Registered number: 08723426

ARQIVA SMART FINANCING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2025

CONTENTS

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2025

The directors present their report and the financial statements for the year ended 30 June 2025.

Principal activities

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

Results and dividends

The Company has made a loss before tax of £496,000 (2024: £808,000).The Company has net assets of £758,000 (2024: £1,130,000). The loss for the year was transferred to reserves.

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 2025 is £11,788,000 (2024: £16,148,000). 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.

The Directors do not propose to pay a dividend for the year (2024: £nil).

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 21 of these financial statements or the Group’s website at www.arqiva.com.

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 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 21 of these financial statements or the Group’s website at 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 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 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 14. Intercompany loans balances are interest rate of 9.5% or at SONIA plus a fixed rate of interest.

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 parent 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 Capital Structure Committee regularly reviews the debt position of the group to ensure it is appropriate and has concluded it has sufficient cash to service its debt structure obligations. The parent 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 2025 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 for the 12 month period post signing of these financial statements.

Post balance sheet events

Subsequent to the reporting date, Macquarie Asset Management announced its intention to dispose of its investments in the Arqiva Group. The transaction is subject to completion and regulatory approvals and, as at the date of these financial statements, remains outstanding. Based on current information, the directors do not expect the proposed disposal to have a material impact on the Group's ongoing operations. No adjustments have been made to these financial statements in respect of this event.

Directors

The directors who served during the year were:

Jonathan Carter (appointed 27 February 2025)
Drummond Clark (appointed 28 February 2025)
Susana Leith-Smith
Scott Longhurst
James O'Halloran (appointed 30 December 2024)
Matthew Postgate
Michael Osborne (appointed 26 November 2024)
David Stirton
Patrick Tillieux (appointed 24 April 2025)
Michael Darcey (resigned 18 March 2025)
Paul Donovan (resigned 31 August 2025)
Maximilian Fieguth (resigned 28 February 2025)
Arnaud Jaguin (resigned 31 October 2024)
Andrew Macleod (resigned 26 November 2024)
Diego Massidda (resigned 11 December 2024)

Qualifying third party indemnity provisions

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.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report and Financial Statements and the financial statements in accordance with applicable law and regulation.

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

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

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

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

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

The directors are responsible for the maintenance and integrity of the company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors’ confirmations
In the case of each director in office at the date the directors’ report is approved:

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

Auditors

The independent auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2025

The Directors' report was approved by the board on 26 November 2025 and signed on its behalf.

Scott Longhurst
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARQIVA SMART FINANCING LIMITED

Opinion

We have audited the financial statements of ARQIVA SMART FINANCING LIMITED (the 'Company') for the year ended 30 June 2025, which comprise the Income statement, the Statement of financial position, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 ‘Reduced Disclosure Framework’ (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2025 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARQIVA SMART FINANCING LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARQIVA SMART FINANCING LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page , the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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:
[Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud.]

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Andy Grimbly (Senior statutory auditor)

for and on behalf of
PricewaterhouseCoopers LLP

1 Embarkment Place
London
United Kingdom
WC2 6RH

26 November 2025

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2025

	Note	**2025 £000**	*2024 £000*
Administrative expenses		**(53)**	*(54)*
Operating loss	4	**(53)**	*(54)*
Finance income	7	**909**	*1,128*
Finance costs	8	**(785)**	*(866)*
Other finance costs	9	**(567)**	*(1,016)*
Loss before tax		**(496)**	*(808)*
Tax on loss	10	**124**	*205*
Loss for the financial year		**(372)**	*(603)*

There are no items of other comprehensive income for 2025 or 2024 other than the loss for the year. As a result, no separate Statement of comprehensive income has been presented.

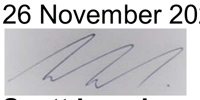
The notes on pages 12 to 24 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2025

	Note		2025 £000		*2024 £000*
Current assets					
Debtors: amounts falling due after more than one year	11	**9,882**		*14,763*	
Debtors: amounts falling due within one year	11	**4,482**		*4,342*	
Cash at bank and in hand	12	**4,083**		*3,776*	
		18,447		*22,881*	
Creditors: amounts falling due within one year	13	**(5,901)**		*(5,520)*	
Net current assets			**12,546**		*17,361*
Total assets less current liabilities			**12,546**		*17,361*
Creditors: amounts falling due after more than one year	14		**(11,788)**		*(16,148)*
			758		*1,213*
Provisions for liabilities					
Deferred taxation	16	**-**		*(83)*	
			-		*(83)*
Net assets			**758**		*1,130*
Capital and reserves					
Called up share capital	17		**130**		*130*
Profit and loss account	18		**628**		*1,000*
Total equity			**758**		*1,130*

The Company's financial statements have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 November 2025.



Scott Longhurst
Director

The notes on pages 12 to 24 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2025

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 July 2023	130	1,603	1,733
Comprehensive income for the year			
Loss for the year	-	(603)	(603)
Total comprehensive income for the year	-	(603)	(603)
At 1 July 2024	130	1,000	1,130
Comprehensive income for the year			
Loss for the year	-	(372)	(372)
Total comprehensive income for the year	-	(372)	(372)
At 30 June 2025	130	628	758

The notes on pages 12 to 24 form part of these 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 1 and 3.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
    - paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures

This information is included in the consolidated financial statements of Arqiva Group Limited for the year ended 30 June 2025 and these financial statements may be obtained from www.arqiva.com.

2. Accounting policies (continued)

2.3 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 parent 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 Capital Structure Committee regularly reviews the debt position of the group to ensure it is appropriate and has concluded it has sufficient cash to service its debt structure obligations. The parent 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 2025 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 for the 12 month period post signing of these financial statements.

2.4 Impact of new international reporting standards, amendments and interpretations

New and amended standards adopted by the Company

Amendment to IAS 1 - Non-current Liabilities with Covenants
The amendment listed above did not have any material impact on the amounts recognised in prior years and is not expected to have a material impact on current or future periods.

New standards, interpretations and amendments not yet effective
The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Company's future financial statements:

- Amendment to IAS 21 - Lack of Exchangeability
- Amendments IFRS 9 and IFRS 7 - Regarding the classification and measurement of financial instruments
- Amendment to IFRS 18 - Presentation and Disclosures in Financial Statements

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

2.5 Finance income

Finance income is recognised in profit or loss using the effective interest method.

2. Accounting policies (continued)

2.6 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.7 Borrowing 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.

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.9 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Contract assets represent the Company’s right to consideration on CSPN contracts for the financing of Comms Hubs, where receipt is conditional on future performance or settlement arrangements. They arise from the assignment of receivables to repay external borrowings facilities. Contract assets are measured at amortised cost under IFRS 9 and presented separately from trade receivables.

2. Accounting policies (continued)

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.12 Provisions for liabilities

Provisions are recognised when an event has taken place that gives rise to a legal or constructive obligation, a transfer of economic benefits is probable and a reliable estimate can be made.

Provisions are measured as the best estimate of the amount required to settle the obligation, taking into account the related risks and uncertainties.

Increases in provisions are generally charged as an expense to profit or loss.

2.13 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Fair value through profit or loss

All of the Company's financial assets are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Impairment of financial assets

The Company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL

2. Accounting policies (continued)

2.13 Financial instruments (continued)

represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities

Fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, 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.

4. Operating loss

Other operating expenses comprise finance arrangement fees of £43,000 (2024: £44,000) and management charges of £10,000 (2024: £10,000)

5. Auditors' remuneration

The Company's audit fee for the year was £9,000 (2024: £7,000) and this was paid by Arqiva Limited, a fellow Group company.

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the consolidated accounts of the parent Company.

6. Employees

Employees
The Company had no employees during the year (2024: none).

Directors
There are no recharges (2024: £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

	2025 **£000**	*2024* *£000*
Other interest receivable	**909**	*1,128*
	909	*1,128*

8. Finance costs

	2025 **£000**	*2024* *£000*
Amortisation of debt issue costs	**37**	*37*
Other loan interest payable	**487**	*582*
Interest payable to group undertakings	**261**	*247*
	785	*866*

9. Other finance costs

	2025 £000	*2024 £000*
Fair value loss on derivative financial instruments	**(567)**	*(1,016)*
	(567)	*(1,016)*

Fair value gains and losses on derivative financial instruments reflect the re-measurement of the Company's derivative financial instruments (see note 15).

10. Tax on loss

	2025 £000	*2024 £000*
Corporation tax		
Current tax on loss for the year	**18**	*49*
Total current tax	**18**	*49*
Deferred tax		
Origination and reversal of timing differences	**(142)**	*(254)*
Total deferred tax	**(142)**	*(254)*
Tax on loss	**(124)**	*(205)*

10. Tax on loss (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as *(2024 - lower than)* the standard rate of corporation tax in the UK of 25% *(2024: 25%)*. The differences are explained below:

	2025 £000	*2024 £000*
Loss on ordinary activities before tax	**(496)**	*(808)*
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2024: 25%)	**(124)**	*(202)*
Effects of:		
Expenses not deductible for tax purposes	**-**	*(3)*
Total tax credit for the year	**(124)**	*(205)*

Factors that may affect future tax charges

The current year UK corporation tax credit (2024: credit) represents the payment received from other Group companies for the provision of tax losses by way of group relief.

The average blended rate of UK corporation tax was 25.0% during the year. UK deferred tax has been valued at 25.0%.

On 20 June 2023, Finance (No.2) Act 2023 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 Limited financial statements.

11. Debtors

	Note	2025 £000	*2024 £000*
Amounts falling due after more than one year			
Derivative financial instruments	15	**422**	*989*
Contract assets		**9,460**	*13,774*
		9,882	*14,763*

	Note	2025 £000	*2024 £000*
Amounts falling due within one year			
Amounts owed by group undertakings		**401**	*490*
Accrued interest		**-**	*2*
Prepayments and accrued income		**59**	*94*
Deferred taxation	16	**59**	-
Contract assets		**3,963**	*3,756*
		4,482	*4,342*

Included within prepayments is £37,000 (2024: £73,000) relating to arrangement fees on undrawn facilities, which are being amortised over the life of the facilities. See note 14 for more information on the facilities. Amounts owed by group undertakings of £401,000 (2024: £490,000) arising from other Group entities are interest free, unsecured and repayable on demand. Contract assets of £13,423,000 (2024: £17,530,000) relate to the assignment of receivables from Arqiva Smart Metering Limited ('ASML') of which the majority is funded by amounts drawn from external lenders within the borrowings of the Company.

12. Cash and cash equivalents

	2025 **£000**	*2024* *£000*
Cash at bank and in hand	**4,083**	*3,776*
	4,083	*3,776*

13. Creditors: Amounts falling due within one year

	2025 **£000**	*2024* *£000*
Amounts owed to group undertakings	**4,134**	*3,847*
Other taxation and social security	**83**	*83*
Other creditors	**1,662**	*1,590*
Accrued interest	**22**	*-*
	5,901	*5,520*

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 2025 was 0.9% (2024: 0.9%). This was put in place as part of the external funding the Company established to finance the communications hubs.

14. Creditors: Amounts falling due after more than one year

	2025 **£000**	*2024* *£000*
Bank loans – CHuRP debt	**11,788**	*16,148*
	11,788	*16,148*

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 2025 a balance outstanding was £11,788,000 (2024: £16,148,000). 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. 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 2025 was 0.9% (2024: 0.9%). This was put in place as part of the external funding the Company established to finance the communications hubs.

15. Derivative financial instruments

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:

	2025 **£000**	*2024* *£000*
Interest rate swaps	**422**	*989*
Total derivative financial instruments	**422**	*989*
Change in fair value recognised in the income statement:		
- Attributable to changes in market conditions	**(567)**	*(1,016)*
Total loss recognised in the income statement	**(567)**	*(1,016)*
Total change in fair value	**(567)**	*(1,016)*

16. Deferred taxation

	2025 **£000**	*2024* *£000*
At beginning of year	**(83)**	*(337)*
Charged to income statement	**142**	*254*
At end of year	**59**	*(83)*

16. Deferred taxation (continued)

The deferred tax asset/(liability) is made up as follows:

	2025 £000	*2024 £000*
Tax losses carried forward	**164**	*164*
Derivative financial instruments	**(105)**	*(247)*
	59	*(83)*

The deferred tax balance is in an asset position as at 30 June 2025. As such, it is presented within note 11. As at 30 June 2024, we had a deferred tax liability, which is presented as a provision in these financial statements.

The corporation tax rate is 25.0% 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.

17. Called up share capital

	2025 £000	*2024 £000*
Allotted, called up and fully paid		
129,801 *(2024 - 129,801)* Ordinary shares of £1.00 each	**130**	*130*

18. Reserves

Profit and loss account

All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

19. Related party transactions

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.

20. Post balance sheet events

Subsequent to the reporting date, Macquarie Asset Management announced its intention to dispose of its investments in the Arqiva Group. The transaction is subject to completion and regulatory approvals and, as at the date of these financial statements, remains outstanding. Based on current information, the directors do not expect the proposed disposal to have a material impact on the Group’s ongoing operations. No adjustments have been made to these financial statements in respect of this event.

21. Controlling party

The Company’s immediate parent is Arqiva Smart Holdings Limited (‘ASHL'). Copies of the ASHL 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.