ARLINGTON NO.3 HOLDCO LIMITED
AND SUBSIDIARY UNDERTAKINGS

FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

LUBBOCK FINE LLP
Chartered Accountants
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB

ARLINGTON NO.3 HOLDCO LIMITED AND SUBSIDIARY UNDERTAKINGS

COMPANY INFORMATION

Directors	S McKeown G Shweiry M Winn-Smith
Registered number	120526
Registered office	11 Bath Street St Helier Jersey JE4 8UT
Independent auditors	Lubbock Fine LLP Chartered Accountants & Statutory Auditors Paternoster House 65 St Paul's Churchyard London EC4M 8AB
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

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DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

The directors present their report and the financial statements for the year ended 30 June 2021.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report and the consolidated financial statements in accordance with applicable law and generally accepted accounting practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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 the Group and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activity of the Group during the year was that of provision of student accommodation.

Dividends paid

There were no dividends paid in the year under review (2020 - £NIL).

Results

The Consolidated Statement of Comprehensive Income for the year is set out on page 8.

Directors

The directors who served during the year were:

S McKeown
G Shweiry
M Winn-Smith (appointed1 April 2021)
R Moyle (resigned 1 April 2021)
L Mclean (resigned 10 August 2020)
J Chadwick (resigned 10 August 2020)

Principal risks and uncertainties

The principal risks and uncertainties to the Group are as follows:

Coronavirus ("COVID-19")

The extent of the impact of the COVID-19 outbreak on the financial performance of the Group continues to ease but long term recovery to a pre Covid lettings position will continue to depend on any future outbreaks and related restrictions, and the impact of COVID-19 on the financial markets and the overall economy, all of which remain uncertain. Whilst these cannot be predicted the directors do not feel that this currently creates uncertainty on the Group's ability to continue as a going concern with recovery being evidenced in the last few months.

Management regularly monitor the Group’s working capital requirements to ensure adequate headroom for its day to day operations in light of COVID-19 and prepare detailed monthly cashflow projections covering the current and next academic year which includes the 12 months from the date of signing the financial statements. This considers the Group’s ability to repay its lenders and suppliers as payments become due and reviews whether the Group will breach any loan covenants in this period. In addition, the Group continues to implement various operational actions to mitigate the effect of COVID-19 including cost saving reviews, alternative use of properties and lettings via third party booking agents in order to improve cashflow.

Subsequent to the balance sheet date, the Group is expected to pass its financial covenants with no future anticipated breaches due to improving letup in the student accommodation sector.

If COVID-19 were to continue for an extended period it could cause a slow down in letup for the upcoming 22/23 academic year and have an impact on the valuation of the Group’s investment properties, but at this stage we do not anticipate this to cause any doubt on the ability of the Group to continue as a going concern. The directors also note that the vaccine and booster roll out in the UK continues successfully which is leading to continued easing of restrictions and has expanded the ability for students to attend campuses. Furthermore, Russell Group Universities have bounced back well with Exeter and Birmingham both performing strongly. In addition because Bristol has been so successful the University of West England (UWE) has been forced to look outside Bristol for rooms and has nominated all spare rooms in Cheltenham and Gloucester. The directors therefore consider it appropriate to prepare the accounts on a going concern basis given the forecast trading position of the Group, parent company support, and operational plans that are in place.

Student Accommodation Sector

As the UK government continues to remove COVID-19 restrictions, students have been returning to campus and their student accommodation. This migration has continued into January 2022 with both domestic and international students booking rooms for the second and third semesters. Bookings across Arlington’s wider portfolio are closer to pre Covid levels and ahead of the bookings position compared to the same time last year, and with the Russell Group universities having achieved record first year numbers in 21/22 it is anticipated that the pressure on accommodation in the market will increase next year for the next cohort.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Auditors

The auditors, Lubbock Fine LLP, will be proposed for reappointment in accordance with the Companies (Jersey) Law 1991.

This report was approved by the board and signed on its behalf.

Sean McKeown

S McKeown
Director

Date: 10 February 2022

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARLINGTON NO.3 HOLDCO LIMITED AND SUBSIDIARY UNDERTAKINGS

Opinion

We have audited the financial statements of Arlington No.3 Holdco Limited and Subsidiary Undertakings (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2021, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and of the parent Company's affairs as at 30 June 2021 and of the Group's profit for the year then ended;
- the financial statements have been prepared in accordance with the Companies (Jersey) Law 1991; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 1, the directors are responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing. Those standards require us to comply with the Financial Reporting Council's Ethical Standard.

The directors' responsibilities for preparing the financial statements in accordance with applicable law and accounting standards are set out in the Directors' Responsibilities Statement on page 1.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Group financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and noncompliance with laws and regulations, we considered the following:

- The nature of the sector and the impact of Covid 19 on financial and operating performance and policies;
- Enquiries of management, including obtaining and reviewing supporting documentation, concerning the company's policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance of laws and regulations; and
- Discussions among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. The engagement team includes audit partners and staff who have extensive experience of working with entities in similar sectors and this experience was relevant to the discussion about where fraud risks might arise.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included FRS 102.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included health and safety regulations, environmental regulations, and landlord regulations etc.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARLINGTON NO.3 HOLDCO LIMITED AND SUBSIDIARY UNDERTAKINGS (CONTINUED)

As a result of these procedures, we considered the particular areas that were susceptible to misstatement due to fraud were in respect of revenue recognition, management override, investment property valuation and bank covenants. Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance;
- reviewing revenue recognition of rental income on a sample basis of leases;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the rationale of any significant transactions that are unusual or outside the normal course of the company’s operations;
- in review of managements estimate of investment property valuation; consideration of potential bias within the valuation; review of the underlying assumptions and estimates used in determining the fair value; and review of third party valuation reports where valuations are based on this.
- review of covenants in place with external lenders to ensure no breaches during the period and checking calculations of covenants reported to lenders to ensure correct calculations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with the 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 Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Lubbock Fine LLP

Simon de Souza (Senior Statutory Auditor)
for and on behalf of
Lubbock Fine LLP
Chartered Accountants & Statutory Auditors
Paternoster House
65 St Paul's Churchyard
London
EC4M 8AB

Date: 10 February 2022

ARLINGTON NO.3 HOLDCO LIMITED AND SUBSIDIARY UNDERTAKINGS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 £	As restated 2020 £
Turnover	4	8,946,115	11,043,246
Cost of sales		(4,513,753)	(3,228,037)
Gross profit		4,432,362	7,815,209
Administrative expenses		(1,496,485)	(1,498,804)
Fair value movements		8,946,234	(71,962)
Operating profit		11,882,111	6,244,443
Interest payable and similar expenses	7	(9,065,578)	(8,716,237)
Profit / (loss) before taxation		2,816,533	(2,471,794)
Tax on profit / (loss)		(2,153,750)	-
Profit / (loss) for the financial year		662,783	(2,471,794)
Profit for the year attributable to:			
Owners of the parent company		662,783	(2,471,794)
		662,783	(2,471,794)

There was no other comprehensive income for 2021 (2020:£NIL).

The notes on pages 14 to 27 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2021

	Note		2021 £		As restated 2020 £
Fixed assets					
Tangible assets	10		221,664		331,063
Investment property	9		147,980,000		139,025,000
			148,201,664		139,356,063
Current assets					
Debtors: amounts falling due within one year		776,935		1,839,039	
Cash at bank and in hand	14	5,407,526		5,134,199	
		6,184,461		6,973,238	
Creditors: amounts falling due within one year	15	(2,908,023)		(1,966,104)	
Net current assets			3,276,438		5,007,134
Total assets less current liabilities			151,478,102		144,363,197
Creditors: amounts falling due after more than one year	16		(139,976,501)		(135,678,129)
Provisions for liabilities					
Deferred tax	18	(2,153,750)		-	
Other provisions	19	(669,579)		(669,579)	
			(2,823,329)		(669,579)
Net assets / (liabilities)			8,678,272		8,015,489
Capital and reserves					
Called up share capital	20		5,100		5,100
Revaluation reserve	21		31,379,357		24,586,873
Profit and loss account	21		(22,706,185)		(16,576,484)
			8,678,272		8,015,489

The financial statements were approved and authorised for issue by the directors and were signed on their behalf on 10 February 2022

Sean McKeown

S McKeown
Director

The notes on pages 14 to 27 form part of these financial statements.

ARLINGTON NO.3 HOLDCO LIMITED AND SUBSIDIARY UNDERTAKINGS

COMPANY BALANCE SHEET

AS AT 30 JUNE 2021

	Note		2021 £		As restated 2020 £
Fixed assets					
Investments	11		50,100		50,100
			50,100		50,100
Current assets					
Debtors: amounts falling due after more than one year		46,589,170		41,445,696	
Debtors: amounts falling due within one year		2,194,137		2,189,090	
		48,783,307		43,634,786	
Creditors: Amounts Falling Due Within One Year	15	(1,972,801)		(1,931,691)	
Net current assets			46,810,506		41,703,095
Total assets less current liabilities			46,860,606		41,753,195
Creditors: amounts falling due after more than one year	16		(46,649,437)		(41,514,054)
Net assets			211,169		239,141
Net assets			211,169		239,141
Capital and reserves					
Called up share capital	20		5,100		5,100
Profit and loss account brought forward		234,041		6,343	
Loss / (profit) for the year		(27,972)		227,698	
Profit and loss account carried forward			206,069		234,041
			211,169		239,141

The financial statements were approved and authorised for issue by the directors and were signed on their behalf by:

Sean McKeown

S McKeown
Director

Date: 10 February 2022

The notes on pages 14 to 27 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 July 2019	5,100	24,658,565	(14,176,382)	10,487,283
Loss for the year	-	-	(2,471,794)	(2,471,794)
Transfer to/from profit and loss account	-	(71,692)	71,692	-
At 1 July 2020	5,100	24,586,873	(16,576,484)	8,015,489
Profit for the year	-	-	662,783	662,783
Transfer to/from profit and loss account	-	6,792,484	(6,792,484)	-
At 30 June 2021	5,100	31,379,357	(22,706,185)	8,678,272

The notes on pages 14 to 27 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 July 2019	5,100	6,343	11,443
Profit for the year	-	227,698	227,698
At 1 July 2020	5,100	234,041	239,141
Loss for the year	-	(27,972)	(27,972)
At 30 June 2021	5,100	206,069	211,169

The notes on pages 14 to 27 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	2021 £	2020 £
Cash flows from operating activities		
Profit / (loss) for the financial year	662,783	(2,471,794)
Adjustments for:		
Depreciation of tangible assets	97,886	96,482
Interest paid (P&L)	9,065,578	2,529,780
Taxation charge	2,153,750	-
Decrease / (increase) in debtors	1,062,104	(521,771)
Increase / (decrease) in creditors	104,908	823,815
Increase / (decrease) in provisions held	-	(122,421)
Net fair value (gains)/losses recognised in P&L	(8,955,000)	71,962
Net cash generated from operating activities	4,192,009	406,053
Cash flows from investing activities		
Purchase of tangible fixed assets	-	(218,131)
Sale of tangible fixed assets	11,513	-
Net cash from investing activities	11,513	(218,131)
Cash flows from financing activities		
Loan note repayments in year	-	(2,300,172)
Other new loans	4,210,306	-
Subordinated debt interest paid	(3,020,140)	-
Interest paid	(5,120,361)	(2,050,000)
Net cash used in financing activities	(3,930,195)	(4,350,172)
Net increase / (decrease) in cash and cash equivalents	273,327	(4,162,250)
Cash and cash equivalents at beginning of year	5,134,199	9,296,449
Cash and cash equivalents at the end of year	5,407,526	5,134,199
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	5,407,526	5,134,199
	5,407,526	5,134,199

The notes on pages 14 to 27 form part of these financial statements.

CONSOLIDATED ANALYSIS OF NET DEBT

FOR THE YEAR ENDED 30 JUNE 2021

	At 1 July 2020 £	Cash flows £	Other non-cash changes £	At 30 June 2021 £
Cash at bank and in hand	5,134,199	273,327	-	5,407,526
Debt due after 1 year	(94,164,074)	-	837,010	(93,327,064)
Debt due within 1 year	(247,121)	(1,931,111)	1,667,482	(510,750)
	(89,276,996)	(1,657,784)	2,504,492	(88,430,288)

The notes on pages 14 to 27 form part of these financial statements.

1. General information

Arlington No.3 Holdco Limited is a private company, limited by shares, registered in Jersey. The registered office address and principal place of business is 11 Bath Street, St Helier, Jersey, JE4 8UT.

The Company and Group's functional and presentational currency is GBP.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies (Jersey) Law 1991.

Information on the impact of first-time adoption of FRS 102 is given in note 26.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

Management monitor the Group’s working capital requirements with detailed cashflow forecasts and based on this the directors consider it is appropriate to prepare the financial statements on a going concern basis. This assumes that the Group will continue in operational existence with the continued support of its parent company and related entities for the foreseeable future and for at least 12 months after the signing of the financial statements.

The extent of the impact of the COVID-19 outbreak on the financial performance of the Group continues to ease but long term recovery to a pre Covid lettings position will continue to depend on any future outbreaks and related restrictions, and the impact of COVID-19 on the financial markets and the overall economy, all of which remain uncertain. Whilst these cannot be predicted the directors do not feel that this currently creates uncertainty on the Group's ability to continue as a going concern with recovery being evidenced in the last few months.

If the Group is unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of the assets to their recoverable amounts, provide for further liabilities that may arise and reclassify fixed assets as current assets.

2. Accounting policies (continued)

2.4 Turnover

Turnover represents rental income receivable on properties situated in the United Kingdom. Rental income is recognised on a straight line basis over the term of the lease. Lease incentives are amortised over the period of the lease.

2.5 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Interest income

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

2.7 Finance costs

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

2.8 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2. Accounting policies (continued)

2.9 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	-	20% 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.11 Investment property

Investment property is carried at fair value determined annually by the directors and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in profit or loss.

2. Accounting policies (continued)

2.12 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.13 Debtors

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

2.14 Cash and cash equivalents

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

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.15 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.17 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

2. Accounting policies (continued)

2.17 Financial instruments (continued)

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

In applying the Group's accounting policies set out above Group management is required to make certain estimates and judgements concerning the future. These judgements are regularly reviewed and updated as necessary. The estimates and judgements that have the most significant effect on the amounts included in these financial statements are as follows:

Property valuation

The fair value of the investment property is determined by the Directors from a review of comparable real estate, adjusted if necessary for any differences in the nature, location or condition of the specific asset.

4. Turnover

An analysis of turnover by class of business is as follows:

	2021 £	2020 £
Rental and management fee income	8,946,115	11,043,246

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	8,946,115	11,043,246

5. Auditors' remuneration

	2021 £	2020 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	15,000	-

There has been a change of auditor for the audit of the financial statements for the year ended 30 June 2021. The predecessor auditor's remuneration for the audit of the financial statements of the company for the year to 30 June 2020 was £10,250 and this was paid for by a related entity.

6. Employees

The average monthly number of employees during the year was 0 (2020 - 0).

7. Interest payable and similar expenses

	2021 £	2020 £
Interest on loan notes payable	2,572,465	2,596,045
Interest on subordinated debt	5,135,383	4,660,312
Amortisation of borrowing costs	56,926	93,063
Indexation charge on loan notes	1,300,804	1,366,817
	9,065,578	8,716,237

8. Taxation

	2021 £	2020 £
Total current tax	-	-
Deferred tax		
Deferred tax liability on fair value gain in property	2,153,750	-
Total deferred tax	2,153,750	-
Taxation on profit on ordinary activities	2,153,750	-

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - lower than) the standard rate of corporation tax of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit/(loss) on ordinary activities before tax	2,816,533	(2,471,795)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax of 19% (2020 - 19%)	535,141	(469,641)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	124,020
Capital allowances for year in excess of depreciation	(42,902)	-
Non-taxable income	(1,699,784)	13,621
Unrelieved tax losses carried forward	1,207,545	332,000
Deferred tax liability on fair value gain in property	2,153,750	-
Total tax charge for the year	2,153,750	-

Factors that may affect future tax charges

The UK main corporation tax rate will be increased to 25% applying to profits over £250,000 (effective from 1 April 2023) following the Chancellor’s budget on 3 March 2021. A small profits rate will also be introduced for Companies with profits of £50,000 or less so that they will continue to pay corporation tax at a rate of 19%. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective corporation tax rate.

9. Investment property

Group

	Freehold investment property £	Long term leasehold investment property £	Total £
Valuation			
At 1 July 2020	130,725,000	8,300,000	139,025,000
Surplus on revaluation	7,855,000	1,100,000	8,955,000
At 30 June 2021	138,580,000	9,400,000	147,980,000

The 2021 valuations were made by the directors, on an open market value for existing use basis.

10. Tangible fixed assets

Group

	Fixtures and fittings £	Total £
Cost or valuation		
At 1 July 2020	504,534	504,534
Disposals	(11,513)	(11,513)
At 30 June 2021	493,021	493,021
Depreciation		
At 1 July 2020	173,471	173,471
Charge for the year on owned assets	97,886	97,886
At 30 June 2021	271,357	271,357
Net book value		
At 30 June 2021	221,664	221,664
At 30 June 2020	331,063	331,063

11. Fixed asset investments

Company

	Investments in subsidiary companies £	Total £
Cost or valuation		
At 1 July 2020	50,100	50,100
At 30 June 2021	50,100	50,100

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Arlington No.3 Bond Issuer Plc	Fifth Floor, 5 New Street Square, London, EC4A 3BF	Ordinary	100%
Arlington Student Holdings(No. 3) Limited	11 Bath Street, St Helier, Jersey,JE4 8UT	Ordinary	100%
Signpost Homes Limited *	Fifth Floor, 5 New Street Square, London, EC4A 3BF	Ordinary	100%

* - Indirectly held subsidiary.

12. Debtors: amounts falling due after more than one year

	Company 2021 £	Company As restated 2020 £
Amounts owed by group companies	46,589,170	41,445,696
	46,589,170	41,445,696

13. Debtors: amounts falling due within one year

	Group 2021 £	Group As restated 2020 £	Company 2021 £	Company As restated 2020 £
Trade debtors	429,261	851,189	-	-
Amounts owed by group companies	-	51,467	2,189,088	2,189,088
Other debtors	37,101	705,419	-	-
Prepayments and accrued income	310,573	230,964	5,049	-
	776,935	1,839,039	2,194,137	2,189,088

14. Cash and cash equivalents

	Group 2021 £	Group 2020 £
Cash at bank and in hand	5,407,526	5,134,199
	5,407,526	5,134,199

15. Creditors: Amounts falling due within one year

	Group 2021 £	Group As restated 2020 £	Company 2021 £	Company As restated 2020 £
Loan notes	510,750	247,121	-	-
Trade creditors	555,260	34,153	-	-
Amounts owed to group undertakings	-	-	1,897,501	1,881,591
Other creditors	216,756	633,596	50,100	50,100
Accruals and deferred income	1,625,257	1,051,234	25,200	-
	2,908,023	1,966,104	1,972,801	1,931,691

Refer to note 18 in respect of terms and security details for the loan notes

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

	Group 2021 £	Group As restated 2020 £	Company 2021 £	Company As restated 2020 £
Loan notes	93,327,064	94,164,075	-	-
Amounts owed to group undertakings	46,649,437	41,514,054	46,649,437	41,514,054
	139,976,501	135,678,129	46,649,437	41,514,054

Loan notes of £37,655,670 incur interest at 4.809% and indexed loan notes of £58,606,894 which incur interest at 1.280% plus RPI are repayable by 31 December 2047 (£94,268,506 is due greater than 5 years) and are secured by way of a fixed and floating charge against the assets of the group.

Amounts owed to group undertakings are amounts due of £46,649,437 which incur interest at 12% and are repayable by 31 December 2047 (£46,589,170 is due greater than 5 years).

17. Financial instruments

	Group 2021 £	Group 2020 £
Financial assets		
Cash and cash equivalents	5,407,526	5,134,199
Financial assets that are debt instruments measured at amortised cost	463,362	1,609,525
	5,870,888	6,743,724
Financial liabilities		
Financial liabilities measured at amortised cost	141,970,833	136,834,753

Financial assets that are debt instruments measured at amortised costs comprise trade debtors, other debtors, accrued income and amounts owed to group undertakings.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, other creditors and accruals and amounts owed to group undertakings.

18. Deferred taxation

Group

	2021 £
Charged to profit or loss	(2,153,750)
At end of year	(2,153,750)

18. Deferred taxation (continued)

The deferred taxation balance is made up as follows:

	Group 2021 £
Deferred tax liability on fair value gain in property	(2,153,750)
	(2,153,750)

19. Provisions

Group

	Structural works £	Total £
At 1 July 2020	669,579	669,579
At 30 June 2021	669,579	669,579

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

20. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
5,000 (2020 - 5,000) Ordinary shares of £1.00 each	5,000	5,000
100 (2020 - 100) Class B shares of £1.00 each	100	100
	5,100	5,100

21. Reserves

Revaluation reserve

Includes fair value gains on investment properties net of deferred tax.

Profit and loss account

Includes all current retained profits and losses less dividends paid.

22. Prior year adjustment

On review of the substance of certain transactions in the consolidated profit and loss account, administration expenses of £3,228,037 were reclassified to cost of sales in the year ended 30 June 2020 profit and loss statement. The net impact to the profit and loss account and net assets was £nil.

On review of the terms of various loans with group undertakings, amounts due from group undertakings of £41,445,696 to the company were reclassified from debtors due within 1 year to debtors due greater than 1 year as at 30 June 2020. The net impact to the profit and loss account and net assets was £nil.

On review of the terms of various loans with group undertakings, amounts due to group undertakings of £41,514,054 from the group and company were reclassified from creditors due within 1 year to creditors due greater than 1 year as at 30 June 2020. The net impact to the profit and loss account and net assets was £nil.

On review of the terms of loan notes, loan notes of £1,705,667 were reclassified from balances due within 1 year to balances due greater than 1 year. The net impact to the profit and loss account and net assets was £nil.

23. 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 ongoing and the possible cash outflow, if any, cannot presently be reliably measured.

24. Commitments under operating leases

At 30 June 2021 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2021 £	Group 2020 £
Not later than 1 year	194,152	191,852
Later than 1 year and not later than 5 years	776,608	767,408
Later than 5 years	20,385,960	20,336,312
	21,356,720	21,295,572

25. Controlling party

The Company is a subsidiary undertaking of Arlington Investor Group (S.H. No. 3) Limited, a company registered in Jersey. In July 2021, the ultimate holding company became ASAF (No.1) Limited, a company incorporated in Jersey.

26. First time adoption of FRS 102

The Group and Company transitioned to FRS 102 from Financial Reporting Standard 101 "Reduced Disclosure Framework" as at 1 July 2019.. The impact of the transition to FRS 102 is as follows:

Reconciliation of equity at 1 July 2019

	Note	Group £
Equity at 1 July 2019 under previous UK GAAP		(20,854,000)
Reversal of previously recognised depreciation on investment properties now recorded at fair value	1	6,309,000
Fair value gain on investment properties to 1 July 2019	1	25,233,000
Adjustment for property improvements now recognised as part of investment properties	1	(200,717)
Equity shareholders funds at 1 July 2019 under FRS 102		10,487,283

Reconciliation of equity at 30 June 2020

	Note	Group £
Equity at 30 June 2020 under previous UK GAAP		(25,680,000)
Reversal of previously recognised depreciation on investment properties now recorded at fair value	1	8,591,009
Fair value gain on investment properties to 30 June 2020	1	25,233,000
Adjustment for property improvements now recognised as part of investment properties	1	(128,520)
Equity shareholders funds at 30 June 2020 under FRS 102		8,015,489

Reconciliation of profit and loss account for the year ended 30 June 2020

		Group £
Loss/profit for the year under previous UK GAAP		(4,826,000)
Reversal of depreciation recognised in the year ended 30 June 2020	1	2,425,898
Fair value movements on investment properties	1	(71,692)
Loss/profit for the year ended 30 June 2020 under FRS 102		(2,471,794)

The following were changes in accounting policies arising from the transition to FRS 102:

1 Investment properties and property improvements were previously held at historic cost. On transition to FRS102, these are now held at fair value and gains/losses recognised in the profit and loss account.

ARLINGTON NO.3 HOLDCO LIMITED
AND SUBSIDIARY UNDERTAKINGS

DETAILED ACCOUNTS

YEAR ENDED 30 JUNE 2021

ARLINGTON NO.3 HOLDCO LIMITED AND SUBSIDIARY UNDERTAKINGS

CONSOLIDATED DETAILED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2021

	2021 £	2020 £
Turnover	8,946,115	11,043,246
Cost Of Sales	(4,513,753)	(3,228,037)
Gross profit	4,432,362	7,815,209
Less: overheads		
Administration expenses	(1,496,485)	(1,498,804)
Fair value movements	8,946,234	(71,962)
Operating profit	11,882,111	6,244,443
Interest payable	(9,065,578)	(8,716,237)
Tax on profit/(loss) on ordinary activities	(2,153,750)	-
Profit / (Loss) for the year	662,783	(2,471,794)

ARLINGTON NO.3 HOLDCO LIMITED AND SUBSIDIARY UNDERTAKINGS

SCHEDULE TO THE DETAILED ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2021

	2021	2020
	£	£
Turnover		
Rent receivable	8,903,954	11,001,038
Other income	42,161	42,208
	8,946,115	11,043,246

	2021	2020
	£	£
Cost of sales		
Property operating costs	4,513,753	3,228,037
	4,513,753	3,228,037

	2021	2020
	£	£
Administration expenses		
Consultancy	8,303	-
Legal and professional	14,573	21,442
Auditors' remuneration	66,524	59,661
Bad debts	856,390	1,148,323
Insurance	327,660	108,997
Asset management fees	80,975	63,899
Other administration costs	43,460	-
Depreciation	98,600	96,482
	1,496,485	1,498,804

	2021	2020
	£	£
Interest payable		
Interest on loan notes payable	2,572,465	2,596,045
Amortisation of borrowing costs	56,926	93,063
Indexation charge on loan notes	1,300,804	1,366,817
Interest on subordinated debt	5,135,383	4,660,312
	9,065,578	8,716,237