Company Registration No. 120526 (Jersey)

Arlington No. 3 Holdco Limited

Annual Report and Financial Statements

For the 17 months ended 30 June 2017

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The Board of Directors

Peter Berry
Martin Hadland
Sean McKeown
George Schweiry
Susan Worden

Company Registration Number

120526 (Jersey)

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Bankers

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Independent Auditor

KPMG LLP
Chartered Accountants and Statutory Auditor
1 St Peter's Square
Manchester
United Kingdom
M2 3AE

The directors present their annual report together with the audited financial statements of the Group and parent company for the 17 months to 30 June 2017.

Review of the Business

Arlington No. 3 Holdco Limited was incorporated on 20 January 2016. The principal business activity of Arlington No. 3 Holdco Limited is to act as a special purpose holding company with limited permitted activities to acquire and subsequently operate a portfolio of student accommodation properties serving a number of higher education institutions.

Arlington No. 3 Holdco Limited is a joint venture between Arlington Investor Group (S.H. No. 3) Limited ("Arlington Investor") and Campus Living Villages (Holte) UK Limited ("CLV Holte").

Arlington No. 3 Holdco Limited owns 100% of Arlington No. 3 Bond Issuer Plc ("Bond Issuer") which began trading on 1 February 2016 for the purposes of issuing listed debt securities on the Irish Stock Exchange. The funds raised from the issuance of these securities was used to purchase the student accommodation properties held by its' subsidiary operating companies, Arlington Student Holdings (No. 3) Limited (Ash3) and Signpost Homes Limited.

Key Performance Indicators

The directors use two principal measures of overall performance; net assets and profit/loss before tax (see above). The objective of the Group is to provide funding to its subsidiary companies and to provide accommodation to students through facilities in Exeter, Cheltenham and Gloucester, and in so doing ensure that the Group's liabilities and interest expense are offset by equal and opposite receivables and interest income from the subsidiary companies.

Principal Risks and Uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks. The key business risks and uncertainties affecting the group arise from financial risk through its assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. Due to the nature of the Group's business and the assets and liabilities contained within the group's balance sheet the only financial risks the directors consider relevant to this company are credit risk and liquidity risk. The Groups principal financial assets are bank balances and cash, and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables which are presented in the balance sheet net of allowances for doubtful receivables. The Group has no significant concentration of credit risk with exposure spread over a large number of counterparties and customers. In order to maintain liquidity the Group uses a mixture of listed and shareholder debt to ensure sufficient funds are available for ongoing operations. Cash flow risk is mitigated by some interest bearing liabilities being held at fixed interest, although an element is indexed linked to RPI. Management monitor this risk closely.

Further information on financial risks can be found in note 20.

Results

The results of the Group for the period are set out on page 10. Loss before tax for the period was £8,597,000 with an operating profit of £14,000.

The Consolidated Balance sheet shows that the net liabilities were £8,592,000.

Financial risk management objectives and policies

The company's activities expose it to a variety of financial risks, which include credit risk, cash flow interest rate risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance.

Credit risk

Credit risk arises from cash and cash equivalents, deposits with major banks and financial institutions as well as credit exposure to students and universities, including outstanding receivables and committed transactions, which the company is impacted by via its associated entities. Credit granted to customers is monitored regularly and past due receivables are followed up with customers. Student deposits are used as

Financial risk management objectives and policies (cont'd)

security and applied against outstanding amounts. Only banks and financial institutions with high credit ratings are used to deposit funds.

The financial assets of the company are neither past due nor impaired.

Interest rate risk

An element of the debt is index-linked so interest rates are exposed to changes in economic conditions and RPI. Management monitor this risk closely.

Liquidity risk

Cash flow forecasts are utilised to manage liquidity risk. Capital expenditure is funded through borrowings and cash calls from investors. Repayments of borrowings are funded through cash generated from operations, refinancing and cash calls from investors where required.

Future Developments

The directors expect the general level of activity to improve in the forthcoming year compared with the period to 30 June 2017. This is consistent with the long-term strategy of the Group and the fact that the bonds held by the Group have a number of years until maturity.

There have been no significant events since the balance sheet date.

Signed by order of the Board

Martin Hadland
Director

26 April 2018

The directors present their first report together with audited financial statements of the company for the period ended 30 June 2017.

Directors of the Company

The directors who served the Group and parent company throughout the period and up to the date the financial statements were signed, were as follows:

Strategic Management Limited	(appointed 20/01/2016, resigned 23/02/2016)
Trident Director Services (Jersey) Limited	(appointed 20/01/2016, resigned 23/02/2016)
Robert Moyle	(appointed 23/02/2016, resigned 23/02/2018)
Richard Gabelich	(appointed 23/02/2016, resigned 12/03/2018)
David Lewis	(appointed 23/02/2016, resigned 31/05/2017)
George Shweiry	(appointed 23/02/2016)
Sean McKeown	(appointed 23/02/2016)
Michael Seal	(appointed 23/02/2016, resigned 12/3/2018)
Martin Hadland	(appointed 31/05/2017)
Peter Berry	(appointed 12/3/2018)
Susan Worden	(appointed 23/2/2018)

The Group has made qualifying third party indemnity provisions for the benefit of its directors, which were made during the period and remain in force at the date of this report.

Dividends

The directors have not recommended payment of a dividend for the period.

Financial Instruments

The financial risk management and objectives policy is set out within note 20.

Auditor

Each of the persons who served as a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

KPMG LLP have been appointed auditor to the company during the period and have expressed their willingness to continue in office as auditor. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Going Concern

The financial statements are prepared on a going concern basis which the directors consider to be appropriate due to the continued financial support of the related party entity Arlington Investor Group (S.H. No.3) Limited. The Group's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 3-4. On the basis of their assessment of the Group's financial position and on the basis of all enquiries made, including of the company's investors, the directors of the company have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Signed by order of the Board

Martin Hadland

Director

26 April 2018

Statement of Directors' Responsibilities in respect of the strategic report, the directors' report and the financial statements

For the 17 months ended 30 June 2017

The directors are responsible for preparing the strategic report, the director's 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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with Companies (Jersey) Law, 1991 and the Financial Services (Fund Services Business (Accounts, Audits and Reports)) (Jersey) Order 2007. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Arlington No. 3 Holdco Limited

Our opinion is unmodified

We have audited the consolidated financial statements (the "Consolidated Financial Statements") of Arlington No.3 Holdco Limited (the "Company") and its subsidiaries (together, the "Group"), which comprise the consolidated and company balance sheet as at 30 June 2017, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows and the company statement of changes in equity for the period from 20 January 2016 (date of incorporation) to 30 June 2017, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

— give a true and fair view of the financial position of the Company a and Group as at 30 June 2017, and of the Group's financial performance and the Group's cash flows for the period from 20 January 2016 (date of incorporation) to 30 June 2017;

— are prepared in accordance with International Financial Reporting Standards as adopted by the EU; and

— have been properly prepared in accordance with the requirements of the Companies (Jersey) Law, 1991.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company and Group in accordance with, UK ethical requirements including FRC Ethical Standards. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the Financial Statements. We have nothing to report in these respects.

We have nothing to report on the other information in the strategic report and the directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the Financial Statements does not cover those report and we do not express an audit opinion thereon or any form of assurance conclusion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the information presented in the strategic report or the directors' report.

We have nothing to report on other matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company; or
- returns adequate for our audit have not been received from branches not visited by us; or
- the parent financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 7, the Directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; 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; assessing the Group and parent 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of this report and restrictions on its use by persons other than the Company's members as a body

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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 auditor's 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.

Nicola Quayle

Nicola Quayle (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
1 St Peter's Square
Manchester
M2 3AE
Date:

26 April 2018

Arlington No. 3 Holdco Limited
Consolidated Statement of Profit and Loss and Other Comprehensive Income for the 17 months ended 30 June 2017

	Notes	For the 17 months to 30 June 2017 £'000
Revenue	4	10,124
		10,124
Administrative expenses	5	(10,110)
Operating profit		14
Financial income	7	39
Financial expenses	8	(8,650)
Loss before tax		(8,597)
Taxation	9	-
Loss for the financial period		(8,597)
Other comprehensive income		-
Total comprehensive loss		(8,597)

The notes on pages 16 to 30 form part of these financial statements.

Arlington No. 3 Holdco Limited
Consolidated Balance Sheet
As at 30 June 2017

	Notes	30 June 2017 £'000
Non-current assets		
Property, plant and equipment	12	93,876
Intangible assets	13	1,341
		95,217
Current assets		
Trade and other receivables	14	253
Accrued income	14	54
Related party receivables	14	456
Cash and cash equivalents	15	15,823
		16,586
Total assets		111,803
Current liabilities		
Trade and other payables	16	(562)
Accruals	16	(3,623)
Deferred income	16	(266)
Other interest-bearing loans and borrowings	17	(797)
		(5,248)
Non-current liabilities		
Loans payable	17	(115,147)
Total liabilities		(120,395)
Net assets		(8,592)
Equity attributable to the equity holders of the parent		
Called up share capital	21	5
Retained earnings		(8,597)
Total equity		(8,592)

These financial statements on pages 10 to 30 were approved by the Board and authorised for issue on 26 April 2018 and signed on its behalf by

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Martin Hadland
Director

Company registered number 120526 (Jersey)

The notes on pages 16 to 30 form part of these financial statements.

	Called up Share capital £'000	Retained earnings £'000	Total £'000
Balance at date of incorporation	-	-	-
Shares issued during the period	5	-	5
Results for the financial period	-	(8,597)	(8,597)
Balance at 30 June 2017	5	(8,597)	(8,592)

The notes on pages 16 to 30 form part of these financial statements.

Arlington No. 3 Holdco Limited
Company Balance Sheet
For the 17 months ended 30 June 2017

	Notes	30 June 2017 £'000
Fixed assets		
Investment in subsidiary	11	50
		50
Current assets		
Related party receivables	14	298
		298
Non-Current assets		
Related party receivables	14	30,201
Total assets		30,549
Current liabilities		
Other creditors	16	(53)
Related party payables	16	(293)
		(346)
Non-current liabilities		
Related party payables	17	(30,201)
Total liabilities		(30,547)
Net assets		2
Capital and reserves		
Called up share capital	21	5
Retained earnings		(3)
Total equity		2

These financial statements on pages 10 to 30 were approved by the Board and authorised for issue and signed on its behalf by

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Martin Hadland
Director

Company registered number 120526 (Jersey)

The notes on pages 16 to 30 form part of these financial statements.

26 April 2018

	Called up Share capital £'000	Retained earnings £'000	Total £'000
Balance at date of incorporation	-	-	-
Shares issued during the period	5	-	5
Results for the financial period	-	(3)	(3)
Balance at 30 June 2017	5	(3)	2

The notes on pages 16 to 30 form part of these financial statements.

Arlington No. 3 Holdco Limited
Consolidated Cash Flow Statement
For the 17 months ended 30 June 2017

	Note	For the 17 months to 30 June 2017 £'000
Cash flows from operating activities		
Loss for the period before and after taxation		(8,597)
Adjustments for:		
Depreciation		3,150
Amortisation on loan notes		122
Finance income		(39)
Finance expense		8,650
(Increase)/decrease in trade and other receivables		(763)
Increase/(decrease) in trade and other payables		2,581
Net cash from operating activities		5,104
Cash flows from investing activities		
Acquisition of subsidiary net of cash acquired		(1,430)
Capitalised development expenditure		(10,414)
Acquisition of property, plant and equipment		(63,912)
Interest received		39
Net cash from investing activities		(75,717)
Cash flows from financing activities		
Repayment of Signpost loans on acquisition		(22,611)
Interest paid		(4,826)
Proceeds from the issue of share capital		5
Proceeds from new loans net of loan costs		115,017
Repayment of loans		(1,149)
Net cash from financing activities		86,436
Increase in cash for the period		15,823
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents as at 30 June 2017	15	15,823

The notes on pages 16 to 30 form part of these financial statements.

1. Accounting policies

Basis of preparation

Arlington No. 3 Holdco Limited (the "Company") is a public Company incorporated, domiciled and registered in Jersey in the UK. The registered number is 120526 and the registered address is 11 Bath Street, St. Helier, Jersey JE2 4ST

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its group.

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

The directors deem there to be no judgements made, in the application of these accounting policies, that have significant effect on the financial statements or any estimates with a significant risk of material adjustment in the next year.

Unless otherwise indicated, all amounts are presented in Sterling £'000.

Measurement convention

The financial statements are prepared on the historical cost basis as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

Unless otherwise indicated, all amounts are presented in Sterling.

New and revised IFRSs in issue but not yet effective

At the data of authorisation of these financial statements, the company has not applied the following new and revised IFRSs that have been issued but are not yet effective and had not yet been adopted by the EU:

IFRS 9	Financial instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 11 (amendments)	Accounting for Acquisitions of Interests in Joint Operations
IAS 16 and IAS 38 (amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 19 (amendments)	Defined Benefit Plans: Employee Contributions
IAS 27 (amendments)	Equity Method in Separate Financial Statements Sale or
IFRS 10 and IAS 28 (amendments)	Sale or contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 10, IFRS 12 and IAS 28 (amendments)	Investment Entities: Applying the Consolidation Exception
Annual Improvements to IFRSs: 2011-2013	Amendments to: IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement and IAS 40 Investment Property
Annual Improvements to IFRSs: 2012-2014 Cycle	Amendments to: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

1. Accounting policies (continued)

Going concern

The financial statements are prepared on a going concern basis which the directors consider to be appropriate due to the continued financial support of the related party entity Arlington Investor Group (S.H. No.3) Limited. The Group's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on page 3. On the basis of their assessment of the Group's financial position and on the basis of all enquiries made, including of the company's investors, the directors of the company have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised by the company and carried at original invoice amount less an allowance for any uncollectible or impaired amounts.Provision for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when they are specifically identified as being bad. Other receivables are recognised at fair value.

1. Accounting policies (continued)

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Investments in debt and equity securities

Financial instruments held for trading or designated upon initial recognition are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Other investments in debt and equity securities held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in the fair value reserve), except for impairment losses and, in the case of monetary items such a debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term deposits. Short term deposits are defined as deposits with an initial maturity of three months or less.

Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Property, plant and equipment (PP&E)

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the reporting year in which they are incurred.

Ongoing Project Work is not depreciated. Depreciation on other PP&E is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Land and buildings	25 - 50 years
Furniture and fittings	3 - 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable .amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold it is the entity's policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

2. Accounting policies (continued)

Business combinations

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions

For acquisitions the Group measures goodwill at the acquisition date as:

the fair value of the consideration transferred; plus

the recognised amount of any non-controlling interests in the acquiree; plus

the fair value of the existing equity interest in the acquiree; less

the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Intangible assets and goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Parent company statement of profit and loss and other comprehensive income

The parent company has not presented its own statement of comprehensive income as permitted by section 408 of the Companies Act 2006. The parent company's loss after taxation for the period was £3k.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. All such revenue arising from the provision of student accommodation letting is reported net of discounts and value added and other sales taxes.

Expenses

Financing income and expenses

Financing expenses comprise interest payable. Financing income comprises interest receivable on funds invested. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Operating lease commitments

Operating lease commitments payments are recognised as an expense in the statement of Comprehensive income on a straight-line basis over the lease term.

Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred income tax.

The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is provided in full, using the statement of financial position liability method, on temporary differences arising between the tax bases of assets and liabilities and the carrying amounts in the financial statements.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised

Deferred tax is determined using the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Investments in subsidiaries

In the parent company balance sheet, investments in subsidiaries are shown at cost less provision of impairment.

3. Acquisitions of subsidiaries

Acquisitions in the current period

On 15 February 2016, the Group acquired all of the ordinary shares in Signpost Homes Limited for a net consideration of £2,026,000 satisfied in cash. The company provides accommodation for students and the portfolio acquired furthers the Group objectives by increasing the number of rooms offered nationally. In the 17 months to 30 June 2017 the subsidiary contributed revenue of £1,216,000 and a loss of £132,000 to the consolidated results for the period which is consistent with if the acquisition had occurred on 20 January 2016.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities.

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:	
Property, plant and equipment	22,700
Cash and cash equivalents	596
Interest-bearing loans and borrowings	(22,611)
Net identifiable assets and liabilities	**685**
Consideration paid:	
Initial cash price paid	24,637
Settlement of pre-existing relationship	(22,611)
Total consideration	**2,026**
Goodwill on acquisition	**1,341**

3. Acquisitions of subsidiaries *(continued)*

Goodwill has arisen on the acquisition because the total consideration paid exceeded the value of the identifiable net assets.

Settlement of pre-existing contractual relationship

Spectrum Housing Group Limited were party to an existing loan arrangement. At the acquisition date this pre-existing relationship was settled as part of the acquisition.

An existing termination clause included in the agreement resulted in £22,611,000 of the consideration transferred being treated as a payment for the termination of this relationship. The fair value of the agreement at the acquisition date was £22,611,000. As a result, £22,611,000 of the consideration transferred has been treated as a payment for the termination of the pre-existing loan arrangement.

Acquisition related costs

The group incurred acquisition related costs of £525,000. These costs have been included in administrative expenses in the group's consolidated statement of profit and loss and other comprehensive income.

4. Revenue

	2017
	£'000
Accomodation rental related	6,926
Other revenue – management fee	3,198
Total revenue	10,124

5. Expenses and auditors' reumuneration

	2017
	£'000
Included in profit/loss are the following:	
Fees payable to the company's auditor for the audit of the company's consolidated financial statements	3
Fees payable to the company's auditor for the audit of the subsidiary financial statements	35
Depreciation of property, plant and equipment	3,150
Loan amortisation	122
Operating lease rentals	4

6. Staff costs

The company had no employees in the current period, other than the directors. The directors of the company received no remuneration for their services to the company in the current period. As the directors' services to the company are insignificant, any allocation of renumeration borne by the parent company would not be material and therefore no amount has been attributed in the current period.

7. Finance income

	2017 £'000
Other income	39
	39

8. Finance expense

	2017 £'000
Bank interest and other charges	121
Interest on loan notes payable	2,093
Indexation charge on loan notes	1,953
Interest on subordinated debt	4,483
	8,650

Indexation charge on loan notes is measured using effective interest method. The indexation charge for the 17 months includes a recalculation to account for the impact of RPI up to June 2017.

9. Taxation

	2017 £'000
Loss on ordinary activities:	
Current tax	-
Corporation tax charge at 19.75%	-
Total current tax expense	-

The tax assessed for the period differs from the standard rate applying in the UK of 19%. The differences are explained below:

Components of corporation tax expense

	2017 £'000
Loss on ordinary activities before tax	(8,597)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.75%	(1,698)
Expenses not deductible for tax purposes	1,234
Losses not recognised	464
	-

10. Deferred tax

The Group has tax lossses carried forward of £8,849,000 that have not been recognised as a deferred tax asset as there is insufficient evidence that there will be future profits against which this timing difference will reverse. Of these losses, £6,500,000 were acquired on the acquisition of Signpost Homes Limited for which no deferred tax asset was recognised.
The unrecognised asset equates to £1,681,310 at a tax rate of 19%.
The UK main corporation tax rate was reduced from 20% to 19% with effect from 1 April 2017.
Deferred tax balances have been stated at 19%.

11. Investments in subsidiary undertakings - Company

	2017
	£'000
Cost and net book value	50
	50

The parent company has investments in the ordinary share capital of following subsidiary undertakings.

	Class of shares held	% holding
Arlington No. 3 Bond Issuer Plc	Ordinary	100
Arlington Student Holdings (No. 3) Limited	Ordinary	100
Signpost Homes Limited	Ordinary	100

The principal activity of Arlington No. 3 Bond Issuer Plc is the management of debt securities listed on the Irish Stock Exchange.

The principal activity of each of Arlington Student Holdings No. 3 Limited and Signpost Homes Limited is the provision of student accommodation.

The registered address for Arlington No.3 Bond Issuer Plc and Signpost Homes Limited is:
2nd Floor, 11 Pilgrim Street, London, EC4V 6RN, United Kingdom.

The registered address for Arlington Student Holdings (No.3) Limited is:
11 Bath Street, St Helier, Jersey, JE2 4ST, Channel Islands.

The group has no investments.

12. Property, plant and equipment - Group

	Under construction £'000	Property, plant and equipment £'000	2017 Total £'000
Cost			
As at 20 January 2016	-	-	-
Additions	10,414	-	10,414
Acquisition through business combinations	-	22,700	22,700
Other acquisitions	-	63,912	63,912
At 30 June 2017	10,414	86,612	97,026
Accumulated depreciation			
At 20 January 2016	-	-	-
Charge for period	-	(3,150)	(3,150)
At 30 June 2017	-	(3,150)	(3,150)
Net book value			
At 20 January 2016	-	-	-
At 30 June 2017	10,414	83,462	93,876

The company has no property plant and equipment.

13. Intangible assets - Group

	2017 £'000 Goodwill
Cost	
At 20 January 2016	-
Through acquisitions	1,341
At 30 June 2017	1,341
Amortisation and impairment	
At 20 January 2016	-
Charge for period	-
At 30 June 2017	-
Net book value	
At 20 January 2016	-
At 30 June 2017	1,341

The company has no intangible assets.

14. Trade and other receivables - Group

Amounts receivable from trade customers are non-interest bearing and are generally on 30 - 90 day terms.

The financial assets of the company are neither past due nor impaired.

	2017 £'000
Receivable from trade customers	70
Other receivables	183
	253
Related party receivables	456
Accrued income	54
	763

Trade and other receivables - Company	2017 £'000
Related party receivables	298
Related party loan receivable	30,201
	30,499

15. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June 2017:

	2017 £'000
Cash at bank	1,100
Cash restricted	14,723
Total cash and cash equivalents per cash flow statement	15,823

Conditions attached to the secured rate notes, require the Company to hold the equivalent of two interest payments in cash to protect against default and to hold a sinking fund to maintain the assets. As this cash cannot be used for the wider purposes of the Company it is classified as restricted cash in the balance sheet.

16. Trade and other payables – Group

	2017 £'000
Payable to trade suppliers	311
Other payables	251
	562
Accrued interest payable	1,870
Other accured liabilities	1,753
	3,623
Deferred income	266
	4,451

Trade and other payables – Company

	2017 £'000
Other payables	53
Related party payables	293
	346

17. Other interest-bearing loans and borrowings – Group

	2017 £'000
Current Liabilities:	
£55,000,000 Secured Indexed Rate Amortising Notes due 2047	597
£39,000,000 Secured Fixed Rate Amortising Notes due 2047	200
	797
Non-Current Liabilities:	
£55,000,000 Secured Indexed Rate Amortising Notes due 2047	55,515
£39,000,000 Secured Fixed Rate Amortising Notes due 2047	32,193
£26,801,402 Sub Debt loan agreement Due 2047 (see note 19)	30,201
Loan costs	(2,762)
	115,147
	115,944

Loans payable – Company	
Subordinated debt (see note 19)	30,201
	30,201

Interest is charged on the Indexed Rate Notes at 1.28% per annum plus RPI and on the Fixed Rate Notes at 4.809% per annum.The value of the Indexed Rate Notes includes indexation of £1,953,000 in accordance with the provisions of the Prospectus dated 31 December 2015.

The secured amortising notes are secured on certain assets of the company, including its investment in subsidiary undertakings and receivables.

18. Financial Instruments

Fair Values

Group	2017 £'000 Carrying Amount	2017 £'000 Fair Value
Financial assets		
Trade and other receivables	763	763
Financial liabilities		
Secured rate notes	88,505	88,505
Related party borrowings	30,201	30,201
Trade and other payables	4,451	4,451
Company		
Financial assets		
Investments in subsidiary undertakings	50	50
Related party receivables	30,499	30,499
Financial liabilities		
Trade and other payables	53	53
Related party payables	293	293
Sub debt borrowings	30,201	30,201

Total financial liabilities

The fair value of non-derivative financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

19. Related party borrowings

	2017 £'000
Payable to related parties	
Subordinated debt	30,201
	30,201

The related parties are Campus Living Villages (Holte) UK Ltd, who hold 10% and Arlington Investor Group (S.H. No.3) Limited who hold 90% of the subordinated debt.

Interest is charged at 12% per annum accruing from day to day on the Principal Outstanding. Interest is payable in accordance with the Sub-debt Loan Agreement on each interest payment and in accordance with the Operating Account Priority of payments and solely to the extent that the funds are available for such ammounts of interest to be payable.

20. Financial risk management objectives and policies

Arlington No.3 Holdco Limited activities expose it to a variety of financial risks, which include credit risk, cash flow interest rate risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance. The financial instruments held by the entity are detailed in note 18.

Credit risk

Credit risk arises from cash and cash equivalents, deposits with major banks and financial institutions as well as credit exposure to students and universities, including outstanding receivables and committed transactions. Credit granted to customers is monitored regularly and past due receivables are followed up with customers. Student deposits are used as security and applied against outstanding amounts. Only banks and financial institutions with high credit ratings are used to deposit funds.

The financial assets of the company are neither past due nor impaired.

Interest rate risk – Group

An element of the debt is index-linked so interest rates are exposed to changes in economic conditions and RPI. Management monitor this risk closely.

Liquidity risk - Group

Cash flow forecasts are utilised to manage liquidity risk. Capital expenditure is funded through borrowings and cash calls from investors. Repayments of borrowings are funded through cash generated from operations, refinancing and cash calls from investors where required. The forecasted payments of interest and principal for the company's contractual liabilities are:

	2017 £'000
Payments within one year	5,026
Payments within two to five years	29,862
Payments after five years	290,957
Total payments	325,845

Capital management – Group

	2017 £'000
Interest bearing loans and borrowings*	118,706
Less: Cash and short term deposits	(15,823)
Net debt	102,883
Total issued capital and retained earnings	(8,592)
Capital and net debt	94,241

*Excluding amortising loan costs

21. Issued share capital – Group and company

Authorised share, capital

	Number	2017 £'000
5,000 Ordinary shares of £1 each	5,000	5
100 Class B shares of £1 each	100	-

	Number	2017 £'000
Issued and fully paid		
5,000 Ordinary shares of £1 each	5,000	5
100 Class B shares of £1 each	100	-

All issued share capital is classified as equity.

22. Group and Company Contingencies

Management have not identified any contingencies at 30 June 2017

23. Group and Company Capital commitments

There are the following capital commitements at 30 June 2017:

	2017 £'000
Payments within one year	9,646
Payments within two to five years	7,498
Payments after five years	-
Total payments	17,144

24. Ultimate Controlling Parties

Arlington No. 3 Holdco Limited is a 90/10 joint venture between Arlington Investor Group (S.H. No. 3) Limited ("Arlington Investor") and Campus Living Villages (Holte) UK Limited ("CLV Holte").

Arlington No. 3 Holdco Limited owns 100% of Arlington No. 3 Bond Issuer Plc ("Bond Issuer") which began trading on 1 February 2016 for the purposes of issuing listed debt securities on the Irish Stock Exchange. The funds raised from the issuance of these securities was used to purchase the student accommodation properties held by its' subsidiary operating companies, Arlington Student Holdings (No. 3) Limited (Ash3) and Signpost Homes Limited.

The ultimate controlling party is Arlington Investor Group (S.H. No.3) Limited, which is incorporated in Jersey. The largest and smallest group in which the results of the Company are consolidated is that headed by Arlington Investor Group (S.H. No.3) Limited, whose registered office address is PO Box 398, 11 Bath Street, St Helier, Jersey, JE2 4ST. No other group financial statements include the results of the Company. The consolidated financial statements of these groups are available to the public and may be obtained from Trident Trust Company Limited, PO Box 398, 11 Bath Street, St Helier, Jersey, JE2 4ST.

25. Related parties

The following companies are related parties of Arlington No. 3 Holdco Limited. being wholly owned subsidiaries.

Arlington No. 3 Bond Issuer Plc

Arlington Student Holdings No.3 Ltd

Signpost Homes Ltd

And the following companies are related

Campus Living Villages (Holte) UK Ltd

Arlington Investor Group (S.H. No. 3) Limited

The transactions during the period with related parties and balances outstanding at the period end are as follows:

	Outstanding balances			Transactions	
Related party	Loan amounts due (to)/from £'000	Trading balances due (to)/from £'000	Interest payable £'000	Interest expenses incurred from £'000	Expenses bourne on behalf of £'000
Arlington Investor Group (S.H. No. 3) Limited	(27,181)	298	(1,572)	4,031	298
Campus Living Villages (Holte) UK Limited	(3,020)	-	(298)	451	-
CLV (UK) Limited	-	158	-	-	158
	(30,201)	**456**	**(1,870)**	**4,482**	**456**