REGISTERED NUMBER: 120526 (Jersey)

Annual Report and Financial Statements for the Year Ended 30 June 2019

for

Arlington No.3 Holdco Limited

Contents of the Consolidated Financial Statements for the Year Ended 30 June 2019

Arlington No.3 Holdco Limited

Company Information
for the Year Ended 30 June 2019

DIRECTORS:	S T McKeown G N Shweiry J K Chadwick L M Mclean R Moyle
REGISTERED OFFICE:	11 Bath Street St Helier Jersey JE2 4ST
INDEPENDENT AUDITOR:	KPMG LLP 1 St Peter's Square Manchester M2 3AE
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

Directors' Report
for the Year Ended 30 June 2019

The directors present their report with the financial statements of the company and the group for the year ended 30 June 2019.

DIVIDENDS
No dividends will be distributed for the year ended 30 June 2019 (30 June 2018: £nil).

FUTURE DEVELOPMENTS
The directors expect the general level of activity to improve in the forthcoming year compared with the period to 30 June 2019. 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.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 July 2018 to the date of this report.

S T McKeown
G N Shweiry
R Moyle

Other changes in directors holding office are as follows:

M J Panopoulos - appointed 19 July 2018 - resigned 13 February 2019
J K Chadwick - appointed 13 February 2019
L M Mclean - appointed 13 February 2019
L J Brown - appointed 19 July 2018 - resigned 13 February 2019
P J Berry - resigned 19 July 2018
M P Hadland - resigned 19 July 2018
S Worden - resigned 19 July 2018

Directors' Report
for the Year Ended 30 June 2019

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 £4,469,000 (30 June 2018: £7,793,000).

The Consolidated Statement of Financial Position shows that the company's net liabilities were £20,854,000 (30 June 2018: £16,385,000).

KEY PERFORMANCE INDICATORS

The directors use the following principal measures of overall performance:

	2019	2018
	£'000	£'000
Net cash operating activities	8,002	4,917
EBITDA*	6,446	4,575
Occupancy	%	%
Cheltenham and Gloucester	100	100
Bagot Street	95	95
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 company'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
- On-going viability of the Universities of Cheltenham, Gloucester, Exeter and Birmingham.

Credit risk

The main credit risk is in potential bed debts, however procedures and payments terms are in place to mitigate the risks in this area.

Liquidity risk

Management monitors rolling forecasts of the company's liquidity position on the basis of expected and projected cash flow.

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. The outlook for the student accommodation section remains positive despite the uncertainty around Brexit. Student numbers continue to increase year on year which is supported by average rental increases of 3% on sites close to a University Campus such as the site at Exeter, Cheltenham and Gloucester, and Birmingham Universities. Student numbers typically increase in the event of any economic downturn, as people look to up-skill or stay in higher education. Although we anticipate Brexit will see a reduction in new EU students, Universities expect to see an increase in Non-EU students with the current weakness of the pound.

GOING CONCERN
Notwithstanding consolidated net current liabilities of £36.0m (30 June 2018: £30.1) as at 30 June 2019, a loss for the year then ended of £4.5m (30 June 2018: £7.8m), and company net current liabilities of £37,000 (30 June 2018: £nil), the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 30 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, and the current cash balance, the company will have sufficient funds, to meet its external liabilities as they fall due for that period.

Those forecasts are dependent on related parties, Campus Living Villages (Holte) UK Limited and Arlington Investor Group (S.H. No. 3) Limited not seeking repayment of the amounts currently due from the group, which at 30 June 2019 amounted to £3.9m and £35.1m respectively. Campus Living Villages (Holte) UK Limited and Arlington Investor Group (S.H. No. 3) Limited have indicated that they do not intend to seek repayment of these amounts for a period of at least twelve months from the date of approval of these 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.

The loans from these related parties have been provided to the group in order to fund the provision of student accommodation over the long term. Whilst the Group is loss making and is a net liability position this was always forecast to occur in early years. Whilst the related party payables are repayable on demand 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 related party lenders.

To date, the group's actual revenue achieved is slightly behind amounts expected in this model. In addition the Group has also fallen behind this model in relation to operating costs. Any shortfall in the model will result in a lower return on the shareholder loans over the long term. The directors have therefore taken actions to ensure that operating costs are controlled going forward and for the year ended 30 June 2019 revenue exceeded the amount included for the year. This is expected to continue going forward.

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 therefore have prepared the financial statements on a going concern basis.

AUDITOR
The auditor, KPMG LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

....
S T McKeown - Director

Date: 20 December 2019

11 Bath Street
St Helier
Jersey
JE2 4ST

Statement of Directors' Responsibilities for the Year Ended 30 June 2019

The directors are responsible for preparing the Group and parent Company 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 and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these 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 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 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with 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 company and to prevent and detect fraud and other irregularities.

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 2019 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 2019 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
The impact of uncertainties due to the UK exiting the European Union on our audit Refer to page 2 (principal risks), page and page 16 (accounting policy).	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in recoverability of parent's debt due from group entities below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the company's future prospects and performance. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	**Our procedures included:** We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: - Our Brexit knowledge - We considered the directors' assessment of Brexit-related sources of risk for the company's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. - Sensitivity analysis - When addressing recoverability of parent's debt due from group entities and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. - Assessing transparency - As well as assessing individual disclosures as part of our procedures on the recoverability of parent's debt due from group entities we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results:** As reported under the recoverability of parent's debt due from group entities, we found the resulting estimates and related disclosures of recoverability and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

	The risk	Our response
Recoverability of parent's debt due from group entities (£39.0 million; 2018: £36.0 million) Refer to page 22 (accounting policy) and page 32 (financial disclosures).	**Low risk, high value** The carrying amount of the intra-group debtor balance represents 99.9% (2018: 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
Carrying value of investment property £108.0 million; 2018: £82.0 million) Refer to page 21 (accounting policy) and page 30 (financial disclosures).	**Low risk, high value** The carrying amount of the intra-group investment property represents 91.0% (2018: 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.	**Our procedures included:** - **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 (2018: £1.2m), determined with reference to a benchmark of total assets of £118.7m (2018: £117.1m) (of which it represents 1% (2018: 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 £58,550 (2018: £60,200), 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 £378,000 (2018: £342,000), determined with reference to a benchmark of company total assets of £39.1m (2018: £36.0m), of which it represents 1% (2018: 1%).

We agreed to report to the directors any corrected or uncorrected identified misstatements exceeding £18,900 (2018: £17,100) at a parent company level, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 4 (2018: 4) reporting components, we subjected 4 (2018: 4) to full scope audits for group purposes. The components within scope of our work accounted for 100% (2018: 100%) of total group revenue, 100% (2018: 100%) of group profit before tax and 100% (2018: 100%) of total group assets.

4 We have nothing to report on going concern
The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources over this period were:

- Long term profitability of Arlington Student Holdings (No. 3) Limited and therefore it's ability to repay its' debt

As these were risks that could potentially cast significant doubt on the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Company's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit.
Based on this work, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in Note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

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.

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 6, 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 Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

Date: 20 December 2019

Consolidated Statement of Profit or Loss for the Year Ended 30 June 2019

	Notes	2019 £'000	2018 £'000
CONTINUING OPERATIONS			
Revenue	3	11,321	8,148
Administrative expenses		(7,133)	(6,706)
OPERATING PROFIT		4,188	1,442
Finance costs	5	(8,657)	(9,235)
LOSS BEFORE INCOME TAX	6	(4,469)	(7,793)
Income tax	7	-	-
LOSS FOR THE YEAR		(4,469)	(7,793)
Loss attributable to:			
Owners of the parent		(4,469)	(7,793)

The notes on pages 19 to 40 form part of these financial statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2019

	2019 £'000	2018 £'000
LOSS FOR THE YEAR	(4,469)	(7,793)
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(4,469)	(7,793)
Total comprehensive income attributable to:		
Owners of the parent	(4,469)	(7,793)

The notes on pages 19 to 40 form part of these financial statements

Consolidated Statement of Financial Position
30 June 2019

	Notes	2019 £'000	2018 £'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	73	24,728
Investment property	11	107,988	81,957
Investments	12	-	-
		108,061	106,685
CURRENT ASSETS			
Trade and other receivables	13	1,296	539
Cash and cash equivalents	14	9,297	9,879
		10,593	10,418
TOTAL ASSETS		118,654	117,103
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	15	5	5
Retained earnings	16	(20,858)	(16,390)
TOTAL EQUITY		(20,853)	(16,385)
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	18	92,934	92,941
CURRENT LIABILITIES			
Trade and other payables	17	43,480	39,045
Financial liabilities - borrowings			
Interest bearing loans and borrowings	18	2,301	1,502
Provisions	20	792	-
		46,573	40,547
TOTAL LIABILITIES		139,507	133,488
TOTAL EQUITY AND LIABILITIES		118,654	117,103

The financial statements were approved by the Board of Directors on 20 December 2019 and were signed on its behalf by:

....
S T McKeown - Director

The notes on pages 19 to 40 form part of these financial statements

Company Statement of Financial Position
30 June 2019

	Notes	2019 £'000	2018 £'000
ASSETS			
NON-CURRENT ASSETS			
Investments	12	50	50
		50	50
CURRENT ASSETS			
Trade and other receivables	13	39,002	36,035
TOTAL ASSETS		39,052	36,085
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	15	5	5
Retained earnings	16	6	(5)
TOTAL EQUITY		11	-
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	39,041	36,085
TOTAL LIABILITIES		39,041	36,085
TOTAL EQUITY AND LIABILITIES		39,052	36,085

The financial statements were approved by the Board of Directors on 20 December 2019 and were signed on its behalf by:

....
S T McKeown - Director

Arlington No.3 Holdco Limited

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2019

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2017	5	(8,597)	(8,592)
Changes in equity			
Total comprehensive income	-	(7,793)	(7,793)
Balance at 30 June 2018	5	(16,390)	(16,385)
Changes in equity			
Total comprehensive income	-	(4,469)	(4,469)
Balance at 30 June 2019	5	(20,859)	(20,854)

The notes on pages 19 to 40 form part of these financial statements

Company Statement of Changes in Equity for the Year Ended 30 June 2019

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2017	5	(3)	2
Changes in equity			
Total comprehensive income	-	(2)	(2)
Balance at 30 June 2018	5	(5)	-
Changes in equity			
Total comprehensive income	-	11	11
Balance at 30 June 2019	5	6	11

The notes on pages 19 to 40 form part of these financial statements

Consolidated Statement of Cash Flows for the Year Ended 30 June 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Cash generated from operations	25	7,283	4,917
Interest paid		(2,606)	(2,188)
Net cash from operating activities		4,677	2,729
Cash flows from investing activities			
Purchase of tangible fixed assets		-	(287)
Capitalised development expenditure		-	(14,314)
Purchase of investment property		(2,914)	-
Net cash from investing activities		(2,914)	(14,601)
Cash flows from financing activities			
Loan repayments in year		(845)	(373)
Proceeds from new loans net of loan cost		-	6,301
Subordinated debt interest paid		(1,500)	-
Net cash from financing activities		(2,345)	5,928
Decrease in cash and cash equivalents		(582)	(5,944)
Cash and cash equivalents at beginning of year		9,879	15,823
Cash and cash equivalents at end of year	14	9,297	9,879

The notes on pages 19 to 40 form part of these financial statements

1. **STATUTORY INFORMATION**

Arlington No.3 Holdco Limited is a private company, limited by shares, registered in Jersey. The company's registered office address can be found on the General Information page.

2. **ACCOUNTING POLICIES**

Basis of preparation
These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies (Jersey) Law 1991 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

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.

Company cash flow statement:

No company cash flow statement has been prepared as the company does not hold any cash.

New standards, amendments to standards or interpretations
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 16	Leases	1 July 2019
IFRIC 23	Uncertainty over income tax treatments	1 July 2019

- The financial impact of IFRS 16 is expected to be £nil.

continued...

2. ACCOUNTING POLICIES - continued

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, the main critical accounting judgement relates to the forecasts to support the recoverability of loan balances.

Going concern
Notwithstanding consolidated net current liabilities of £36.0m (30 June 2018: £30.1) as at 30 June 2019, a loss for the year then ended of £4.5m (30 June 2018: £7.8m), and company net current liabilities of £37,000 (30 June 2018: £nil), the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 30 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, and the current cash balance, the company will have sufficient funds, to meet its external liabilities as they fall due for that period.

Those forecasts are dependent on related parties, Campus Living Villages (Holte) UK Limited and Arlington Investor Group (S.H. No. 3) Limited not seeking repayment of the amounts currently due from the group, which at 30 June 2019 amounted to £3.9m and £35.1m respectively. Campus Living Villages (Holte) UK Limited and Arlington Investor Group (S.H. No. 3) Limited have indicated that they do not intend to seek repayment of these amounts for a period of at least twelve months from the date of approval of these 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.

The loans from these related parties have been provided to the group in order to fund the provision of student accommodation over the long term. Whilst the Group is loss making and is a net liability position this was always forecast to occur in early years. Whilst the related party payables are repayable on demand 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 related party lenders.

To date, the group’s actual revenue achieved is slightly behind amounts expected in this model. In addition the Group has also fallen behind this model in relation to operating costs. Any shortfall in the model will result in a lower return on the shareholder loans over the long term. The directors have therefore taken actions to ensure that operating costs are controlled going forward and for the year ended 30 June 2019 revenue exceeded the amount included for the year. This is expected to continue going forward.

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 therefore have prepared the financial statements on a going concern basis.

continued...

2. ACCOUNTING POLICIES - continued

Changes in accounting policies

IFRS 15 'Revenue from Contracts with Customers':

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgement.

The standard introduces a new revenue recognition model that recognised revenue either at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. It has been determined that no changes are required to our current revenue recognition methods as these are still within material adherence of IFRS 15 and therefore there have been no measurement or recognition adjustments made to the current or prior period financial statements.

IFRS 9 'Financial Instruments':

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The main financial statement caption effected is receivables. As a result of the adoption of IFRS 9, the new single expected credit loss impairment model is now applied in calculating the provision for credit losses. Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial assets (including intercompany balances) or financial liabilities and therefore there have been no measurement or recognition adjustments made to the current or prior period financial statements.

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 tax.

The company has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated.

continued...

2. **ACCOUNTING POLICIES - continued**

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

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

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.

Investment property
Investment Property is treated in line with IAS 40.

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.

Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful life of 22-50 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.

Other fixed assets
Fixed assets are stated at historical cost less 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation on other tangible fixed assets 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:

Fixtures and fittings	5 years
Security	3 years
Electrical and lighting	3 years
IT and communications	3 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.

 continued...

2. **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.

Financial instruments
(policy applicable from 30th June 2018)

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

continued...

2. **ACCOUNTING POLICIES - continued**

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Investments in joint ventures are carried at cost less impairment.

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

 continued...

2. **ACCOUNTING POLICIES - continued**

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company 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 company; 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.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Impairment

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

continued...

2. **ACCOUNTING POLICIES - continued**

The company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held); or

- the financial asset is more than 90 days past due. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a
financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk. Measurement of ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Financial instruments (policy applicable prior to 30th June 2018)

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

(a) they include no contractual obligations upon the company 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 company; 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.

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2. **ACCOUNTING POLICIES - continued**

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.

(ii) Non-derivative financial instruments
Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors
Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors
Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in debt and equity securities
Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment.

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.

(iii) Impairment
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.

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.

 continued...

2. ACCOUNTING POLICIES - continued

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.

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.

Related parties
For the purposes of these financial statements, a party is considered to be related to the company if the party:
(i) has the ability, directly or indirectly, through one or more intermediaries, to control the company or exercise significant influence over the company in making financial and operating policy decisions, or has joint control over the company;
(ii) and the company are subject to common control;
(iv) is a member of key management personnel of the company or the company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
(v) is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. REVENUE

In the below table, turnover is disaggregated by accommodation type:

	2019 £'000	2018 £'000
Student accommodation related	8,924	5,865
Summer stay accommodation related	111	25
Management fee income	2,286	2,258
	11,321	8,148

Turnover arises entirely in the United Kingdom.

The company has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated.

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4. EMPLOYEES AND DIRECTORS

Both the Company and the 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.

The directors are paid by Campus Living Villages UK Limited and no fees were apportioned or charged to Arlington No.3 Holdco Limited. There were no employees of the company for the current period.

5. NET FINANCE COSTS

	2019 £'000	2018 £'000
Bank interest and other charges	45	53
Interest on loan notes payable	2,609	2,446
Amortisation of borrowing costs	95	92
Indexation charge on loan notes	1,453	2,680
Interest on subordinated debt	4,455	3,964
	8,657	9,235

6. LOSS BEFORE INCOME TAX

Loss before income tax is stated after charging the following:

	2019 £'000	2018 £'000
Fees payable to the company's auditor for the audit of the company's consolidated financial statements	11	5
Fees payable to the company's auditor for the audit of the subsidiary financial statements	36	107
Impairment	-	1,341
Provision for structural work (see note 20)	752	-
Depreciation	2,332	1,792
Operating lease rentals	4	2

Audit fees incurred for the audit of the parent company financial statements for the year ended 30 June 2019 were £10,250 (30 June 2018: £5,250). 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 company during the period were £nil (30 June 2018: £nil).

7. INCOME TAX

Analysis of tax expense
No liability to UK corporation tax arose for the year ended 30 June 2019 nor for the year ended 30 June 2018.

 continued...

7. INCOME TAX - continued

	2019 £'000	2018 £'000
Loss on ordinary activities before taxation	(4,469)	(7,793)
Tax at the UK tax rate of 19% (30 June 2018: 19%)	(849)	(1,481)
Effects of:		
Expenses not deductible for tax purposes	1,202	1,386
Losses not recognised for tax	-	161
Losses recognised from prior periods	(273)	-
Prior year losses utilised	(80)	(66)
Total taxation charge	-	-

Corporation tax is computed at the main rate of 19% (30 June 2018 19%).

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.

The Group has tax losses carried forward of £7,443,000 (30 June 2018: £8,463,000) 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 (30 June 2018: £1,507,000) at a tax rate of 17%.

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

8. PROFIT OF PARENT COMPANY

As permitted by the Companies (Jersey) Law 1991, the income statement of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £11,183 (30 June 2018: loss of £2,347).

continued...

9. INTANGIBLE ASSETS

Group

	Goodwill £'000
COST	
At 1 July 2018	1,341
Through acquisitions	-
At 30 June 2019	1,341
AMORTISATION AND IMPAIRMENT	
At 1 July 2018	(1,341)
Charge for period	-
At 30 June 2019	(1,341)
NET BOOK VALUE	
At 30 June 2019	-
At 30 June 2018	-

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.

10. PROPERTY, PLANT AND EQUIPMENT

Group

	Assets under construction £'000
COST	
At 1 July 2018	24,728
Additions	73
Reclassification/transfer	(24,728)
At 30 June 2019	73
NET BOOK VALUE	
At 30 June 2019	73
At 30 June 2018	24,728

continued...

10. **PROPERTY, PLANT AND EQUIPMENT - continued**

Group

	Assets under construction £'000
COST	
At 1 July 2017	10,414
Additions	14,314
At 30 June 2018	24,728
NET BOOK VALUE	
At 30 June 2018	24,728
At 30 June 2017	10,414

The company has no tangible assets.

11. **INVESTMENT PROPERTY**

Group

	Total £'000
COST	
At 1 July 2018	87,537
Additions	3,070
Reclassification/transfer	24,655
At 30 June 2019	115,262
DEPRECIATION	
At 1 July 2018	4,942
Charge for year	2,332
At 30 June 2019	7,274
NET BOOK VALUE	
At 30 June 2019	107,988
At 30 June 2018	82,595

continued...

11. INVESTMENT PROPERTY - continued

Group

	Total £'000
COST	
At 1 July 2017	86,612
Additions	287
At 30 June 2018	86,899
DEPRECIATION	
At 1 July 2017	(3,150)
Charge for period	(1,792)
At 30 June 2018	(4,942)
NET BOOK VALUE	
At 30 June 2018	81,957
At 30 June 2017	83,462

The company has no tangible assets.

An external valuation was completed by Savills for the portfolio in July 2019 which gave a total market value of £139,025,000.

The company does not hold any investment property.

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12. INVESTMENTS

	2019	2018
	£'000	£'000
Cost and net book value	50	50
At 1 July 2018 and 30 June 2019	50	50

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

Entity	**Holding**	**Country 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.

13. TRADE AND OTHER RECEIVABLES

	Group		**Company**	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Current:				
Trade debtors	381	140	-	-
Amounts owed by group undertakings	99	17	39,002	36,035
Other debtors	723	326	-	-
Prepayments and accrued income	93	56	-	-
	1,296	539	39,002	36,035

14. CASH AND CASH EQUIVALENTS

	Group	
	2019	2018
	£'000	£'000
Cash at bank	1,001	2,972
Bank accounts	8,296	6,907
	9,297	9,879

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 2019.

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15. CALLED UP SHARE CAPITAL

Authorised share capital	Number	2019 £'000	2018 £'000
5,000 Ordinary shares of £1 each	5,000	5	5
100 Class B shares of £1 each	100	-	-

Issued and fully paid	Number	2019 £'000	2018 £'000
5,000 Ordinary shares of £1 each	5,000	5	5
100 Class B shares of £1 each	100	-	-

All issued share capital is classified as equity.

16. RESERVES

Group

	Retained earnings £'000
At 1 July 2018	(16,389)
Loss for the year	(4,469)
At 30 June 2019	(20,858)

Company

	Retained earnings £'000
At 1 July 2018	(5)
Profit for the year	11
At 30 June 2019	6

17. TRADE AND OTHER PAYABLES

	Group		**Company**	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Current:				
Trade creditors	391	223	-	-
Amounts owed to group undertakings	38,991	36,035	38,991	36,035
Other creditors	444	79	50	50
Accruals and deferred income	669	433	-	-
Accrued expenses	2,985	2,275	-	-
	43,480	39,045	39,041	36,085

continued...

18. FINANCIAL LIABILITIES - BORROWINGS

Group	£'000	£'000
Current:		
£55,500,000 Secured Indexed Rate Amortising Notes due 2047	1,822	1,190
£39,000,000 Secured Fixed Rate Amortising Notes due 2047	479	312
£26,801,402 Subordinated debt loan agreement due 2047	38,989	36,035
Payable within one year	41,290	37,537
Non-current:		
£55,500,000 Secured Indexed Rate Amortising Notes due 2047	57,448	57,225
£39,000,000 Secured Fixed Rate Amortising Notes due 2047	38,060	38,385
Borrowing costs	(2,574)	(2,669)
Receivable greater than one year	92,934	92,941

Company	£'000	£'000
Current:		
£26,801,402 Subordinated debt loan agreement due 2047	38,989	36,035
Payable within one year	38,989	36,035

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 £6,086,000 (30 June 2018: £4,633,000) 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.

continued...

18. FINANCIAL LIABILITIES - BORROWINGS - continued

	2019 £'000	2018 £'000
Loans and other borrowings - changes in liabilities from financing activities:		
Balance at 1 July	130,478	117,814
Repayment of borrowings	(844)	(373)
Total changes from financing cash flows	(844)	(373)
Other changes:		
Interest charged	2,609	2,446
Interest paid	(2,609)	(2,446)
Interest on sub-ordinated debt	4,542	3,964
Subordinated debt interest paid	(1,500)	-
Amortisation of loan costs	95	93
Indexation	1,453	2,680
Drawn down	-	6,300
Total other changes	4,593	13,037
Balance at 30 June	134,224	130,478

19. FINANCIAL INSTRUMENTS

Fair values

Group	Carrying amount 2019 £'000	Fair value 2019 £'000	Carrying amount 2018 £'000	Fair value 2018 £'000
IFRS 9 categories of financial instruments				
Financial assets				
Trade and other receivables	1,296	1,296	539	539
Cash and cash equivalents	9,296	9,296	9,879	9,879
Financial liabilities				
Secured rate notes (excl borrowing costs)	97,809	97,809	97,112	97,112
Related party borrowings	38,989	38,989	36,035	36,035
Trade and other payables	4,489	4,489	3,010	3,010

continued...

19. FINANCIAL INSTRUMENTS - continued

Company

Financial assets

Investments in subsidiary undertakings	50	50	50	50
Related party borrowings	38,989	38,989	36,035	36,035

Financial liabilities

Trade and other payables	50	50	50	50
Sub debt borrowings	39,002	39,002	36,035	36,035

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.

20. PROVISIONS

	2019	2018
	£'000	£'000
Provisions	752	-

Provision relates to structural works which need to be carried out at the Cheltenham and Gloucester sites. This work is expected to be completed by the year ended 30 June 2021.

21. GROUP AND COMPANY CONTINGENT LIABILITIES

At the Bagot Street site there have been communications with the building contractor to assess the viability of the cladding on the building. This assessment is due to be carried out in 2020. The possible cash outflow cannot presently be reliably measured.

However, the possible cash outflow is expected by management to be covered by the building warranty given the age of the property.

22. 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.

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.

Cash flow interest rate risk - Group
Interest rates are monitored regularly by management and forward looking sensitivity analysis is performed.

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22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

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:

	2019 Principal £'000	2019 Interest £'000	2019 Total £'000
Payments within one year	2,301	3,897	6,198
Payments within two to five years	8,203	10,189	18,392
Payments after five years	87,306	46,017	133,323
	97,810	60,103	157,913

	2018 Principal £'000	2018 Interest £'000	2018 Total £'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
	98,468	61,411	159,879

Capital management - Group

	2019 £'000	2018 £'000
Interest bearing loans and borrowings*	136,800	133,148
Less: Cash and short term deposits	(9,296)	(9,879)
Net debt	127,504	123,269
Total issued capital and accumulated deficit	20,135	16,384
Capital and net debt	147,639	139,653

*excluding amortising loan costs

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23. RELATED PARTY DISCLOSURES

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

	Balance due from/(to) at 2019 £'000	Transactions in year £'000
Loan due to Arlington Investor Group (S.H. No.3) Ltd	(35,091)	(2,659)
Loan due to Campus Living Villages (Holte) UK Ltd	(3,899)	(295)
Intercompany payables due to CLV (Bournemouth 1) UK LLP	(27)	(1)
Intercompany payables due to CLV (City Portfolio) UK Ltd	(53)	(12)
Intercompany receivables from CLV UK	(263)	(184)
Intercompany receivables from CLV (Holte) UK Ltd	82	-
Intercompany receivables from European Property (Walworth Road) Lettings LP	81	-
Intercompany receivables from CLV (St Andrews) 3 UK LLP	11	11

	Balance due from/(to) at 2018 £'000	Transactions in year £'000
Loan due to Arlington Investor Group (S.H. No.3) Ltd	(32,431)	(3,678)
Loan due to Campus Living Villages (Holte) UK Ltd	(3,603)	(285)
Intercompany payables due to CLV (Bournemouth 1) UK LLP	(26)	(26)
Intercompany payables due to CLV (City Portfolio) UK Ltd	(40)	(40)
Intercompany receivables from CLV UK	(79)	(79)
Intercompany receivables from CLV (Holte) UK Ltd	82	82
Intercompany receivables from European Property (Walworth Road) Lettings LP	81	81

24. ULTIMATE CONTROLLING PARTY

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.

25. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2019 £'000	2018 £'000
Loss before income tax	(4,469)	(7,793)
Depreciation charges	2,332	1,792
Impairment	-	1,341
Increase in provisions held	(792)	-
Finance costs	8,657	9,235
	5,728	4,575
Increase in trade and other receivables	(450)	(215)
Increase in trade and other payables	2,005	557
Cash generated from operations	7,283	4,917