September 2024 and September 2025, as the new £625m notes were established. The shareholder loan notes carry a fixed rate of interest ranging between 13% and 14% which can be deferred at the option of the Company subject to certain conditions, applicable to the capital and un-paid interest. The Company has exercised this option to defer interest payments since June 2009.

Included in the balance above is £0.3m (2017: £0.3m) of unamortised premium.

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

An analysis of total borrowings by maturity is as follows:

	30 June 2018 £m	30 June 2017 £m
Borrowings falling due within:		
One year	838.7	478.5
One to five years	2,148.1	2,148.1
Total	**2,986.8**	**2,626.6**

15 Share capital

	30 June 2018 £m	30 June 2017 £m
Allotted and fully paid:		
1,000,000 (2017: 1,000,000) ordinary shares of £1 each	1.0	1.0

16 Contingent liabilities

Financing commitments
Under the terms of the Group's external debt facilities, the Company has provided security over substantially all of its tangible, intangible and other assets under the terms of the bonds issued.

17 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.

18 Controlling parties

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

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

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