

Company Registration No. 120526 (Jersey)

Arlington No. 3 Holdco Limited

Annual Report and Financial Statements

For the year ended 30 June 2018

Arlington No. 3 Holdco Limited
Annual report and financial statements
For the year ended 30 June 2018

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Arlington No. 3 Holdco Limited
Officers and professional advisers
For the year ended 30 June 2018

The Board of Directors

Sean McKeown
George Shweiry
Robert Moyle
Mathew Panopoulos
Lisa Brown

Company Registration Number

120526 (Jersey)

Registered Office

11 Bath Street
St Helier
Jersey
JE2 4ST

Bankers

U.S Bank Global Corporate Trust Services
5th Floor
125 Old Broad Street
London
EC2N 1AR

Barclays Bank
Level 25
1 Churchill Place
London
E14 5HP

Independent Auditor

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

Arlington No. 3 Holdco Limited

Strategic report

For the year ended 30 June 2018

The directors present their annual report together with the audited financial statements of the Group and parent company for the year ended 30 June 2018.

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.

Results

The results of the Group for the period are shown in the Consolidated Statement of Comprehensive Income. Loss before tax was £7.8m (2017: £8.6m).

The Consolidated Statement of Financial Position shows that the company's net liabilities were £16.4m (2017: £8.6m).

Key Performance Indicators

The directors use three principal measures of overall Group performance:

	2018	2017
Net cash operating activities	£4,919k	£5,143k
EBITDA*	£4,575k	£3,325k
<i>Occupancy:</i>		
Cheltenham and Gloucester	100%	100%
Bagot Street	95%	98%
Exeter	100%	100%

*Earnings before interest, taxation, depreciation, and amortisation for the year.

Principal Risks and Uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks:

- Underperforming assets meaning debt obligations cannot be met.
- Student numbers being lower than expected.
- Credit risk
- Viability of University

Financial risk management objectives and policies

The group'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.

Financial risk management objectives and policies (cont'd)

Credit risk

Credit risk arises from exposure to students and universities, including outstanding receivables and committed transactions, which the company is impacted by via its associated entities. Student deposits are used as security and applied against outstanding amounts.

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.

Market risk

Changes in Government policy (such as Higher Education funding and immigration) and Brexit may negatively affect student numbers, which in turn would affect profitability and asset values. Risks are mitigated by ongoing monitoring of changes and their implications to international students studying in UK.

Future Developments

The directors expect the general level of activity to improve in the forthcoming year compared with the period to 30 June 2018. 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



Sean McKeown
Director

11 Bath Street
St Helier
Jersey
JE2 4ST

Arlington No. 3 Holdco Limited

Directors' report

For the year ended 30 June 2018

The directors present their first report together with audited financial statements of the Group for the year ended 30 June 2018.

Directors of the Group and parent 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:

Sean McKeown	
George Shweiry	
Michael Seal	(resigned 12 March 2018)
Richard Gabelich	(resigned 12 March 2018)
Robert Moyle	(appointed 12 March 2018)
David Lewis	(resigned 11 May 2018)
Martin Hadland	(appointed 31 May 2018, resigned 19 July 2018)
Susan Worden	(appointed 23 February 2018, resigned 19 July 2018)
Peter Berry	(appointed 12 March 2018, resigned 19 July 2018)
Mathew Panopoulos	(appointed 19 July 2018)
Lisa Brown	(appointed 19 July 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 year (2017: £nil).

Political contributions

No donations were made to any political party during the year (2017: £nil).

Financial Instruments

The financial risk management and objectives policy is set out within note 17.

Statement of disclosure of information to 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 company'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 company's auditor is aware of that information.

Independent Auditor

KPMG LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Arlington No. 3 Holdco Limited
Directors' report (continued)
For the year ended 30 June 2018

Going Concern

Notwithstanding net current liabilities of the group of £30.1m as at 30 June 2018 (primarily due to on a loan from the parent entity, Arlington Investor Group (S.H. No.3) Limited totalling £32.4m that is repayable on demand and a loan from the parent entity, Campus Living Villages (Holte) UK Limited totalling £3.6m that is repayable on demand), the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The parent and related party have entered into the arrangement to provide student accommodation over the long term. Whilst the Group is loss making and in a net current liability position this was always forecast to occur in early years. The long term cash flows model schedules the loans to be repaid by the Group in 2047, on the basis that the loans were a long-term investment of the lenders. To date, the group's actual revenue achieved has fallen behind this model however with the development of the new building management believe this will bring the revenue back in line with this model, and the Group has fallen behind this model in relation to operating costs.

The Group has prepared cash flow forecasts for the 36 months period ending 30 June 2021 and projections for the longer term. The Group's forecasts and projections, which are based on reducing operating costs, show that the Group should be able to operate within the level of its current facility and covenants. The Group also holds cash and cash equivalents at 30 June 2018 of £9.9m, which along with the forecast cash it is expected to generate, will enable it to continue to service the long term external third party loan notes as at 30 June 2018 amount to £97m.

The Group, has net current liabilities of £30.1m as at 30 June 2018. The forecasts are dependent on Arlington Investor Group (S.H. No.3) Limited and Campus Living Villages (Holte) UK Limited not seeking repayments of the amounts currently due. Arlington Investor Group (S.H. No.3) Limited and Campus Living Villages (Holte) UK Limited have indicated that they do not intend to seek repayment of these amounts for the period of at least 12 months from the date of approval of the financial statements. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Notwithstanding net current liabilities of £36.1m at 30 June 2018 the Company financial statements have also been prepared on a going concern basis which the directors consider to be appropriate for the following reasons. The Company holds significant balances with the related parties in the group and therefore is dependent on the performance of these related parties. The reasons stated above about the performance of the wider group, are therefore also applicable to the Company. To meet the remaining liabilities that fall due, the parent Company will receive funding from its parent Company Arlington Investor Group (S.H. No.3) Limited. Arlington Investor Group (S.H. No.3) Limited has indicated its intention to continue to make available such funds as are needed by the company, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the group and company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and consequently have prepared the financial statements on a going concern basis.

Approved by the board on 24 December 2018 and signed on its behalf by:



Sean McKeown
Director

11 Bath Street
St Helier
Jersey
JE2 4ST

Arlington No. 3 Holdco Limited
Statement of Directors' Responsibilities
For the year ended 30 June 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU).

Company law requires the directors to prepare Group financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group's 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. 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 Group and the Parent Company and to prevent and detect fraud and other irregularities.

Independent Auditor’s Report to the Members of Arlington No. 3 Holdco Limited

1 Our opinion is unmodified

We have audited the group financial statements of Arlington No. 3 Holdco Limited (“the Company”) for the year ended 30 June 2018 which comprise the Consolidated Statement of Profit and Loss and Other Comprehensive Income, the Consolidated and Parent company Balance Sheets, the Consolidated and Parent company Statements of Changes in Equity, the Consolidated Cash flow Statement and the related notes, including the accounting policies in note 1.

In our opinion the group financial statements:

- give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the EU, of the state of the Company’s affairs as at 30 June 2018 and of its loss for the year then ended; and
- have been properly prepared in accordance with 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 in accordance with, UK ethical requirements including FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
Recoverability of parent’s debt due from group entities (£36.0 million; 2017: £32.1 million) <i>Refer to page 22 (accounting policy) and page 27 (financial disclosures).</i>	Low risk, high value The carrying amount of the intra-group debtor balance represents 99.9% of the company’s total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: — Tests of detail: Assessing 100% of group debtors to identify, with reference to the relevant debtors’ historic and future cash flows, the ability of the debtor to fund the repayment of the receivable as it falls due.

	The risk	Our response
<p>Carrying value of investment property (£82.0 million; 2017: £83.5 million) <i>Refer to page 20 (accounting policy) and page 26 (financial disclosures).</i></p>	<p>Low risk, high value</p> <p>The carrying amount of the intra-group investment property represents 70.0% of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement given that the investment property is held at cost and depreciated. However, due to their materiality in the context of the group financial statements, this is considered to be the area that had the greatest effect on our overall group audit.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> - Tests of detail: Assessed whether there are any indicators of impairment which includes assessing the investment property balance against historic and its forecast future cash flows to consider, the ability of the property to generate future cash flows in excess of its carrying value. - Performed a reconciliation of opening to closing carrying value and checked any significant movements. This included recalculating depreciation charge for the year and vouching a sample of additions back to source documentation and considering whether they are appropriate to be capitalised.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £1.2m (2017: £2.4m), determined with reference to a benchmark of total assets of £117.1m (2017: £111.8m) (of which it represents 1% (2017: 2.1%)).

We consider total assets to be the most appropriate benchmark given due to the significant value attributed to the student accommodation held by the business.

We agreed to report to the directors any corrected or uncorrected identified misstatements exceeding £60,200 (2017: £119,300), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Materiality for the parent company financial statements as a whole was set at £342,000 (2017: £930,900), determined with reference to a benchmark of company total assets of £36.0m (2017: £32.4m), of which it represents 1% (2017: 2.9%).

We agreed to report to the directors any corrected or uncorrected identified misstatements exceeding £17,100 (2017: £46,500) at a parent company level, in addition to other identified misstatements that warranted reporting on qualitative grounds.

4 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.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

Independent Auditor's Report to the Members of Arlington No. 3 Holdco Limited

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

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- proper accounting records have not been kept by the Company, or
- proper returns adequate for our audit have not been received from branches not visited by us; or
- the Company's accounts are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7 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 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 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.

8 The purpose of our audit work and to whom we owe our responsibilities

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.



Rehman Minshall, Senior Statutory Auditor

for and on behalf of KPMG LLP

Chartered Accountants and Recognised Auditor

One St Peter's Square

Manchester

M2 3AE

27 December 2018

Arlington No. 3 Holdco Limited
Consolidated Statement of Profit and Loss and Other Comprehensive Income for
the year ended 30 June 2018

		2018	For the 17
	Notes	£'000	months to
			30 June
			2017
			£'000
Revenue	2	8,148	10,163
Administrative expenses	3	(6,706)	(9,988)
Operating profit		1,442	175
Financial expenses	5	(9,235)	(8,772)
Loss before tax		(7,793)	(8,597)
Taxation	6	-	-
Loss for the financial period		(7,793)	(8,597)
Other comprehensive income		-	-
Total comprehensive loss		(7,793)	(8,597)

The notes on pages 17 to 33 form part of these financial statements.

Arlington No. 3 Holdco Limited
Consolidated Balance Sheet
As at 30 June 2018

	Notes	2018 £'000	Restated 2017* £'000
Non-current assets			
Investment property (see note 1)	9	81,957	83,462
Tangible assets	9	24,728	10,414
Intangible assets	10	-	1,341
		<u>106,685</u>	<u>95,217</u>
Current assets			
Trade and other receivables	11	466	253
Accrued income	11	56	54
Related party receivables	11	17	456
Cash and cash equivalents	12	9,879	15,823
		<u>10,418</u>	<u>16,586</u>
Total assets		<u><u>117,103</u></u>	<u><u>111,803</u></u>
Current liabilities			
Trade and other payables	13	(302)	(562)
Accruals	13 & 18	(2,275)	(1,753)
Deferred income	13	(433)	(266)
Other interest-bearing loans and borrowings	14 & 18	(37,537)	(32,868)
		<u>(40,547)</u>	<u>(35,449)</u>
Net current liabilities		<u>(30,129)</u>	<u>(18,863)</u>
Non-current liabilities			
Loans payable	14 & 18	(92,941)	(84,946)
Total liabilities		<u>(133,488)</u>	<u>(120,395)</u>
Net liabilities		<u>(16,385)</u>	<u>(8,592)</u>
Equity attributable to the equity holders of the parent			
Called up share capital	19	5	5
Retained earnings		<u>(16,390)</u>	<u>(8,597)</u>
Total shareholders' deficit		<u>(16,385)</u>	<u>(8,592)</u>

*See accounting policy in note 1 regarding change in tangible asset classification and note 18 for other prior period restatements.

These financial statements were approved by the Board and authorised for issue on 24 December 2018 and signed on its behalf by:



Sean McKeown
 Director

Company registered number 120526 (Jersey)

The notes on pages 17 to 33 form part of these financial statements.

Arlington No. 3 Holdco Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2018

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

	Called up Share capital £'000	Retained earnings £'000	Total shareholders' deficit £'000
Balance at 1 July 2017	5	(8,597)	(8,592)
Loss for the financial year	-	(7,793)	(7,793)
Balance at 30 June 2018	5	(16,390)	(16,385)

The notes on pages 17 to 33 form part of these financial statements.

Arlington No. 3 Holdco Limited
Parent Company Balance Sheet
For the year ended 30 June 2018

	Notes	2018 £'000	Restated 2017* £'000
Fixed assets			
Investment in subsidiary	8	50	50
		<u>50</u>	<u>50</u>
Current assets			
Related party receivables (includes £36,035k of non-current receivables)	11 & 18	36,035	32,369
		<u>36,035</u>	<u>32,369</u>
Total assets		<u>36,085</u>	<u>32,419</u>
Current liabilities			
Other creditors	13	(50)	(53)
Related party payables	16 & 18	(36,035)	(32,364)
		<u>(36,085)</u>	<u>(32,417)</u>
Net assets		<u>-</u>	<u>2</u>
Capital and reserves			
Called up share capital	19	5	5
Retained earnings		<u>(5)</u>	<u>(3)</u>
Total shareholders' funds		<u>-</u>	<u>2</u>

*See note 18 for prior period restatements.

These financial statements were approved by the Board and authorised for issue on 24 December 2018 and signed on its behalf by:



Sean McKeown
 Director

Company registered number 120526 (Jersey)

The notes on pages 17 to 33 form part of these financial statements.

Arlington No. 3 Holdco Limited
Parent Company Changes in Equity
For the year ended 30 June 2018

	Called up Share capital £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance at date of incorporation	-	-	-
Shares issued during the period	5	-	5
Loss for the financial period	-	(3)	(3)
Balance at 30 June 2017	<u>5</u>	<u>(3)</u>	<u>2</u>

	Called up Share capital £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance at 1 July 2017	5	(3)	2
Loss for the financial year	-	(2)	(2)
Balance at 30 June 2018	<u>5</u>	<u>(5)</u>	<u>-</u>

The notes on pages 17 to 33 form part of these financial statements.

Arlington No. 3 Holdco Limited
Consolidated Cash Flow Statement
For the year ended 30 June 2018

	2018	For the 17 months to 30 June 2017
	£'000	£'000
Cash flows from operating activities		
Loss for the period before and after taxation	(7,793)	(8,597)
<i>Adjustments for:</i>		
Depreciation	1,792	3,150
Impairment	1,341	-
Amortisation on loan notes	92	122
Finance expense	9,143	8,650
Increase in trade and other receivables	(215)	(764)
Increase in trade and other payables	557	2,582
Net cash from operating activities	4,917	5,143
Cash flows from investing activities		
Acquisition of subsidiary net of cash acquired	-	(1,430)
Capitalised development expenditure	(14,314)	(10,414)
Acquisition of property, plant and equipment	(287)	(63,912)
Net cash from investing activities	(14,601)	(75,756)
Cash flows from financing activities		
Repayment of Signpost loans on acquisition	-	(22,611)
Interest paid	(2,188)	(4,826)
Proceeds from the issue of share capital	-	5
Proceeds from new loans net of loan costs	6,301	115,017
Repayment of loans	(373)	(1,149)
Net cash from financing activities	3,740	86,436
(Decrease)/Increase in cash for the period	(5,944)	15,823
Cash and cash equivalents at beginning of period	15,823	-
Cash and cash equivalents as at 30 June 2018	9,879	15,823

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The notes on pages 17 to 33 form part of these financial statements.

Arlington No. 3 Holdco Limited
Notes to the financial statements
For the year ended 30 June 2018

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's and parent company financial statements for the year were authorised for issue on 24 December 2018 and the Balance Sheet signed on the board's behalf by Sean McKeown.

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

The group and parent company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), and IFRIC Interpretations applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, except that certain financial instruments have been classified as at fair value through profit or loss.

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. In the view of directors there are none of these.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant notes.

Unless otherwise indicated, all amounts are presented in Sterling.

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.

Arlington No. 3 Holdco Limited
Notes to the financial statements (continued)
For the year ended 30 June 2018

1. Accounting policies (continued)

New standards, amendments to standards or interpretations

The Group has adopted the following standards, amendments and interpretations which have not had a significant impact on the Group's results:

Standard or interpretation	Content	Applicable for financial years beginning on or after
Amendment: IAS 12	Recognition of deferred tax assets for unrealised gains	1 July 2017
Amendment: IAS 7	Disclosure of initiative	1 July 2017
Annual improvements to IFRSs	2014 to 2016 cycle	-

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted in the EU):

Standard or interpretation	Content	Applicable for financial years beginning on or after
IFRS 9	Financial Instruments	1 July 2018
IFRS 15	Revenue from contracts with customers	1 July 2018
IFRS 16	Leases	1 July 2019
IFRIC 23	Uncertainty over income tax treatments	1 July 2019

- The company is still assessing the full impact that IFRS 9 and IFRS 15 will have on the company therefore it is not practicable to provide a reasonable estimate of their effects. IFRS 9 will impact both the measurement and disclosures of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures.
- The financial impact of IFRS 16 is expected to be minimal as the group has few operating leases.

Going concern

Notwithstanding net current liabilities of the group of £30.1m as at 30 June 2018 (primarily due to a loan from the parent entity, Arlington Investor Group (S.H. No.3) Limited totalling £32.4m that is repayable on demand and a loan from the parent entity, Campus Living Villages (Holte) UK Limited totalling £3.6m that is repayable on demand), the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The parent and related party have entered into the arrangement to provide student accommodation over the long term. Whilst the Group is loss making and in a net current liability position this was always forecast to occur in early years. The long term cash flows model schedules the loans to be repaid by the Group in 2047, on the basis that the loans were a long-term investment of the lenders. To date, the group's actual revenue achieved has fallen behind this model however with the development of the new building management believe they can bring the revenue back in line with this model, moreover the Group has fallen behind this model in relation to operating costs.

Arlington No. 3 Holdco Limited
Notes to the financial statements (continued)
For the year ended 30 June 2018

1. Accounting policies (continued)

The Group has prepared cash flow forecasts for the 36 months period ending 30 June 2021 and projections for the longer term. The Group's forecasts and projections, which are based on reducing operating costs, show that the Group should be able to operate within the level of its current facility and covenants. The Group also holds cash and cash equivalents at 30 June 2018 of £9.9m, which along with the forecast cash it is expected to generate, will enable it to continue to service the long term external third party loan notes as at 30 June 2018 amount to £97m.

The Group, has net current liabilities of £30.1m as at 30 June 2018. The forecasts are dependent on Arlington Investor Group (S.H. No.3) Limited and Campus Living Villages (Holte) UK Limited not seeking repayments of the amounts currently due. Arlington Investor Group (S.H. No.3) Limited and Campus Living Villages (Holte) UK Limited have indicated that they do not intend to seek repayment of these amounts for the period of at least 12 months from the date of approval of the financial statements. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Notwithstanding net current liabilities of £36.1m at 30 June 2018 the Company financial statements have also been prepared on a going concern basis which the directors consider to be appropriate for the following reasons. The Company holds significant balances with the related parties in the group and therefore is dependent on the performance of these related parties. The reasons stated above about the performance of the wider group, are therefore also applicable to the Company. To meet the remaining liabilities that fall due, the parent Company will receive funding from its parent Company Arlington Investor Group (S.H. No.3) Limited. Arlington Investor Group (S.H. No.3) Limited has indicated its intention to continue to make available such funds as are needed by the company, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the group and company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and consequently have prepared the financial statements on a going concern basis.

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.

Parent company statement of comprehensive income

The parent company has not presented its own statement of comprehensive income as permitted by section 105 911) of the Companies (Jersey) Law 1991. The parent company's loss after taxation for the period was £2k (2017: £3k).

Arlington No. 3 Holdco Limited
Notes to the financial statements (continued)
For the year ended 30 June 2018

1. Accounting policies (continued)

During the current year the directors identified that the 30 June 2017 Parent company Balance Sheet had not recognised an amount relating to related party receivables in amounts falling due after more than one year. This related to interest income on subordinated debt that should have been recognised as interest receivable for the period ended 30 June 2017.

Similarly the directors also identified that the 30 June 2017 Parent company Balance Sheet had not recognised an amount relating to related party borrowings in amounts falling due after more than one year and an amount in amounts falling due in less than one year. This related to interest payable on subordinated debt that should have been recognised as interest payable for the period ended 30 June 2017.

Similarly the directors also identified that the 30 June 2017 both the Parent company Balance Sheet had recognised an amount relating to related party borrowings in amounts falling due after more than one year that should have been classified as amount falling due in less than one year. This amount related to subordinated debt.

See note 18 for further details on these prior year adjustments.

Revenue recognition

Revenue from bed rental is recognised on a straight line basis over the term of the rental contact, to the extent that it is probable that the economic benefits will flow to the company and it 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.

Interest expense

Expense is recognised as interest accrues, using the effective interest method, to the net carrying amount of the financial liability.

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 balance sheet date.

Investments in subsidiaries

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

Investment property

In the in the financial statements for 17 month period ended 30 June 2017 the assets held by the company to earn student rentals were incorrectly classified by the directors as Property, Plant and Equipment. As these assets meet the definition of Investment Property per IAS 40 Investment Property they should be classified as such. For the current year and prior year the assets have now been reclassified as Investment Property on the face of the Balance Sheet.

IAS 40 allows two methods of measurement for Investment Property (para 30) following initial recognition at cost – the fair value model or the cost model. The company's accounting policy is to use the cost model and therefore the measurement is aligned to the measurement used in prior period under IAS16 – held at cost and then depreciated. The prior period numbers have been restated. However this has no impact on opening or closing balances as it is a reclassification within non-current assets. There is also a change from prior period in the classification from Property, Plant and Equipment to Investment Property and the disclosures required by IAS 40 for Investment Properties.

Note 9 contains the relevant disclosures in relation to the investment properties.

Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful life of 50 years. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in profit or loss when the changes arise.

Arlington No. 3 Holdco Limited
Notes to the financial statements (continued)
For the year ended 30 June 2018

1. Accounting policies (continued)

Assets under construction

Assets in the course of construction (capital work in progress) are carried at cost, less any recognised impairment loss. Costs include professional fees and borrowing costs capitalised in accordance with the accounting policy set out above. Depreciation of these assets commences when the assets are ready for their intended use.

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.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the balance sheet 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.

Trade and other receivables

Trade and other receivables are recognised by the Group 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.

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 group's cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

Restricted cash is classified with cash and cash equivalents. This relates to conditions attached to the secured rate notes which require the Company to hold the equivalent of two interest payments in cash to protect against default.

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.

In the prior year accrued interest was incorrectly classified in current liabilities rather than within the loan in non-current liabilities. This has been corrected. Please see note 18 for further details.

Arlington No. 3 Holdco Limited
Notes to the financial statements (continued)
For the year ended 30 June 2018

1. Accounting policies (continued)

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.

Management identified that in 2017 the Parent company balance sheet had understated accrued interest on related party payables. Please see note 18 for further details.

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described above, 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 ongoing 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.

In the opinion of the directors, there are no critical accounting judgements relevant to these financial or key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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.

2. Revenue

	2018	For the 17
	£'000	month
		period to 30
		June 2017
		£'000
Accommodation rental related	5,890	6,926
Other revenue – management fee	2,258	3,237
	<hr/>	<hr/>
Total revenue	<u>8,148</u>	<u>10,163</u>

Arlington No. 3 Holdco Limited
Notes to the financial statements (continued)
For the year ended 30 June 2018

3. Operating profit

	2018	For the 17 month period to 30 June 2017
	£'000	£'000
Operating profit is stated after charging the following:		
Fees payable to the company's auditor for the audit of the company's consolidated financial statements	5	2
Fees payable to the company's auditor for the audit of the subsidiary financial statements	107	35
Included in administrative expenses:		
Depreciation (note 9)	1,792	3,150
Impairment (note 10)	1,341	-
Operating lease rentals	<u>2</u>	<u>4</u>

Audit fees incurred for the audit of the parent company financial statements for the year ended 30 June 2018 were £5,250 (2017: £2,100). These costs were borne by a fellow group undertaking in the year (borne by the parent company in prior year).

Fees payable to KPMG LLP and its associates for non-audit services to the group and company during the year were £nil (2017: £nil).

4. Staff costs

Arlington No. 3 Holdco Limited group did not employ any staff during the current year or the previous period. All staff were provided to the company by Campus Living Villages UK Limited under an Operator Agreement. The directors of the company received no remuneration for their services to the company.

5. Finance expense

	2018	For the 17 month period to 30 June 2017
	£'000	£'000
Bank interest and other charges	53	121
Interest on loan notes payable	2,446	2,093
Loan costs amortisation	92	122
Indexation charge on loan notes	2,680	1,953
Interest on subordinated debt	<u>3,964</u>	<u>4,483</u>
	<u>9,235</u>	<u>8,772</u>

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 2018.

Arlington No. 3 Holdco Limited
Notes to the financial statements (continued)
For the year ended 30 June 2018

6. Taxation

	2018	For the 17
	£'000	month
		period to
		30 June
		2017
		£'000
Loss on ordinary activities:		
Current tax	-	-
Corporation tax charge at 19% (2017: 19.75%)	-	-
Total current tax expense	<u>-</u>	<u>-</u>

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

	2018	For the 17
	£'000	month
		period to
		30 June
		2017
		£'000
Loss on ordinary activities before tax	<u>(7,793)</u>	<u>(8,597)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.75%)	(1,481)	(1,698)
Expenses not deductible for tax purposes	1,386	1,234
Losses not recognised	161	464
Prior year losses utilised	<u>(66)</u>	<u>-</u>
	<u>-</u>	<u>-</u>

A reduction in the UK corporation tax rate to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

7. Deferred tax

The Group has tax losses carried forward of £8,869,000 (2017: £8,849,000) that have not been recognised as a tax asset as there is insufficient evidence that there will be future profits against which this timing difference will reverse.

The unrecognised asset equates to £1,507,000 (2017: £1,681,000) at a tax rate of 17%.

The UK main corporation tax rate was reduced from 20% to 19% and will reduce from 19% to 17% from 1 April 2020. Deferred tax balances have been stated at 17%.

Arlington No. 3 Holdco Limited
Notes to the financial statements (continued)
For the year ended 30 June 2018

8. Investments in subsidiary undertakings - Company

	2018	2017
	£'000	£'000
Cost and net book value	50	50
	<u>50</u>	<u>50</u>

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

Entity	Holding	Place of incorporation	Registered address
Arlington No.3 Bond Issuer Plc	100%	England	Second Floor, 11 Pilgrim Street, London, EC4V 6RN
Arlington Student Holdings (No. 3) Limited	100%	Jersey	11 Bath Street, St Helier, Jersey, JE2 4ST
Signpost Homes Limited	100%	England	Second Floor, 11 Pilgrim Street, London, EC4V 6RN

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 group has no investments.

Arlington No. 3 Holdco Limited
Notes to the financial statements (continued)
For the year ended 30 June 2018

9. Property, plant and equipment - Group

	Capital work in progress £'000	Investment Property* £'000	Total £'000
Cost			
As at 1 July 2017	10,414	86,612	97,026
Additions	14,314	287	14,601
At 30 June 2018	<u>24,728</u>	<u>86,899</u>	<u>111,627</u>
Accumulated depreciation			
At 1 July 2017	-	(3,150)	(3,150)
Charge for year	-	(1,792)	(1,792)
At 30 June 2018	<u>-</u>	<u>(4,942)</u>	<u>(4,942)</u>
Net book value			
At 1 July 2017	10,414	83,462	93,876
At 30 June 2018	<u>24,728</u>	<u>81,957</u>	<u>106,685</u>

*See accounting policy in note 1 regarding change in classification.

Management deem the fair value of the investment property to approximate to the original cost of £86.6m. This was the market value as at February 2017. A third party valuation has not been obtained since the acquisition in February 2017.

The company has no tangible assets.

10. Intangible assets - Group

	£'000 Goodwill
Cost	
At 1 July 2017	1,341
Through acquisitions	-
At 30 June 2018	<u>1,341</u>
Amortisation and impairment	
At 1 July 2017	-
Charge for period	(1,341)
At 30 June 2018	<u>(1,341)</u>
Net book value	
At 1 July 2017	1,341
At 30 June 2018	<u>-</u>

The goodwill arose on the acquisition of Signpost Homes Limited. Following a review of the expected future cash flows from Signpost Homes Limited, management have fully impaired this balance to £nil.

The company has no intangible assets.

Arlington No. 3 Holdco Limited
Notes to the financial statements (continued)
For the year ended 30 June 2018

11. 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 Group are neither past due nor impaired.

	2018	2017
	£'000	£'000
Receivable from trade customers	140	70
Other receivables	326	183
	<u>466</u>	<u>253</u>
Related party receivables	17	456
Accrued income	56	54
	<u>539</u>	<u>763</u>

Trade and other receivables - Company	2018	Restated 2017
	£'000	£'000
Related party receivables	-	298
Related party loan receivable (as restated – see note 18)	36,035	32,071
	<u>36,035</u>	<u>32,369</u>

12. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June 2018:

	2018	2017
	£'000	£'000
Cash at bank	2,972	1,100
Cash restricted	6,907	14,723
	<u>9,879</u>	<u>15,823</u>
Total cash and cash equivalents per cash flow statement	<u>9,879</u>	<u>15,823</u>

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.

The company has no cash or cash equivalents at 30 June 2018.

Arlington No. 3 Holdco Limited
Notes to the financial statements (continued)
For the year ended 30 June 2018

13. Trade and other payables – Group

	2018	Restated
	£'000	2017
		£'000
Payable to trade suppliers	223	311
Other payables	79	251
	<u>302</u>	<u>562</u>
Accrued liabilities (as restated – see note 18)	2,275	1,753
Deferred income	433	266
	<u>3,010</u>	<u>2,581</u>

Trade and other payables – Company

	2018	2017
	£'000	£'000
Other payables	50	53
	<u>50</u>	<u>53</u>

14. Other interest-bearing loans and borrowings – Group

	2018	Restated
	£'000	2017
		£'000
Current Liabilities:		
£55,000,000 Secured Indexed Rate Amortising Notes due 2047	1,190	597
£39,000,000 Secured Fixed Rate Amortising Notes due 2047	312	200
£26,801,402 Subordinated debt loan agreement Due 2047 (see note 16)	36,035	32,071
	<u>37,537</u>	<u>32,868</u>
Non-Current Liabilities:		
£55,000,000 Secured Indexed Rate Amortising Notes due 2047	57,225	55,515
£39,000,000 Secured Fixed Rate Amortising Notes due 2047	38,385	32,193
Loan costs	(2,669)	(2,762)
	<u>92,941</u>	<u>84,946</u>
	<u>130,478</u>	<u>117,814</u>
Loans payable – Company		
Subordinated debt (see note 16) (as restated see note 18)	36,035	32,071
	<u>36,035</u>	<u>32,071</u>

Arlington No. 3 Holdco Limited
Notes to the financial statements (continued)
For the year ended 30 June 2018

14. Other interest-bearing loans and borrowings – Group (continued)

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 £4,633,000 (2017: £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.

Changes in liabilities from financing activities:

	Loans and other borrowings £'000
Balance at 1 July 2017	117,814
Repayment of borrowings	(373)
Total changes from financing cash flows	(373)
Other changes	
Interest on sub-ordinated debt	3,964
Amortisation of loan costs	92
Indexation	2,680
Drawdown	6,301
Total other changes	13,037
Balance at 30 June 2018	130,478

15. Financial Instruments

Fair Values

	2018 £'000	2018 £'000	Restated 2017 £'000	Restated 2017 £'000
Group	Carrying Amount	Fair Value	Carrying Value	Fair Value
Financial assets				
Cash and cash equivalents	9,879	9,879	15,823	15,823
Trade and other receivables	539	539	763	763
Financial liabilities				
Secured rate notes	97,112	97,112	88,505	88,505
Related party borrowings (as restated – see note 18)	36,035	36,035	32,071	32,071
Trade and other payables (as restated – see note 18)	3,010	3,010	2,581	2,581
Company				
Financial assets				
Investments in subsidiary undertakings	50	50	50	50
Related party receivables (as restated – see note 18)	36,035	36,035	32,071	32,071
Financial liabilities				
Trade and other payables	50	50	53	53
Related party payables	2	2	293	293
Sub debt borrowings (as restated – see note 18)	36,035	36,035	32,071	32,071

Arlington No. 3 Holdco Limited
Notes to the financial statements (continued)
For the year ended 30 June 2018

15. Financial Instruments (continued)

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.

16. Related party borrowings

	2018	Restated 2017
	£'000	£'000
Current		
Related party payables	-	293
Subordinated debt (see note14)	36,035	32,071
	<u>36,035</u>	<u>32,364</u>

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 amounts of interest to be payable.

17. Financial risk management objectives and policies

The Group'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. The financial instruments held by the entity are detailed in note 15.

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 group 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. RPI accrues each year and is payable at the end. The forecasted payments of interest and principal for the group's contractual liabilities are:

Arlington No. 3 Holdco Limited
Notes to the financial statements (continued)
For the year ended 30 June 2018

17. Financial risk management objectives and policies (continued)

	2018	2018	2018
	Principal	Interest	Total
	£'000	£'000	£'000
Payments within one year	1,502	2,609	4,111
Payments within two to five years	8,767	11,534	20,301
Payments after five years	88,199	47,268	135,467
Total payments	<u>98,468</u>	<u>61,411</u>	<u>159,879</u>

	2017	2017	2017
	Principal	Interest	Total
	£'000	£'000	£'000
Payments within one year	373	2,446	2,819
Payments within two to five years	8,359	11,621	19,980
Payments after five years	90,111	49,790	139,901
Total payments	<u>98,843</u>	<u>63,857</u>	<u>162,700</u>

Capital management – Group

	2018	Restated
	£'000	2017
		£'000
Interest bearing loans and borrowings*	133,148	120,576
Less: Cash and short term deposits	<u>(9,879)</u>	<u>(15,823)</u>
Net debt	123,269	104,753
Total issued capital and accumulated deficit	16,384	8,592
Capital and net debt	<u>139,653</u>	<u>113,345</u>

*excluding amortising loan costs

18. Prior year restatements

During the current year the directors identified that the 30 June 2017 Parent company Balance Sheet had not recognised an amount of £1,870,000 relating to related party receivables in amounts falling due after more than one year. This amount related to interest income on subordinated debt that should have been recognised as interest receivable for the period ended 30 June 2017.

Similarly the directors also identified that the 30 June 2017 Parent company Balance Sheet had not recognised an amount of £1,870,000 relating to related party borrowings due in less than one year. This amount related to interest payable on subordinated debt that should have been recognised as interest payable for the period ended 30 June 2017.

Similarly the directors also identified that the 30 June 2017 both the Group Balance Sheet and the Parent company Balance Sheet had recognised an amount of £30,201,000 relating to related party borrowings in amounts falling due after more than one year that should have been classified as amount falling due in less than one year. This amount related to subordinated debt.

Arlington No. 3 Holdco Limited
Notes to the financial statements (continued)
For the year ended 30 June 2018

19. Issued share capital – Group and company

Authorised share, capital

	Number	2018	2017
		£'000	£'000
5,000 Ordinary shares of £1 each	5,000	5	5
100 Class B shares of £1 each	100	-	-
		<u> </u>	<u> </u>

	Number	2018	2018
		£'000	£'000
Issued and fully paid			
5,000 Ordinary shares of £1 each	5,000	5	5
100 Class B shares of £1 each	100	-	-
		<u> </u>	<u> </u>

All issued share capital is classified as equity.

20. Group and Company Contingent liabilities

Management have not identified any contingent liabilities at 30 June 2018 (2017: £nil).

21. Group Capital commitments

There are the following capital commitments at 30 June 2018:

	2018	2017
	£'000	£'000
Payments within one year	-	9,646
Payments within two to five years	-	7,498
Payments after five years	-	-
	<u> </u>	<u> </u>
Total payments	<u> </u>	<u>17,144</u>

Arlington No. 3 Holdco Limited
Notes to the financial statements (continued)
For the year ended 30 June 2018

22. 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”).

The ultimate controlling party is Arlington Investor Group (S.H. No.3) Limited, a company domiciled in Jersey. No other group financial statements include the results of the group or company.

No other financial statements include the results of the Company.

23. 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 as shareholders’

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:

Related party	Outstanding balances			Transactions	
	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	(32,431)	2	-	3,678	2
Campus Living Villages (Holte) UK Limited	(3,604)	-	(2)	286	-
	(36,035)	2	(2)	3,964	2