



## **Arqiva Senior Finance Limited**

Registered number 08127157

### **Annual Report and Financial Statements**

For the year ended 30 June 2017



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## **Directors' report and statement of Directors' responsibilities**

The Directors of Arqiva Senior Finance Limited, registered company number 08127157, ('the Company') submit the following annual report and financial statements ('the financial statements') in respect of the year ended 30 June 2017. The Company's registered office is Crawley Court, Winchester, Hampshire SO21 2QA.

The members have not required the Company to obtain an audit of its accounts for the period in question in accordance with section 476 of the Companies Act 2006.

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 a financing vehicle within the Arqiva Group Limited ('AGL') group of companies ('the Group').

The Company has made a profit for the year of £27,164,000 (2016: £29,224,000). The Company has net assets of £368,266,000 (2016: £341,102,000).

#### **Financing activities**

In November 2016, the Group completed the refinancing of all of the bank facilities that were due to mature in 2018 namely the £353.5m term bank loan held by Arqiva Smart Finance Limited ('ASFL') and working capital and capex facilities held by other group companies.

These were replaced with a new bank term loan with an expected maturity of June 2020, a £218.5m sterling denominated floating rate amortising US private placement with a maturity date of December 2029 and new working capital and capital expenditure facilities with an expected maturity of March 2021. In addition, the Group replaced the existing £200m liquidity facility with a new £250m facility that supports the payment of scheduled interest and principal. All of these new facilities are held by other group companies.

In conjunction with the November 2016 refinancing, the Group restructured the derivatives held by ASFL. £353.2m notional value of swap options were fully closed out for cash proceeds of £3.2m and £353.2m of notional value of interest rate swaps were terminated for a cash payment of £163.3m. Simultaneously, Arqiva Financing No 1 Limited, a fellow group company, entered into new interest rate swap contracts with a notional amount of £353.5m to hedge the interest obligations of the newly established bank term loan and US private placement notes which resulted in a premium of £127.2m being received.

#### **Principal risks and uncertainties**

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 the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed within the strategic report of the AGL consolidated financial statements, a copy of which can be obtained from the address in note 17 of these financial statements or the Group's website at [www.arqiva.com](http://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 the understanding of the development, performance or position of the business.

The KPIs of the Group are managed as a whole and are discussed within the annual report and consolidated financial statements of AGL, a copy of which is available from the address in note 17 of these financial statements or the Group's website at [www.arqiva.com](http://www.arqiva.com).

#### **Future developments**

It is the intention of the Company to continue to act as a finance vehicle.

## Financial risk management

The Company's operations as a finance vehicle expose it to a variety of financial risks that include 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 previously utilised back-to-back swap arrangements to hedge the Company's risk to un-funded derivative positions. No such derivatives were in place at 30 June 2017 and therefore no back-to-back swap arrangements were required to mitigate the Company's exposure to liquidity risk.

### *Credit risk*

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

### *Interest rate risk*

The Company is exposed to cash flow interest rate risk due to borrowing variable rate bank debt. The Company uses interest rate swaps to hedge its exposure to rising interest rates. Interest rates swaps convert variable rate interest costs to fixed rate interest costs.

## Dividends, transfers to reserves and results

The Directors do not propose to pay a dividend for the year (2016: £nil). The profit for the financial year of £27,164,000 (2016: £29,224,000) was transferred to reserves.

## Going concern

The Company adopts the going concern basis in preparing its financial statements, based on the support from its parent undertakings, the future cash flow forecasts of 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.

## Events after the reporting period

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

## Directors

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

- Sally Davis
- Simon Beresford-Wylie
- Christian Seymour
- Paul Mullins (resigned 17 September 2017)
- Damian Walsh
- Mark Braithwaite
- Robert Berry (resigned 10 March 2017)
- Mike Parton
- Peter Adams (alternate)
- Nathan Luckey
- Deepu Chintamaneni (alternate)
- Paul Dollman (appointed 6 December 2016)
- Neil King (appointed 5 April 2017)

## Company Secretary

Michael Giles is the Company Secretary.

## Directors' indemnities

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

## **Statement of Directors' responsibilities**

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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. They 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 the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board



**Paul Dollman**  
**Director**  
Crawley Court  
Winchester  
Hampshire  
SO21 2QA

20 October 2017

## Income statement

	Note	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Operating expenses		(5)	(5)
<b>Operating loss</b>	5	<b>(5)</b>	<b>(5)</b>
Finance income	7	39,494	61,740
Finance costs	8	(5,640)	(32,511)
<b>Profit before tax</b>		<b>33,849</b>	<b>29,224</b>
Tax	9	(6,685)	-
<b>Profit for the year</b>		<b>27,164</b>	<b>29,224</b>

All results presented relate to continuing operations.

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

## Statement of financial position

	Note	30 June 2017 £'000	30 June 2016 £'000
<b>Non-current assets</b>			
Receivables	10	603,500	603,500
<b>Total non-current assets</b>		<b>603,500</b>	<b>603,500</b>
<b>Current assets</b>			
Receivables	10	10	91,430
Cash and cash equivalents		1	1
		<b>11</b>	<b>91,431</b>
<b>Total assets</b>		<b>603,511</b>	<b>694,931</b>
<b>Current liabilities</b>			
Payables	11	(235,245)	(329)
		<b>(235,245)</b>	<b>(329)</b>
<b>Net current assets</b>		<b>(235,234)</b>	<b>91,102</b>
<b>Non-current liabilities</b>			
Borrowings	12	-	(353,500)
		<b>-</b>	<b>(353,500)</b>
<b>Total Liabilities</b>		<b>(235,245)</b>	<b>(353,829)</b>
<b>Net assets</b>		<b>368,266</b>	<b>341,102</b>
<b>Equity</b>			
Share capital	14	250,000	250,000
Retained earnings		118,261	91,097
Capital reserve		5	5
<b>Total equity</b>		<b>368,266</b>	<b>341,102</b>

The notes on pages 7 to 13 form part of these financial statements.

For the year ending 30 June 2017 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006.

No members have required the Company to obtain an audit of its accounts for the period in question in accordance with section 476 of the Companies Act 2006.

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

For the year ending 30 June 2017, 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 were approved by the Board of Directors on 20 October 2017 and were signed on its behalf by:



Paul Dollman - Director

## Statement of changes in equity

	Share capital £'000	Retained earnings £'000	Capital reserve £'000	Total equity £'000
Balance at 1 July 2015	250,000	61,873	5	311,878
Profit for the year	-	29,224	-	29,224
Balance at 30 June 2016	250,000	91,097	5	341,102
Profit for the year	-	27,164	-	27,164
Balance at 30 June 2017	250,000	118,261	5	368,266



## Notes to the financial statements

### 1 General Information

Arqiva Senior Finance Limited ('the Company') is a private company incorporated in England, United Kingdom ('UK') under the Companies Act under registration number 08127157. 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 on page 1.

### 2 Basis of preparation and statement of compliance

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006. The Group's financial statements (Arqiva Group Limited and its subsidiaries) are available online at [www.arqiva.com](http://www.arqiva.com).

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

The financial statements are prepared on a going concern basis and under the historical cost convention.

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

<u>EU-adopted IFRS</u>	<u>Relevant disclosure exemptions</u>
IFRS 7 <i>Financial Instruments: Disclosures</i>	All disclosure requirements.
IFRS 13 <i>Fair Value Measurement</i>	The requirements of paragraphs 91 to 99.
IAS 1 <i>Presentation of financial statements</i>	The requirements of paragraph 38; comparative information in respect of paragraph 79(a)(iv) of IAS 1.
IAS 1 <i>Presentation of financial statements</i>	The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B to D, 40A to D, 111 and 134 to 136.
IAS 7 <i>Statement of Cash Flows</i>	All disclosure requirements.
IAS 24 <i>Related Party Disclosures</i>	The requirements of paragraph 17; the requirement to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary party to the transaction is wholly owned by such a member and key management personnel.
IAS 8 <i>Accounting policies, changes in accounting estimates and errors</i>	The requirements of paragraphs 30 and 31.

### **3 Principal accounting policies**

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

**(a) Going concern**

The Company adopts the going concern basis in preparing its financial statements based upon the support from its parent undertakings and the future profit, cash flows and available resources of the Group 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.

**(b) Taxation and deferred taxation**

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

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

**(c) 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'.

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.

*Derivative financial instruments*

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

The Company holds both external interest rate swaps and internal interest rate swaps with a fellow subsidiary undertaking.

Derivative financial instruments are recognised at fair value at the date the derivative contract is entered into and are revalued at fair value at each balance sheet date. The fair value of these instruments is determined from the expected future cash flows discounted at a risk-adjusted rate. The future cash flows are estimated based on forward (interest/inflation/exchange) rates observable from rates and yield curves at the end of the reporting period, and contract rates. The difference between the fair value at the risk-adjusted rate and the fair value at the risk-free rate is used to determine the debit valuation adjustment and/or credit valuation adjustment to these instruments. The Group does not apply hedge accounting principles.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. 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. Other derivatives are presented as current assets or current liabilities.

*Effective interest method*

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

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

**(d) Interest**

Interest income and expense are accounted for on an accruals basis and comprise amounts receivable and payable on deposits and inter-company 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.

### ***Critical judgements in applying the Company's accounting policies and key sources of estimation uncertainty***

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

### ***Fair value measurements and valuation processes***

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company uses estimation techniques in accordance with the requirements of IFRS 13. This includes the assessment of the fair value adjustments with respect to credit risk (specifically debit valuation adjustments to the fair value of the derivative liabilities) for which the Group incorporates market-observable data into its valuation techniques.

## 5 Operating profit

The Company's audit fee for the year was £nil (2016: £15,000) due to the exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. In the prior year this fee was borne by Arqiva Limited, a fellow Group company.

Operating expenses incurred in the year relate to professional fees payable on financing activities.

## 6 Employees and directors

### **Employees**

The Company has no employees during the year (2016: none).

### **Directors**

There are no recharges (2016: £nil) made to the Company in respect of any remuneration for any Directors, as their duties in respect of the Company are incidental to their normal duties on behalf of their employer companies.

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

## 7 Finance income

	Year ended 30 June 2017	Year ended 30 June 2016
	£'000	£'000
Interest receivable from Group companies	39,494	61,740
<b>Total finance income</b>	<b>39,494</b>	<b>61,740</b>

## 8 Finance costs

	Year ended 30 June 2017	Year ended 30 June 2016
	£'000	£'000
Bank and other loan interest	5,640	32,511
<b>Total finance costs</b>	<b>5,640</b>	<b>32,511</b>

## 9 Tax

UK Corporation tax is calculated at the weighted average rate of 19.75% (2016: 20.0%) of the estimated taxable profit for the year. The charge for the year can be reconciled to the loss in the income statement as follows:

	Year ended 30 June 2017	Year ended 30 June 2016
	£'000	£'000
UK Corporation tax:		
- Current year payment for group relief received	6,685	-
<b>Total tax charge for the year</b>	<b>6,685</b>	<b>-</b>

The tax credit for the year can be reconciled to the income statement as follows:

	Year ended 30 June 2017	Year ended 30 June 2016
	£'000	£'000
Profit before tax	33,849	29,224
Tax at the UK Corporation tax rate of 19.75% (2016: 20.0%)	6,685	5,845
Group relief received for nil consideration	-	(5,845)
<b>Total tax charge for the year</b>	<b>6,685</b>	<b>-</b>

The main rate of UK corporation tax decreased from 20% to 19% during the period and a 19.75% blended tax rate (2016: 20%) has therefore been used for the reconciliation of total tax. Finance Act 2016 was substantively enacted in the period ended 30 June 2017 and further reduced the main rate of corporation tax from 19% to 17% with effect from 1 April 2020.

## 10 Receivables

	30 June 2017 £'000	30 June 2016 £'000
<b>Non-current</b>		
Amounts owed by Group undertakings	603,500	603,500
<b>Current</b>		
Amounts owed by Group undertakings	-	91,430

Amounts owed by Group undertakings are unsecured. Interest has been charged on the net balance owed by Group undertakings of £374,950,000 at 9.5% (2016: 341,106,000 at 9.5%, 353,500,000 at rates of between 3.3% and 4.1% and £324,000 at 0%).

## 11 Payables

	30 June 2017 £'000	30 June 2016 £'000
Amounts owed to Group undertakings	235,235	5
Accrued interest	10	324
<b>Total payables</b>	<b>235,245</b>	<b>329</b>

Amounts owed to Group undertakings are unsecured. Interest has been charged on £228,550,000 (2016: £nil) at 9.5%. Other amounts are unsecured, interest free and repayable on demand.

## 12 Borrowings

	30 June 2017 £'000	30 June 2016 £'000
Senior debt	-	353,500
<b>Borrowings due after more than one year</b>	<b>-</b>	<b>353,500</b>

In November 2016, the Group completed the refinancing of all of the bank facilities that were due to mature in 2018 namely the £353.5m term bank loan (held by Arqiva Smart Finance Limited) and working capital and capex facilities (held by other group companies). These were replaced with a new bank term loan with an expected maturity of June 2020, a £218.5m sterling denominated floating rate amortising US private placement with a maturity date of December 2029 and new working capital and capital expenditure facilities with an expected maturity of March 2021. In addition, the Group replaced the existing £200m liquidity facility with a new £250m facility that supports the payment of scheduled interest and principal. All of these new facilities are held by other group companies.

## 13 Financial instruments and risk management

### Derivative financial instruments

In conjunction with the November 2016 refinancing, the Group restructured the derivatives held by Arqiva Senior Finance Limited ('ASFL'). £353.2m notional value of swap options were fully closed out for cash proceeds of £3.2m and £353.2m of notional value of interest rate swaps were terminated for a cash payment of £163.3m. Simultaneously, Arqiva Financing No 1 Limited, a fellow group company, entered into new interest rate swap contracts with a notional amount of £353.5m to hedge the interest obligations of the newly established bank term loan and US private placement notes which resulted in a premium of £127.2m being received.

The Company held derivatives both externally and internally with other Group companies. Upon the restructuring of the external derivatives, the internal instruments were similarly restructured and accordingly the Company saw no net cost as a result of this restructuring.

## 14 Share capital

	30 June 2017 £'000	30 June 2016 £'000
<b>Allotted and fully paid:</b>		
250,000,000 ordinary shares of £1 each	250,000	250,000

## 15 Contingent liabilities

### Financing commitments

Under the terms of the Group's external debt facilities, the Company has provided security over substantially all of its tangible, intangible and other assets by way of a Whole Business Securitisation ('WBS') structure.

## 16 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.

## 17 Controlling parties

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

The ultimate UK parent undertaking is AGL, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of the AGL consolidated financial statements can be obtained from the Company Secretary of each Company at Crawley Court, Winchester, Hampshire, SO21 2QA.

AGL is owned by a consortium of shareholders including 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.