REGISTERED NUMBER: 120526 (Jersey)

Annual Report and Financial Statements for the Year Ended 30 June 2020

for

Arlington No.3 Holdco Limited

Contents of the Consolidated Financial Statements for the Year Ended 30 June 2020

Company Information
for the Year Ended 30 June 2020

DIRECTORS:	S T McKeown G N Shweiry J K Chadwick L M Mclean R Moyle
REGISTERED OFFICE:	11 Bath Street St Helier Jersey JE4 8UT
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 2020

The directors present their report with the financial statements of the company and the group for the year ended 30 June 2020.

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.

On the 10 August 2020 the majority shareholder, Arlington Investor Group (S.H. No.3) Limited, acquired the 10% minority interest held in the company by Campus Living Villages (Holte) UK Limited.

RESULTS
The results of the Group for the period are shown in the Consolidated Statement of Comprehensive Income. Loss before tax was £4,826,000 (30 June 2019: £4,469,000).

The Consolidated Statement of Financial Position shows that the company's net liabilities were £25,680,000 (30 June 2019: £20,853,000).

KEY PERFORMANCE INDICATORS
The directors use the following principal measures of overall performance:

	2020 £'000	2019 £'000
Net cash operating activities	405	4,677
EBITDA*	6,578	6,613
Occupancy (excluding summer income):	%	%
Cheltenham and Gloucester	100	100
Bagot Street	75	95
Exeter	90	100

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

DIVIDENDS
No dividends will be distributed for the year ended 30 June 2020 (30 June 2019: £nil).

FUTURE DEVELOPMENTS
The term 1 and 2 occupancy levels of the 2020/2021 academic year were comparable to prior years at Birmingham and Exeter with occupancies of 79% and 96%. Occupancy for terms 1 and 2 at Cheltenham and Gloucester were much lower at 6%. However, the lease rental agreed at the start of the 2020/2021 academic year from the University of Gloucester is guaranteed, regardless of occupancy.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 July 2019 to the date of this report.

S T McKeown
G N Shweiry
R Moyle
J K Chadwick (resigned 10 August 2020)
L M Mclean (resigned 10 August 2020)

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.
- COVID-19 impact on future occupancy and intake levels.

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. Although we anticipate Brexit will see a reduction in new EU students, Universities expect to see an increase in Non-EU student with the weakening of the pound expected to continue.

There have been income shortfalls over the summer period for 2020/2021 year with summer stays ceasing in July 2020 and August 2020 due to COVID-19. The term 1 and 2 occupancy levels of the 2020/2021 academic year were comparable to prior years at Birmingham and Exeter with occupancies of 79% and 96%. Occupancy for terms 1 and 2 at Cheltenham and Gloucester were much lower at 6%. However, the lease rental agreed at the start of the 2020/2021 academic year from the University of Gloucester is guaranteed, regardless of occupancy.

Student sentiment still shows good appetite to continue to higher education. A survey from UCAS and YouthSight published on 3rd April 2020 found that 86% of A-level students were continuing with their university application as planned for the 2020/2021 academic year. While COVID-19 has undoubtedly put a delay on travel in the short term, from surveys undertaken by various organisations, international students largely still intend to follow through with their study abroad plans, however may defer until 2021.

The Universities UK survey published on 17 June outlined that 97% of Universities plan to provide in-person teaching in the 2020/21 academic year. Teaching will be delivered on a ‘blended’ basis, with face-to-face tutorials, seminars and practical work complemented by online lectures to observe social distancing guidelines.

Given the third UK lockdown that has been put in place by the Government in January 2021 and with Universities lectures being conducted online for this period, there remains a risk that student numbers and demand for student accommodation could be impacted. In addition, there is uncertainty over international student numbers, given travel restrictions. Recent survey results from the British Council highlight that up to one-third of non-EU international students may choose to cancel or delay their travel plans for 2020/21. This is in line with our assumptions. However, the Government has taken significant steps to support Universities’ cash flow for the 2020/2021 academic year, by bringing forward £2.6 billion in tuition fee income and £100 million in research funding, as well as making available £280 million through extensions of research grants. In addition, the Government will cover up to 80% of a University’s income losses from international students for 2020/21, reflecting the importance of tuition fees from international students in helping to fund University research activity.

GOING CONCERN
See basis of preparation wording in accounting policies section.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR
The directors who held office at the date of approval of this directors’ report confirm that, so far as they are each aware, there is no relevant audit information of which the Company’s auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company’s auditors is aware of that information.

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: 25 February 2021

11 Bath Street
St Helier
Jersey
JE4 8UT

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

The directors are responsible for preparing the Strategic Report, the Directors' Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU) and applicable law and they have elected to prepare the parent Company financial statements on the same basis.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its 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 to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

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 2020 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 financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2020 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies (Jersey) Law 1991; and
- the financial statements have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company 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 Material uncertainty related to going concern

Going concern

We draw attention to note 2 to the financial statements which indicates that there are uncertainties regarding the inherently uncertain trading environment and in a severe but plausible downside, the Group may not have sufficient unrestricted funds to meet its liabilities as they fall due and a covenant breach with respect its Bonds and Debt Facilities is forecast to occur at 30 June 2021 and 31 December 2021. These events and conditions, along with the other matters explained in note 2, constitute a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Risk vs 2019: ▲

The risk

Disclosure quality

The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group.

That judgement is based on an evaluation of the inherent risks to the Group's business model, including the impact of COVID-19, and how those risks might affect the Group's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.

Our response

Our procedures included:

Funding assessment:
We assessed the committed level of financing available to the Group for at least the next twelve months through considering the facility agreements and assessing the covenant requirements.

Historical comparisons:
We considered the Group's historical budgeting accuracy, by assessing actual performance against budget and analysing the Group's explanations for variances between actual and budgeted results.

Going concern	The risk	Our response
	Disclosure quality The risk for our audit is whether or not those risks are such that they amount to a material uncertainty that may cast significant doubt about the ability to continue as a going concern. If so, that fact is required to be disclosed (as has been done) and, along with a description of the circumstances, is a key financial statement disclosure.	**Our procedures included**: **Key dependency assessment:** We assessed the Group's cash flow forecasts to identify key inputs and compared these to actuals in FY20. The key inputs included forecast revenue and forecast operating costs. **Sensitivity analysis:** We considered sensitivities over the level of available financial resources, including covenant compliance, indicated by the Group's financial forecasts taking account of severe but plausible downside sensitivities that could arise, including a reduction in forecast revenue. **Assessing transparency:** We assessed the completeness and accuracy of the matters covered in the going concern disclosures by assessing the reasonableness of the risks and uncertainties specified by the disclosure against our findings from our evaluation of director's assessment of going concern.

3 Other key audit matters: including our assessment of risks of material misstatement
Key audit matters are those matters that, in our professional judgement, 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. Going concern is a significant key audit matter and is described in section 2 of our report. We summarise below the other key audit matters, in decreasing order of significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Carrying value of investment property	**Forecast based valuation**	**Our procedures included:**
(£105.6 million; 2019: £108.0 million) Refer to page 21 (accounting policy) and note 10 on page 29 (financial disclosures). Risk vs 2019: ▲	There is the potential impairment of assets arising from the impacts of COVID-19. The identification of indicators of impairment and the preparation of the estimate of the recoverable amount of an asset or cash-generating unit involves subjective judgements and uncertainties, which requires consideration because of the inherent uncertainty involved in forecasting and discounting future cash flows. The effect of these matters is that, as part of our risk assessment, we determined that the carrying value of investment property had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	Our procedures included: - Test of detail: We carried out a detailed assessment for indicators of impairment. **Benchmarking assumptions** We assessed the basis of preparation of the Group's valuation calculation, and challenged the inputs to the model used within it (including the growth rate, yield rate, and forecast cash flows) by reference to budgets prepared by directors and by comparison to externally available rates. **Comparing valuations** We obtained the most recent external property valuations of each property, and assessed these using of our knowledge of the student property sector.

	The risk	Our response
Parent Company - recoverability of amounts due from group undertakings (£41.4 million; 2019: £39.0 million) Refer to page 25 (accounting policy) and page 30 (financial disclosures).	**Low risk, high value** The carrying amount of the amounts due from group undertakings balance represents 95.0% (2019: 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.

In the prior year we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. Following the trade agreement between the UK and the EU, and the end of the EU-exit implementation period, the nature of these uncertainties has changed. We continue to perform procedures over material assumptions in forward looking assessments such as going concern and impairment tests however we no longer consider the effect of the UK's departure from the EU to be a separate key audit matter.

4 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 £1.1m (2019: £1.2m), determined with reference to a benchmark of total assets of £113.1m (2019: £118.7m) (of which it represents 1% (2019: 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 £56,550 (2019: £58,550), 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 £435,000 (2019: £378,000), determined with reference to a benchmark of company total assets of £43.7m (2019: £39.1m), of which it represents 1% (2019: 1%).

We agreed to report to the directors any corrected or uncorrected identified misstatements exceeding £21,750 (2019: £18,900) at a parent company level, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 4 (2019: 4) reporting components, we subjected 4 (2019: 4) to full scope audits for group purposes. The components within scope of our work accounted for 100% (2019: 100%) of total group revenue, 100% (2019: 100%) of group profit before tax and 100% (2019: 100%) of total group assets.

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 parent Company, or
- proper returns adequate for our audit have not been received from branches not visited by us; or
- the parent 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 5, 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.

Will Baker (Senior Statutory Auditor)
for and on behalf of KPMG LLP Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

Date: 25 February 2021

Arlington No.3 Holdco Limited

Consolidated Statement of Profit or Loss
for the Year Ended 30 June 2020

	Notes	2020 £'000	2019 £'000
CONTINUING OPERATIONS			
Revenue	3	11,043	11,321
Administrative expenses		(7,109)	(7,133)
OPERATING PROFIT		3,934	4,188
Finance costs	5	(8,760)	(8,657)
LOSS BEFORE INCOME TAX	6	(4,826)	(4,469)
Income tax	7	-	-
LOSS FOR THE YEAR		(4,826)	(4,469)
Loss attributable to:			
Owners of the parent		(4,826)	(4,469)

The notes on pages 18 to 37 form part of these financial statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2020

	2020 £'000	2019 £'000
LOSS FOR THE YEAR	(4,826)	(4,469)
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(4,826)	(4,469)
Total comprehensive income attributable to:		
Owners of the parent	(4,826)	(4,469)

The notes on pages 18 to 37 form part of these financial statements

Consolidated Statement of Financial Position
30 June 2020

	Notes	2020 £'000	2019 £'000
ASSETS			
NON-CURRENT ASSETS			
Tangible fixed assets	9	73	73
Investment property	10	105,635	107,988
Investments	11	-	-
		105,708	108,061
CURRENT ASSETS			
Trade and other receivables	12	1,837	1,296
Cash and cash equivalents	13	5,134	9,297
		6,971	10,593
TOTAL ASSETS		112,679	118,654
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	14	5	5
Retained earnings	15	(25,685)	(20,859)
TOTAL EQUITY		(25,680)	(20,854)
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	17	92,458	92,934
CURRENT LIABILITIES			
Trade and other payables	16	43,278	43,481
Financial liabilities - borrowings			
Interest bearing loans and borrowings	17	1,953	2,301
Provisions	19	670	792
		45,901	46,574
TOTAL LIABILITIES		138,359	139,508
TOTAL EQUITY AND LIABILITIES		112,679	118,654

The financial statements were approved by the Board of Directors on 25 February 2021 and were signed on its behalf by:

....
S T McKeown - Director

Company Statement of Financial Position
30 June 2020

	Notes	2020 £'000	2019 £'000
ASSETS			
NON-CURRENT ASSETS			
Investments	11	50	50
		50	50
CURRENT ASSETS			
Trade and other receivables	12	43,635	39,002
TOTAL ASSETS		43,685	39,052
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	14	5	5
Retained earnings	15	233	6
TOTAL EQUITY		238	11
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	43,447	39,041
TOTAL LIABILITIES		43,447	39,041
TOTAL EQUITY AND LIABILITIES		43,685	39,052

The financial statements were approved by the Board of Directors on 25 February 2021 and were signed on its behalf by:

....
S T McKeown - Director

The notes on pages 18 to 37 form part of these financial statements

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2020

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 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)
Changes in equity			
Total comprehensive income	-	(4,826)	(4,826)
Balance at 30 June 2020	5	(25,685)	(25,680)

The notes on pages 18 to 37 form part of these financial statements

Company Statement of Changes in Equity
for the Year Ended 30 June 2020

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2018	5	(5)	-
Changes in equity			
Total comprehensive income	-	11	11
Balance at 30 June 2019	5	6	11
Changes in equity			
Total comprehensive income	-	227	227
Balance at 30 June 2020	5	233	238

The notes on pages 18 to 37 form part of these financial statements

Consolidated Statement of Cash Flows
for the Year Ended 30 June 2020

	Note	2020 £'000	2019 £'000
Cash flows from operating activities			
Cash generated from operations	24	2,935	7,283
Interest paid		(2,530)	(2,606)
Net cash from operating activities		405	4,677
Cash flows from investing activities			
Purchase of tangible fixed assets		(218)	-
Purchase of investment property		-	(2,914)
Net cash from investing activities		(218)	(2,914)
Cash flows from financing activities			
Loan repayments in year		(2,300)	(845)
Proceeds from new loans net of loan cost		-	-
Subordinated debt interest paid		(2,050)	(1,500)
Net cash from financing activities		(4,350)	(2,345)
Decrease in cash and cash equivalents		(4,163)	(582)
Cash and cash equivalents at beginning of year		9,297	9,879
Cash and cash equivalents at end of year	13	5,134	9,297

The notes on pages 18 to 37 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**
All	Conceptual Framework in IFRS Standards	1 July 2020
IAS 1 and IAS 8	Definition of material	1 July 2020
IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform	TBC*
IFRS 3	Definition of a Business	TBC*

*Effective date to be confirmed

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 the consolidated group loss for the year of £4.8m and consolidated net current liabilities of £38.9m as at 30 June 2020 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The loans from the 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 due to clauses in the subordinated debt agreement, 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, in line with the senior debt agreement that views the subordinated debt as equity. The senior debt agreement sets out that these related party loans could not be recalled at this point in time and therefore these loans do not impact the current going concern assessment.

In assessing the going concern position of the Group, the directors have considered the potential impact of COVID-19 on the cash flow and liquidity of the Group, over the next 12 months from the date of signing these accounts, together with the corresponding impact on the covenants associated with the Group’s financing arrangements.

The current economic conditions resulting from the COVID-19 pandemic have had a significant impact on the Group’s activity levels from March 2020 onwards and particularly the occupancy levels in the group properties. The impacts upon the general economy and the student accommodation industry specifically have continued into the current financial year FY21.

Cash flow forecasts have been prepared which indicate that in the base case the Group has sufficient liquidity and can demonstrate ongoing compliance with its covenant requirements. However taking account of severe but plausible downsides, which are forecast to be 50% contracted room cash collection for the remainder of FY21 and a recovery in FY22 to 20% reduced occupancy from pre-covid levels, the Group may not have sufficient unrestricted funds to meet its liabilities as they fall due for that period. The Directors believe that there are a number of actions they could take, such as short term cash loans from other connected entities, deferment of payment obligations, and operational cost reductions, which would mitigate this risk.

The Group is subject to financial covenants on its Bonds and Bank facilities, being debt service ratio (12 months rolling Net Cash / 12 months rolling Debt Service). The covenants are tested half yearly on 30 June and 31 December. As at 30 June 2020 and 31 December 20 the Company had complied with its covenants.

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2. **ACCOUNTING POLICIES - continued**

In the severe but plausible trading downsides as set out above the Group is forecast not to meet the financial ratios for its June 2021 and December 21 covenant tests. As a consequence the Bonds and Bank facilities would become due for repayment. The Group would expect to be able to solve the issue through a number of measures available to it, including potentially delay of costs or negotiation of waivers although these have not currently been agreed.

Based on the above, the directors believe it remains appropriate to prepare the financial statements on a going concern basis. Nevertheless in a severe but plausible downside, the Group may not have sufficient unrestricted funds to meet its liabilities as they fall due and a covenant breach with respect to its Bonds and Debt Facilities is forecast to occur at the end of June 2021 and December 2021 which indicate the existence of a material uncertainty that may cast significant doubt on the Group's and Company's ability to continue as a going concern and, therefore, that the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business. The financial statements do not include any adjustments that would be necessary if the going concern basis was inappropriate.

Changes in accounting policies
The Company has adopted the following standards, amendments and interpretations which have not had a significant impact on the Company's results:

IFRS 16
The Company applied IFRS 16 with a date of initial recognition of 1 July 2019. As a result, the company has changed its accounting policy for lease contracts as detailed below.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. The details of the changes in accounting policies are disclosed below:

A) Definition of a lease
Previously the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of lease.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases.

Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 July 2019.

B) As a lessee
As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the ease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset. Under IFSR 16, the Company recognises right-of-use assets and lease liabilities for most leases.

Revenue recognition
Revenue from student accommodation rental is recognised over time on a straight line basis over the term of the rental contract, 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 applied IFRS 15 using the cumulative effect method for the year ended 30 June 2019.

 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.

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. The company applies 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.

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.

continued...

2. **ACCOUNTING POLICIES - continued**

Financial instruments

(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.

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.

continued...

2. **ACCOUNTING POLICIES - continued**

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.

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

continued...

2. **ACCOUNTING POLICIES - continued**

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.

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.

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.

 continued...

2. **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.

(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.

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.

continued...

2. ACCOUNTING POLICIES - continued

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:

	2020 £'000	2019 £'000
Student accommodation related	8,718	8,924
Summer stay accommodation related	-	111
Management fee income	2,325	2,286
	11,043	11,321

Turnover arises entirely in the United Kingdom.

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. FINANCE COSTS

	2020 £'000	2019 £'000
Bank interest and other charges	43	45
Interest on loan notes payable	2,596	2,609
Amortisation of borrowing costs	93	95
Indexation charge on loan notes	1,367	1,453
Interest on subordinated debt	4,661	4,455
	8,760	8,657

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6. LOSS BEFORE INCOME TAX

Loss before income tax is stated after charging the following:

	2020 £'000	2019 £'000
Fees payable to the company's auditor for the audit of the company's consolidated financial statements	11	11
Fees payable to the company's auditor for the audit of the subsidiary financial statements	55	36
Provision for structural work (see note 20)	(122)	752
Depreciation	2,551	2,332
Loan amortisation	93	93
Operating lease rentals	6	4

Audit fees incurred for the audit of the parent company financial statements for the year ended 30 June 2020 were £10,250 (30 June 2019: £10,250). 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 2019: £nil).

7. INCOME TAX

Analysis of tax expense
No liability to UK corporation tax arose for the year ended 30 June 2020 nor for the year ended 30 June 2019.

	2020 £'000	2019 £'000
Loss on ordinary activities before taxation	(4,826)	(4,469)
Tax at the UK tax rate of 19% (30 June 2019: 19%)	(917)	(849)
Effects of:		
Expenses not deductible for tax purposes	1,249	1,202
Losses not recognised for tax	-	-
Losses recognised from prior periods	(256)	(273)
Prior year losses utilised	(76)	(80)
Total taxation charge	-	-

Corporation tax is computed at the main rate of 19% (30 June 2019 19%).

A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the Company's future current tax charge accordingly.

The Group has tax losses carried forward of £8,716,000 (30 June 2019: £7,443,000) 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.

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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 £233,000 (30 June 2019: £11,000).

9. PROPERTY, PLANT AND EQUIPMENT

Group

	Assets under construction £'000
COST	
At 1 July 2019	73
Additions	-
At 30 June 2020	73
NET BOOK VALUE	
At 30 June 2020	73
At 30 June 2019	73

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

The company has no tangible assets.

continued...

10. INVESTMENT PROPERTY

Group

	Total £'000
COST	
At 1 July 2019	115,262
Additions	218
Disposals	(20)
At 30 June 2020	115,460
DEPRECIATION	
At 1 July 2019	7,274
Charge for year	2,551
At 30 June 2020	9,825
NET BOOK VALUE	
At 30 June 2020	105,635
At 30 June 2019	107,988

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

The fair value of investment property was determined by an external, independent property valuer, Savills. Savills have appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The latest valuation was obtained in July 2019 which gave the property a value of £139,025,000.

The company does not hold any investment property.

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11. INVESTMENTS

	2020	2019
	£'000	£'000
Cost and net book value	50	50
At 1 July 2019 and 30 June 2020	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, JE4 8UT
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.

12. TRADE AND OTHER RECEIVABLES

	Group		**Company**	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Current:				
Trade debtors	851	381	-	-
Amounts owed by group undertakings	51	99	41,446	39,002
Intercompany receivables	-	-	2,189	-
Other debtors	935	723	-	-
Prepayments and accrued income	-	93	-	-
	1,837	1,296	43,635	39,002

continued...

13. CASH AND CASH EQUIVALENTS

	Group	
	2020	2019
	£'000	£'000
Cash at bank	764	1,001
Restricted cash	4,370	8,296
	5,134	9,297

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 2020.

14. CALLED UP SHARE CAPITAL

		2020	2019
Authorised share capital	Number	£'000	£'000
5,000 Ordinary shares of £1 each	5,000	5	5
100 Class B shares of £1 each	100	-	-

		2020	2019
Issued and fully paid	Number	£'000	£'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.

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15. RESERVES

Group

	Retained earnings £'000
At 1 July 2019	(20,859)
Loss for the year	(4,826)
At 30 June 2020	(25,685)

Company

	Retained earnings £'000
At 1 July 2019	6
Profit for the year	227
At 30 June 2020	233

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Current:				
Trade creditors	79	392	-	-
Amounts owed to group undertakings	41,514	38,991	41,514	38,991
Intercompany payables	93	-	1,883	-
Other creditors	536	444	50	50
Accruals and deferred income	582	669	-	-
Accrued expenses	474	2,985	-	-
	43,278	43,481	43,447	39,041

continued...

17. FINANCIAL LIABILITIES - BORROWINGS

Group	2020 £'000	2019 £'000
Current:		
£55,500,000 Secured Indexed Rate Amortising Notes due 2047	1,547	1,822
£39,000,000 Secured Fixed Rate Amortising Notes due 2047	406	479
£30,201,402 Subordinated debt loan agreement due 2047	41,514	38,989
Payable within one year	43,467	41,290
Non-current:		
£55,500,000 Secured Indexed Rate Amortising Notes due 2047	57,268	57,448
£39,000,000 Secured Fixed Rate Amortising Notes due 2047	37,672	38,060
Borrowing costs	(2,482)	(2,574)
Payable greater than one year	92,458	92,934

Company	£'000	£'000
Current:		
£30,201,402 Subordinated debt loan agreement due 2047	41,514	38,989
Payable within one year	41,514	38,989

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 £7,453,000 (30 June 2019: £6,086,000) in accordance with the provisions of the Prospectus dated 31 December 2015.

The secured amortising notes are secured on the property and its investment in subsidiary undertakings and receivables.

	2020 £'000	2019 £'000
Loans and other borrowings - changes in liabilities from financing activities:		
Balance at 1 July	134,224	130,478
Repayment of borrowings	(2,300)	(844)
Total changes from financing cash flows	(2,300)	(844)
Other changes:		
Interest charged	2,596	2,609
Interest paid	(2,596)	(2,609)
Interest on sub-ordinated debt	4,591	4,542
Subordinated debt interest paid	(2,050)	(1,500)
Amortisation of loan costs	93	95
Indexation	1,367	1,453
Total other changes	4,001	4,590
Balance at 30 June	135,925	134,224

continued...

18. FINANCIAL INSTRUMENTS

Fair values

Group	Carrying amount 2020 £'000	Fair value 2020 £'000	Carrying amount 2019 £'000	Fair value 2019 £'000
IFRS 9 categories of financial instruments				
Financial assets				
Trade and other receivables	1,838	1,838	1,296	1,296
Cash and cash equivalents	5,134	5,134	9,297	9,297
Financial liabilities				
Secured rate notes (excl borrowing costs)	96,893	96,893	97,809	97,809
Related party borrowings	41,514	41,514	38,989	38,989
Trade and other payables	1,764	1,764	4,489	4,489
Company				
Financial assets				
Investments in subsidiary undertakings	50	50	50	50
Related party borrowings	43,635	43,635	39,002	39,002
Financial liabilities				
Trade and other payables	50	50	50	50
Related party borrowings	43,397	43,397	38,991	38,991

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

19. PROVISIONS

	2020 £'000	2019 £'000
Provision brought forward	792	-
Increase in provision	(122)	792
	670	792

A provision was created at 30 June 2019 for structural works which need to be carried out at the Cheltenham and Gloucester sites.

At 30 June 2020 this provision has been reduced by £122,000 to £670,000.

This work is expected to be completed by the year ended 30 June 2021.

continued...

20. 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 2021. 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.

21. 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.

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:

	2020 Principal £'000	2020 Interest £'000	2020 Total £'000
Payments within one year	1,953	2,583	4,536
Payments within two to five years	8,212	10,095	18,307
Payments after five years	86,728	43,527	130,255
	96,893	56,205	153,098

	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	87,305	46,017	133,322
	97,809	60,103	157,912

continued...

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Capital management - Group

	2020 £'000	2019 £'000
Interest bearing loans and borrowings*	138,407	136,800
Less: Cash and short term deposits	(5,134)	(9,296)
Net debt	133,273	127,504
Total issued capital and accumulated deficit	25,680	20,854
Capital and net debt	158,953	148,358

*excluding amortising loan costs

22. POST BALANCE SHEET EVENTS

On the 10 August 2020 the majority shareholder, Arlington Investor Group (S.H. No.3) Limited, acquired the 10% minority interest held in the company by Campus Living Villages (Holte) UK Limited.

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 2020 £'000	Transactions in year £'000
Loan due to Arlington Investor Group (S.H. No.3) Ltd	(37,363)	(2,272)
Loan due to Campus Living Villages (Holte) UK Ltd	(4,151)	(252)
Intercompany payables due to CLV (Bournemouth 1) UK LLP	-	27
Intercompany receivables from CLV (City Portfolio) UK Ltd	1	54
Intercompany payables due to CLV UK	(93)	170
Intercompany payables due to CLV (Holte) UK Ltd	38	(44)
Intercompany receivables from European Property (Walworth Road) Lettings LP	-	(81)
Intercompany receivables from CLV (St Andrews) 3 UK LLP	11	-
Intercompany receivables from CLV (Goldsmiths) UK Ltd	1	1

	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

continued...

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

	2020	2019
	£'000	£'000
Loss before income tax	(4,826)	(4,469)
Depreciation charges	2,551	2,332
Decrease/(Increase) in provisions held	122	(792)
Finance costs	8,760	8,657
	6,607	5,728
Increase in trade and other receivables	(799)	(450)
Increase in trade and other payables	(2,873)	2,005
Cash generated from operations	2,935	7,283

25. 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.