Registered Company Number : 09496495

Arcade Holloway Limited

Directors' Report and Financial Statements

For the year ended 30 September 2019

Arcade Holloway Limited
Directors' Report and Financial Statements
For the year ended 30 September 2019

Contents

The Directors present their Report and the audited Financial Statements for Arcade Holloway Limited ("the Company") for the year ended 30 September 2019.
In accordance with Companies Act, the Company has taken an exemption from the requirement to prepare a strategic report under section 414B of the Companies Act 2006.

Principal activities

The Company is a private company limited by shares and is incorporated in the United Kingdom. Its principal activities are to provide leasing, management, maintenance, consultancy and operating services to the owners ("PropCos") of student accommodation pursuant to the terms of the operating lease. For the year ending 30 September 2019 the company was a subsidiary of a group headed by IQSA Holdings S.à r.l..

Dividends

The Company did not pay any dividends during the year (2018: £ Nil). The directors do not recommend the payment of a final dividend (2018: £ Nil).

Directorships

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Iliya William Blazic (resigned 29 June 2020)
Stephen Sui Sang Leung (resigned 14 October 2019)
David Samuel Tymms
Rebecca Jane Worthington (appointed 14 October 2019)
Matthew Graham Merrick (appointed 14 October 2019)
Gemma Nandita Kataky (appointed 15 May 2020)
Michael David Vrana (appointed 15 May 2020)

Change in Group structure

On 15 May 2020, IQSA Holdings S.à r.l. was acquired by Capella UK Bidco 1 Limited, a subsidiary of Capella Topco Limited,a Jersey limited company. The ultimate shareholders of Capella Topco Limited are investment funds advised by affiliates of The Blackstone Group Inc.

Accounting principles

Details of the main accounting principles adopted are disclosed in note 2 of these financial statements.

Financial risk management

Credit risk

Credit risk occurs when a counterparty to a financial instrument fails to discharge an obligation to the Company. It may occur through receivables, or cash and cash equivalents held at banks. The Company's receivables relate principally to amounts due from other group companies and students, management monitors the ability of these debtors to meet their obligations on an ongoing basis. Expected credit loss has been calculated as outlined in Note 2.1.3 and Note 2.2.

Interest rate risk

The Company finances its normal operations with cash generated by operations, and short term intercompany loans that are interest free.

Liquidity and cash flow risk

The Company finances its normal operations with cash generated by operations, and intercompany loans. Management mitigates this risk through monitoring cash flow forecasts.

Directors' indemnities and insurance

The Company has agreed to indemnify each director and other officer throughout the year and at the approval date of the financial statements against liabilities incurred in relation to acts of omissions arising in the ordinary course of their duties. The indemnity applies only to the extent permitted by law.

The Company has in place appropriate third party Directors & Officers Liability insurance cover in respect of potential legal action against its directors and officers.

Political donations

The Company has not made any political donations during the year and does not intend to make any political donations in 2020.

Financial instruments

The Company does not use derivative or hedging instruments.

Independent Auditors

The directors of the Company resolved to reappoint PricewaterhouseCoopers LLP as independent auditors of the Company.

Registered Office

The registered office of the Company is 7th Floor Cottons Centre, Cottons Lane, London, United Kingdom, SE1 2QG.

Future Developments

The Company will continue to operate in its current capacity for the foreseeable future.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation. Company law requires the directors to prepare financial statements for each financial 9 month period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingrom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Statement of directors' responsibilities in respect of the financial statements (continued)

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Going Concern

Subsequent to the year end, IQSA Holdings S.à r.l. was acquired by Capella Bidco 1 Limited, a subsidiary of Capella Topco Limited, a Jersey limited company.

The Directors regularly test the business model to ensure that the Company has adequate working capital and has reviewed the current and projected financial position, making reasonable assumptions of the future trading performance of the Company. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for its foreseeable future and, therefore, they adopt the going concern basis in preparing the financial statements.

The Company is reliant on a letter of support from Capella Topco Limited. The Company has received confirmation that Capella Topco Limited intends to support the Company for a period of at least 12 months from the date these financial statements are approved.

A more detailed explanation of this going concern assessment performed by directors can be found in Note 2.1.2 of these financial statements.

On behalf of the Board

Rebecca Jane Worthington
Director
13 August 2020

Independent auditors' report to the members of Arcade Holloway Limited

Report on the audit of the financial statements

Opinion

In our opinion, Arcade Holloway Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 30 September 2019; the Statement of Profit and Loss for the year ended 30 September 2019, the Statement of Changes in Equity for the year ended 30 September 2019; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 30 September 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 (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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Ian Benham

Ian Benham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
13 August 2020

Arcade Holloway Limited
Statement of Profit and Loss
For the year ended 30 September 2019

	Note	Year ended 30-Sep-19 £'000	Period ended 30-Sep-18 £'000
Revenue	3	2,995	2,106
Cost of sales		(2,570)	(1,774)
Gross Profit		**425**	**332**
Administrative expenses		(343)	(295)
Operating Profit	4	**82**	**37**
Interest receivable and similar income		3	2
Profit before income taxation		**85**	**39**
Income tax expense	6	(17)	(24)
Profit for the financial year/period		**68**	**15**

All of the results stated above relate to continuing operations.

The notes on pages 9 to 17 form an integral part of these financial statements.

Arcade Holloway Limited
Statement of Financial Position
As at 30 September 2019

	Note	30-Sep-19 £'000	30-Sep-18 £'000
Assets			
Current assets			
Trade and other receivables	7	1,059	1,018
Cash and cash equivalents	8	905	1,175
Total current assets		**1,964**	**2,193**
Total assets		**1,964**	**2,193**
Creditors - amounts falling due within one year	9	(1,657)	(1,954)
Total liabilities		**(1,657)**	**(1,954)**
Net current assets		**307**	**239**
Net assets		**307**	**239**
Equity			
Called up Share capital	10	-	-
Retained earnings		307	239
Total equity		**307**	**239**

The financial statements on pages 6 to 17 were approved by the board of directors and authorised for issue on 13 August 2020 and are signed on its behalf by:

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Rebecca Jane Worthington
Director

The notes on pages 9 to 17 form an integral part of these financial statements.

Registered Company Number : 09496495

Arcade Holloway Limited
Statement of Changes in Equity
For the year ended 30 September 2019

	Called up Share capital £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 October 2018	-	239	239
Profit for the financial year	-	68	68
Balance at 30 September 2019	-	307	307

	Called up Share capital £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2018	-	224	224
Profit for the financial period	-	15	15
Balance at 30 September 2018	-	239	239

The notes on pages 9 to 17 form an integral part of these financial statements.

1. General Information

The Company is incorporated in the United Kingdom. Its principal activities are to provide leasing, management, maintenance, consultancy and operating services to the owners ("PropCos") of student accommodation.

In August 2018 the Board of Directors resolved to change the financial year end of the Company, from 31 December to 30 September, in line with the academic year. As a consequence the prior financial period started on 1 January 2018 and ended on 30 September 2018. The year end for the current financial year is 30 September 2019.

2. Significant accounting policies

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

2.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing the financial statements, the Company applies the measurement and disclosure requirements of the International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary to comply with Companies Act 2006.

The financial statements have been prepared under the historical cost convention. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.1.1.

The accounting policies which follow set out these policies which apply in preparing the financial statements for the year ended 30 September 2019.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101.

- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statements of cash flows)
  - 16 (statement of compliance with all IFRS)
  - 38(A) (requirement for minimum of two primary statements, including cash flow statements),
  - 111 (cash flow statement information).

- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).

- The requirements in IAS 24, 'Related party disclosures':
  to disclose related party transactions between two or more members of a group;
  paragraph 17 (key management compensation); and
  paragraph 18A related to key management service provided by a separate management entity.
- IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

Disclosure exemptions for subsidiaries are permitted where the relevant disclosure requirements are met in the consolidated financial statements. Where required, relevant disclosures are given in the group financial statements of IQSA Holdings S.à r.l.. Copies of the consolidated financial statements are available upon request from IQSA Holdings S.à r.l. (registered address: 2 Rue du Fosse, Luxembourg, L-1536).

2.1.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

- The Company makes a provision for impairment of trade receivables in line with IFRS 9, outlined within Note 2.1.3 and Note 2.2.

2. Significant accounting policies (continued)

2.1.2 Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its liabilities when they fall due. The Company is reliant on a letter of support from Capella Topco Limited. The Company has received confirmation that Capella Topco Limited intends to support the Company for a period of at least 12 months from the date these financial statements are approved. In addition, the Directors have received confirmation from Capella Topco Limited that the ultimate shareholders have provided Capella Topco Limited and its subsidiaries (the Group) with a guarantee to provide such funding as is necessary to meet the interest payments under the Group's debt facilities up to a total of £73.5m being the Group's forecast interest payments over the period up to and including 15 August 2021. In assessing the Group's and Company's ability to continue as a going concern, the Board has reviewed the trading and cash flow forecasts of the Group against the available financing facilities and covenants which include the Directors' assessment of the impact of COVID-19.

Financing

The Group meets its working capital and funding requirements through two secured senior loan facilities of an aggregate £2.7bn, with further capital expenditure facilities of £181m. These facilities have an initial maturity date of May 2022 with three 1-year extension options. The facilities require quarterly interest payments. They have no default covenants, but include a cash trap mechanism to restrict cash leaving the Group, triggered based on certain financial measures.

Trading forecasts and risks

The principal risk factor that affects the Group's performance is the impact on student accommodation occupancy of COVID-19. The Group prepares, annually, a five year strategic financial model which is tested against the Group's banking covenants. The strategic plan is prepared on a bottom-up, site by site basis, and is reviewed by the Group's executive before being approved by the Board.

The strategic plan, approved by the Board in November 2019 reflected the directors' best estimate of the prospects of the business before COVID-19. The plan has then been updated for the actual performance to 30 June 2020 and overlaid for the expected financial impact of COVID-19 to arrive at a revised base case for the purposes of assessing the going concern of the Group. The base case has been further stress tested for a more severe impact of COVID-19 and uncertainties surrounding diplomatic relations with China, where a significant number of the Group's students originate, that is referred to as the reasonable worst case (RWC) scenario below.

The most significant risk factor that affects the Group's going concern is the impact of the COVID-19 pandemic on the occupancy levels. In preparing the RWC, for the 2020/21 academic year commencing in September 2020, the Group has included the following key assumptions:

- For the 20/21 academic year for students that pay directly to IQSA (whether direct let agreements or under a nomination agreements), assumed occupancy, and therefore income levels, were reduced and start dates delayed.
- Significantly reduced summer 2020 income.
- Cost forecasts for these periods have been flexed downwards in line with occupancy levels where appropriate, for example utility costs.
- Cash outflows in respect of capital expenditure have been reduced to remove some elements of uncommitted capital expenditure

2. Significant accounting policies (continued)

2.1.2 Going concern (continued)

Trading forecasts and risks (continued)

- In the event of further period of UK lock down, refunds/non collection of direct let revenue is similar to that experienced during the initial lock down in March 2020.
- For the 21/22 academic year income and costs return to pre Covid levels

Under the reasonable downside case, when including the support provided by the interest guarantee from the ultimate shareholders, the Group has adequate resources to continue in operational existence for the foreseeable future and therefore can provide the necessary support to the Company if required. Accordingly, the directors have confirmed that, after due consideration, they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

2.1.3 New standards, amendment and IFRS IC interpretations

IFRS 9 'Financial Instruments' replaces the "incurred loss" impairment model in IAS 39 with a forward-looking expected credit loss model. It is no longer necessary for a loss event to occur before an impairment loss is recognised under the new model. Under the new expected loss approach, the Company assesses on a forward-looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is a significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

The Company's significant assets that are subject to IFRS 9's new expected credit loss model are financial assets from the leasing of investment properties in which the general 3-stage approach is applied. The Company was required to revise its impairment methodology under IFRS 9. This did result in a material change in the loss allowance recognised under IFRS 9 compared to the previous impairment provision held under IAS 39. In accordance with the transitional provisions, comparative figures have not been restated.

IFRS 15 'Revenue from Contracts with Customers' has been adopted from 1 October 2018, using the modified retrospective approach and does not have an impact on the timing of revenue recognition.

IFRS 15 does not apply to rental income (within the scope of IAS 17 Leases) which makes up most of the Company's revenue. The Company's other revenue from contracts with customers, as defined in IFRS 15 comprises ancillary revenue.

There are no significant changes to the way the Company has historically accounted for income as a result of the adoption of IFRS 15.

2. Significant accounting policies (continued)

2.2 Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established based on an expected credit loss model applying the simplified approach, which uses a lifetime expected loss allowance for all trade receivables and other receivables.

2.3 Cash and cash equivalents

Cash and cash equivalents includes cash in hand balances, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or fewer. Although the Company does not utilise any bank overdrafts, were an overdrawn position be shown at the end of reporting period it would be disclosed within borrowings in current liabilities.

2.4 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.5 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.
Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.6 Income tax

The tax expense for the year/period comprises current tax. Tax is recognised in the Statement of profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authority.

2.7 Revenue recognition

Revenue includes rental income from property leased out under operating leases (comprising direct lets to students, leases to Universities and/or commercial tenants), hotel revenue and other ancillary income from properties.
Rental income from short term tenants is recognised on a straight-line basis over the lease term. When the Company provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

2. Significant accounting policies (continued)

2.7 Revenue recognition (continued)

Rental income from long term Universities lettings is uplifted by a) Retail Price Index, b) fixed percentage or c) combination of both at every anniversary of the lease and is recognised on a straight-line basis over the academic calendar year. The effective monthly rent is equal to the average monthly rent during the academic calendar year, not stated rent for any particular month.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities.

2.8 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement.

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. The Company designates all its leases as operating leases.

Operating lease payments are recognised as an operating expense in the statement of profit and loss on a straight line basis over the lease term, except for contingent rental payments which are expensed when they arise.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the reporting period in which they are earned.

3 Revenue

100% of the revenue earned by the Company is through assets held in the United Kingdom.

Analysis of revenue by category	**Year ended 30-Sep-19 £'000**	**Period ended 30-Sep-18 £'000**
Rental income	2,965	2,089
Other services	30	17
	2,995	2,106

Income is primarily derived through a mixture of one year contracted rental agreements with students, and/or longer term leases with Universities and hotel revenue. All rental income arises from investment properties the Company operates.

4 Operating profit before taxation

	Year ended 30-Sep-19 £'000	Period ended 30-Sep-18 £'000
Operating profit has been arrived at after charging:		
Wages and salaries	156	122
Other pension costs	2	-
Social security costs	12	4
Staff Costs	170	126
Impairment of trade receivables	4	18
Operating lease expenses	1,804	1,089
Auditors' remuneration (Audit services only)	10	16

Cost of sales arose solely on investment properties which generated rental income and hotel income.
These costs comprise insurance and general maintenance and repair costs of maintaining the properties to a high standard. Additionally, payments made in respect of operating lease payments to the 'PropCo' totalled £1,804,000 (2018: £1,089,000).

5 Employees and Directors

No staff members were directly employed by the entity during the year (2018: Nil). Wages and and salary costs relate to staff costs recharged to the Company by a member of the Group. During the year there were no emoluments paid to Directors (2018: no emoluments).

6 Income tax expense

	Year ended 30-Sep-19 £'000	Period ended 30-Sep-18 £'000
(a) Tax expenses included in profit and loss		
Current tax:		
- UK Corporation tax expense on profits for the year/period	17	24
Total Current expense	17	24
(b) Tax expenses included in profit and loss		
Deferred tax:		
- Origination and reversal of timing differences	-	-
Total Tax expense included in profit and loss	17	24
(c) Tax expenses included in profit or loss		
Profit before taxation	85	39
Profit before taxation multiplied by the standard rate of tax in the UK of 19% (2018: 19%)	16	7
Utilisation of losses	-	-
Prior period adjustment	1	17
Total Tax expense included in profit and loss	17	24

6 Income tax expense (continued)

The Company has no losses for tax purposes available to offset against future profits.

The Company has applied the main rate of corporation tax of 19% for the year ending 30 September 2019 (2018: 19%).

7 Trade and other receivables

	30-Sep-19	30-Sep-18
	£'000	£'000
Trade receivables	467	162
Amounts owed by group undertakings	350	494
Other receivables	237	357
Prepayments and accrued income	5	5
	1,059	1,018

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable upon demand.

Trade receivables represents balances with tenants in relation to the letting of units in the investment property. Trade receivables are stated after provisions for impairment of £29,000 (2018: £24,000).

8 Cash and cash equivalents

	30-Sep-19	30-Sep-18
	£'000	£'000
Cash at bank and in hand	905	1,175

Of the cash balance £38,000 (2018: £91,000) represents security deposits from tenants, and £339,000 (2018: £444,000) has restricted use under the terms of an external loan facility of which this Company forms part of the security along with the properties it operates.

9 Creditors - amounts falling due within one year

	30-Sep-19	30-Sep-18
	£'000	£'000
Trade payables	32	2
Amounts owed to group undertakings	165	289
Corporation tax	17	7
Other creditors	39	93
Deferred income and accruals	1,404	1,563
	1,657	1,954

Amounts owed to group undertakings are unsecured, interest free and are repayable upon demand.

Included within other creditors are the security deposits of £38,000 (2018: £91,000), owed to students at the conclusion of their tenancy. Included within the deferred income and accruals figure is advance payments of rental income received, not recognised as income until earned of £1,312,000 (2018: £1,364,000).

10 Called up Share capital

	30-Sep-19	30-Sep-18
Issued and fully paid:	£'000	£'000
Ordinary shares – 100 (2018: 100) ordinary shares of £1 each	-	-

11 Contingent liabilities and capital commitments

At the year end the Company was a party to a lending facility originated by Citibank N.A. and as a result is considered to be a guarantor and obligor and can therefore be liable to claims of the lenders. On the 14 May 2020 the company became part of a new debt facility of which it is considered to be a guarantor and obligor and can therefore be liable to claims of the lenders. CBRE Loan Services Limited are the Common Security Agents and Trustees for the lenders.

The Company is included in a group VAT registration for VAT purposes and is therefore jointly and severally liable for its, and all other group companies VAT liability.

12 Capital and other commitments

Company as lessee

On 7 April 2015, the Company entered into 20 year lease agreements with IQSA Arcade Holloway Road S.à r.l.. Under these lease agreements, the Company has commitments to pay 97% of the income less operating costs that will arise from lettings of the investment property. Due to the nature of the lease structure where the costs from operating and maintaining the buildings cannot be reasonably predicted it is not possible to calculate a schedule of operating lease commitments.

13 Ultimate controlling party

IQSA Holdings S.à r.l., the main Shareholder at 30 September 2019, having its registered office at 2, Rue du Fossé, L-1536 Luxembourg, is the ultimate parent company into which the Company's financial statements are consolidated.

The Group's ultimate shareholders at 30 September 2019 were The Goldman Sachs Group, Inc. who indirectly owned 64.45%, The Wellcome Trust and Greystar UK Portfolio I Investors who owned 28% and 3.6% respectively.

14 Subsequent Events

On 15 May 2020, IQSA Holdings S.à r.l. was acquired by Capella UK Bidco 1 Limited, a subsidiary of Capella Topco Limited,a Jersey limited company. The ultimate shareholders of Capella Topco Limited are investment funds advised by affiliates of The Blackstone Group Inc.

On 30 January 2020 the World Health Organisation declared the coronavirus was a global health emergency. The going concern considerations were made in the light of the pandemic. The pandemic is considered a non-adjusting post balance sheet event.