

LIBERTY LIVING (LIBERTY AP) LIMITED
Company Number 03633307

Annual Report and Audited Financial Statements
For the year ended 31 August 2017



LIBERTY LIVING (LIBERTY AP) LIMITED

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For the year ended 31 August 2017

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LIBERTY LIVING (LIBERTY AP) LIMITED

COMPANY INFORMATION

For the year ended 31 August 2017

Directors	Maximilian Biagosch Thomas Jackson Gabriel Behr Paul Mullins
Registered Number	03633307
Registered Office	Fifth floor Peninsular House 30-36 Monument Street London EC3R 8NB
Company Secretary	Rachel Heslehurst
Independent Auditor	Deloitte LLP 2 New Street Square London EC4A 3BZ
Property Valuer	Knight Frank LLP 55 Baker Street London W1U 8AN
Property Asset Manager	Liberty Living Limited Fifth floor Peninsular House 30-36 Monument Street London EC3R 8NB
Bank Details	HSBC 130 New Street Birmingham B2 4JU

LIBERTY LIVING (LIBERTY AP) LIMITED

STRATEGIC REPORT

For the year ended 31 August 2017

The Directors present their strategic report on the affairs of Liberty Living (Liberty AP) Limited ('the Company') for the year ended 31 August 2017. The Directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006.

PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS

The principal activity of the Company and the wider Liberty Living Holdings Inc. Group is to invest in student accommodation throughout the United Kingdom. The Directors do not foresee a change of the Company's principal activity in the near future.

REVIEW OF THE BUSINESS

- The Directors report a loss after tax of £2,670,000 (2016: £4,824,000 profit), which is in line with the Directors' expectations. The change to a loss in the year was mainly as a result of a revaluation loss of £4,843,000 (2016: 2,551,000 gain).
- The value of the Company's property was £55,790,000 at 31 August 2017 (2016: £60,030,000). The main reason for the change in value is the revaluation loss disclosed above.
- The Company's Balance sheet has weakened in the period such that net assets are £43,480,000 (2016: £46,150,000), primarily as a result of the loss on revaluation of investment property of £4,843,000 (2016: £2,551,000 gain).
- Post year end the Company entered into steps that impacted balances with related group undertakings and equity. See note 15 for further details.

No dividend was paid during the year (2016: nil) and the Directors do not recommend the payment of a final dividend (2016: nil).

Key performance indicators

The key performance indicators are profit after tax, property valuation and net assets, which are discussed above.

PRINCIPAL RISKS AND UNCERTAINTIES

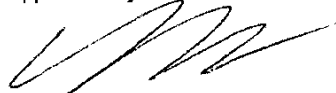
The Directors consider the following to be the principal risks and uncertainties which may affect the Company performance:

- continued availability of finance within the Group; and
- the supply of, and demand for Student Accommodation, and any associated reputation and compliance risks involved in the operation of the properties.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise intercompany balances. Post year end the Company refinanced its short term intercompany loans into instruments with maturities of five, seven and 12 years, see note 15 for further details. The Company is exposed to credit risk through cash held at bank with HSBC Bank plc. The Group's policy is to deposit with highly regarded institutions with credit ratings of at least "A-/A3" by S&P, Fitch or Moody's Investor Services. Other than intercompany balances, the Company has does not have significant credit risk with one single counterparty.

Approved by the Board of Directors on 24 April 2018 and signed on its behalf by:



Gabriel Behr
Director

LIBERTY LIVING (LIBERTY AP) LIMITED

Registered number: 03633307

DIRECTORS' REPORT

For the year ended 31 August 2017

The Directors of Liberty Living (Liberty AP) Limited (the 'Company') present their Annual Report and the audited Financial Statements for the year ended 31 August 2017.

PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS

The principal activity and future developments of the Company are set out in the strategic report.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties are set out in the strategic report.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objectives and policies are set out in the strategic report.

RESULTS AND DIVIDENDS

The Company made a loss for the year of £2,670,000 (2016: £4,824,000 profit), which has been transferred to reserves.

The Directors do not recommend the payment of a dividend (2016: £nil).

DIRECTORS

The Directors set out below held office during the year and to the date of this report unless otherwise stated:

M Biagosch

T Jackson

J Kenny – resigned 3 April 2017

C Marshall – resigned 31 December 2016

P Rayner – resigned 30 November 2016

G Behr – appointed 30 November 2016

P Mullins – appointed 9 March 2018

At no time during the year or to date did any Director have any beneficial interest in the shares of the Company.

DIRECTORS INDEMNITY

Liberty Living Holdings Inc. provides a deed of indemnity to the Directors to the extent permitted by UK law whereby Liberty Living Holdings Inc. indemnifies a Director against any liability incurred in proceedings in which the Director is successful, and against the cost of applying to the court for breach of duty where the Director acted honestly and reasonably. The indemnity has been in force for the year to 31 August 2017 and up to the date of approval of the annual report and financial statements.

LIBERTY LIVING (LIBERTY AP) LIMITED

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 August 2017

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

STATEMENT OF DISCLOSURE TO AUDITOR

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

LIBERTY LIVING (LIBERTY AP) LIMITED

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 August 2017

GOING CONCERN

In considering the appropriateness of the going concern basis the Board have reviewed the key risks and uncertainties to which they believe the Company is exposed, the Company's ongoing financial commitments and the availability of sufficient resources for the next twelve months and beyond.

The Company meets its day to day working capital requirements using cash and intercompany borrowing facilities. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facility. Post year end the Company restructured loans due to related group undertakings that have maturities between five and 12 years, see note 15 for further details.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

EVENTS AFTER THE BALANCE SHEET DATE

Details of significant events since the year end are included in note 15 of the financial statements.

INDEPENDENT AUDITOR

The independent auditor, Deloitte LLP, have expressed their willingness to continue in office as auditor.

Approved by the Board of Directors on 24 April 2018 and signed on its behalf by:



Gabriel Behr
Director

LIBERTY LIVING (LIBERTY AP) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIBERTY LIVING (LIBERTY AP) LIMITED

For the year ended 31 August 2017

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Liberty Living (Liberty AP) Limited (the 'company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 15.

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).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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 these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

LIBERTY LIVING (LIBERTY AP) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIBERTY LIVING (LIBERTY AP) LIMITED (CONTINUED) For the year ended 31 August 2017

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

LIBERTY LIVING (LIBERTY AP) LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIBERTY LIVING
(LIBERTY AP) LIMITED (CONTINUED)
For the year ended 31 August 2017**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or 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
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Philip Doherty

Philip Doherty, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK

25 April 2018

LIBERTY LIVING (LIBERTY AP) LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 August 2017

	Note	2017 £000	2016 £000
Turnover	3	2,381	3,113
Revaluation gain/(loss) on investment property		(4,843)	2,551
Operating (loss)/profit	3	(2,462)	5,664
Interest receivable and similar income	5	5,575	5,591
Interest payable and similar charges	6	(6,848)	(6,868)
(Loss)/profit before tax		(3,735)	4,387
Tax on (loss)/profit	7	1,065	437
(Loss)/profit for the year		(2,670)	4,824

All items in the above statement derive from continuing operations.

There are no items of other comprehensive income for either period and accordingly no statement of comprehensive income has been presented.

The accompanying notes form an integral part of these Financial Statements.

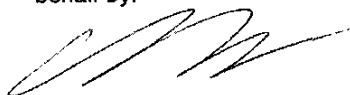
LIBERTY LIVING (LIBERTY AP) LIMITED

BALANCE SHEET
As at 31 August 2017

	Note	2017 £000	2016 £000
Fixed assets			
Investment property	8	55,790	60,030
Investment in subsidiaries	9	3	3
		<u>55,793</u>	<u>60,033</u>
Current assets			
Debtors due within one year	10	31,954	32,632
Debtors due greater than one year	10	99,833	99,833
		<u>131,787</u>	<u>132,465</u>
Creditors: amounts falling due within one year	11	<u>(16,749)</u>	<u>(17,889)</u>
Net current assets		115,038	114,576
Total assets less current liabilities		170,831	174,609
Creditors: amounts falling due after more than one year	11	(122,300)	(122,300)
Deferred tax	12	(5,051)	(6,159)
Net assets		<u>43,480</u>	<u>46,150</u>
Capital and reserves			
Called up share capital	13	100	100
Share premium account		5,492	5,492
Profit and loss account		37,888	40,558
Equity Shareholder's funds		<u>43,480</u>	<u>46,150</u>

The accompanying notes form an integral part of these Financial Statements.

The Financial Statements were approved by the Board of Directors on 24 April 2018 and signed on its behalf by:



Gabriel Behr
Director

LIBERTY LIVING (LIBERTY AP) LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 August 2017

	Share capital £000	Share premium account £000	Profit and loss account £000	Total £000
At 1 September 2015	100	5,492	35,734	41,326
Profit for the year	-	-	4,824	4,824
Total comprehensive income	-	-	4,824	4,824
At 1 September 2016	100	5,492	40,558	46,150
Loss for the year	-	-	(2,670)	(2,670)
Total comprehensive income	-	-	(2,670)	(2,670)
At 31 August 2017	100	5,492	37,888	43,480

LIBERTY LIVING (LIBERTY AP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2017

1. ACCOUNTING POLICIES

The Financial Statements are prepared in accordance with accounting standards applicable in the United Kingdom and the functional and presentational currency of the Company is pounds sterling (£). The particular accounting policies adopted are described below.

General information and basis of accounting

Liberty Living (Liberty AP) Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is given on the company information page. The nature of the Company's operation and its principal activities are set out in the Directors' report.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The Company is included in the consolidated financial statements of Liberty Living Holdings Inc. and therefore exempt from preparing consolidated financial statements. The Company meets the definition of a qualifying entity under FRS 102 and therefore has taken advantage of the disclosure exemptions in relation to financial instruments, the presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

Turnover

Turnover, which relates to the provision of student accommodation, represents rental income which is accounted for on an accruals basis and ancillary income. Rental income received in advance is recognised as deferred income on the balance sheet and recognised as turnover over the rental contract term to which it relates. Ancillary income is recognised on the date that the charge is incurred. Turnover is stated net of VAT and is wholly derived from the United Kingdom.

Operating costs, interest receivable and payable

Operating costs are costs relating to the provision of revenue and other income associated with student accommodation and accounted for on an accruals basis. Interest receivable and payable are also recognised on an accruals basis.

Investment property

Investment properties for which fair value can be measured reliably without undue costs or effort on an ongoing basis are measured at fair value annually with any change recognised in the profit and loss account. Incremental costs of replacement or redevelopment incurred are capitalised and separately disclosed.

LIBERTY LIVING (LIBERTY AP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 August 2017

Taxation

Current tax, being UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to investment property using the revaluation model and is measured using the tax rates and allowances that apply to sale of the asset.

Investments in Subsidiaries

Investments in Subsidiaries are stated at cost less provision for any impairment in value which is considered by the Company to be permanent.

Financial instruments

The Company's financial instruments comprise debtors, cash and cash equivalents and creditors. Debtors and creditors include intercompany balances. Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at fair value and subsequently measured at amortised cost. Financial assets are generally derecognised when the contractual rights to the cash flows from the financial asset expire or are settled. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Going Concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. See the Directors report for details on the Directors going concern assessment.

LIBERTY LIVING (LIBERTY AP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 August 2017

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the accounting policies, above in note 1, 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. These are summarised below:

Estimate

Investment properties

The Company's investment properties are carried at their fair value as at the reporting date, key estimates used in arriving at the valuation include rents, occupancy, other income and facility management costs. Further information regarding the valuation process is included in note 8.

3. TURNOVER AND OPERATING (LOSS)/PROFIT

Turnover

	2017 £000	2016 £000
Contingent rent recognised as turnover	2,381	3,113

Operating (loss)/profit

Auditor's remuneration of £8,000 (2016 - £6,000) in respect of the 2017 audit of the Company's financial statements has been borne by related group company.

4. EMPLOYEES AND DIRECTORS REMUNERATION

The Directors were not remunerated by the Company in either year as they are employed and remunerated for their service to the wider Liberty Living Holdings Inc. Group. Certain Directors are employed within the Liberty Living Holdings Inc. Group by Liberty Living Limited and details of remuneration paid by the company are set out in its financial statements. Where Directors are employed by the Canada Pension Plan Investment Board no charge for remuneration is made in the Liberty Living Holdings Inc. Group.

The Company has no employees.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017 £000	2016 £000
Interest on Group related party loans	5,575	5,591
	<u>5,575</u>	<u>5,591</u>

LIBERTY LIVING (LIBERTY AP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 August 2017

6. INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable and similar charges includes:

	2017 £000	2016 £000
Interest on Group related party loans	<u>6,848</u>	<u>6,868</u>
	6,848	6,868

7. TAX ON (LOSS)/PROFIT

The tax credit comprises:

	2017 £000	2016 £000
Current tax		
Charge for the year	43	-
Adjustments in respect of prior years	<u>-</u>	<u>132</u>
Total current tax	<u>43</u>	<u>132</u>
Deferred tax		
Origination and reversal of timing difference	(809)	509
Change in tax rates	(297)	(684)
Adjustment in respect of prior years	<u>(2)</u>	<u>(394)</u>
Total deferred tax	<u>(1,108)</u>	<u>(569)</u>
Total tax credit on (loss)/profit	<u>(1,065)</u>	<u>(437)</u>

The Finance Act 2016, which was substantively enacted on 15 September 2016, provided for a further reduction in the main rate of UK corporation tax from 19% to 17% with effect from 1 April 2020. This change has been taken into account in calculating the current year tax charge, where applicable.

LIBERTY LIVING (LIBERTY AP) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****For the year ended 31 August 2017****Analysis of the tax credit**

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax and the differences are explained below:

Factors affecting the tax credit:

	2017 £000	2016 £000
(Loss)/profit before tax	<u>(3,735)</u>	<u>4,387</u>
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19.58% (2016:20%)	(731)	877
Effects of:		
Expenses not tax deductible	78	-
Group relief not paid	(184)	(369)
Adjustments to tax charge in respect of previous periods	(2)	(261)
Rate differences on deferred tax	71	-
Change in tax rates	<u>(297)</u>	<u>(684)</u>
Total tax credit	<u>(1,065)</u>	<u>(437)</u>

LIBERTY LIVING (LIBERTY AP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 August 2017

8. INVESTMENT PROPERTY

	Investment property at cost £000	Property revaluation £000	Total £000
At 1 September 2016	23,837	36,193	60,030
Property additions	603	-	603
Revaluation in year	-	(4,843)	(4,843)
At 31 August 2017	<u>24,440</u>	<u>31,350</u>	<u>55,790</u>

The Company's investment property is owned through a freehold interest.

The Group's investment properties are valued at market value at the balance sheet date of 31 August 2017 by Knight Frank LLP, an independent firm of professional property valuers which is regulated by the Royal Institution of Chartered Surveyors ('RICS'). The valuation was conducted in accordance with RICS Valuation — Global Standards 2017, incorporating the International Valuations Standards and RICS Professional Standards UK 2014 (revised April 2015).

Knight Frank employs an investment approach to derive the valuation of the properties. Income generated from a property is capitalised using market initial yields derived, where possible, from comparable market transactions. Knight Frank value on a property-by-property basis, using their expertise to assess individual assumptions including rents, occupancy, other income and facility management costs.

9. INVESTMENT IN SUBSIDIARIES

The Companies direct and indirect* subsidiaries, all 100% owned through interests in ordinary shares, are as follows:

Company Name	Country of incorporation	Principal activity
Liberty Living (Liberty CP) Limited	United Kingdom	Property Investment
Liberty Living (Liberty PP) Limited	United Kingdom	Property letting, Management and Holding company
Liberty Prospect Point (Liverpool) Limited*	United Kingdom	Property letting and Management
Liberty Atlantic Point (Liverpool) Limited	United Kingdom	Property letting and Management
Liberty Cambrian Point (Cardiff) Limited*	United Kingdom	Property letting and Management
Liberty Living (LP Coventry) Limited	United Kingdom	Property Investment
Liberty Point (Manchester) Limited	United Kingdom	Property letting and Management
Liberty Living (LP Manchester) Limited	United Kingdom	Property Investment
Liberty Point (Coventry) Limited	United Kingdom	Property letting and Management
Liberty Living (Liberty SP) Limited	United Kingdom	Property Investment
Liberty Severn Point (Cardiff) Limited	United Kingdom	Property letting and Management
Liberty Quay (Newcastle) Limited	United Kingdom	Property letting and Management
Liberty Living SpareCo Limited	United Kingdom	Holding company
Liberty Living (LQ Newcastle) Limited*	United Kingdom	Property Investment

The registered office of the Company's subsidiaries is Fifth floor, Peninsular House, 30-36 Monument Street, London, EC3R 8NB.

LIBERTY LIVING (LIBERTY AP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 August 2017

10. DEBTORS

	2017	2016
	£000	£000
Amounts owed from Group related undertakings	31,954	32,632
Debtors: due within one year	31,954	32,632
Loans due from Group related undertakings	99,833	99,833
Debtors: due greater than one year	99,833	99,833

Post year end the Company capitalised balances owed from related group undertakings. See note 15 for further details.

11. CREDITORS

	2017	2016
	£000	£000
Bank overdraft	12	12
Tax and social security	44	-
Amounts owed to Group related undertakings	16,693	17,877
Creditors: amounts due within one year	16,749	17,889
Loans owed to Group related undertakings	122,300	122,300
Creditors: amounts due after one year	122,300	122,300

The Company entered into a loan with a related group undertaking which is repayable on 29 November 2018 and carries an interest rate of 5.6%. Post year end the Company capitalised balances owed to related group undertakings. See note 15 for further details.

LIBERTY LIVING (LIBERTY AP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 August 2017

12. DEFERRED TAX

	Investment properties	Accumulated capital allowances and other timing differences	Total
	£000	£000	£000
At 1 September 2016	6,514	(355)	6,159
Credit to the profit and loss account	(1,185)	77	(1,108)
At 31 August 2017	5,329	(278)	5,051
As at 1 September 2015	6,728	-	6,728
Credit to the profit and loss account	(214)	(355)	(569)
As at 31 August 2016	6,514	(355)	6,159

13. SHARE CAPITAL

Allotted, called up and fully paid

	2017 £	2017 Number of shares	2016 £	2016 Number of shares
Ordinary shares of £1 each	100,000	100,000	100,000	100,000

The Company has one class of ordinary share which carry no right to fixed income.

14. CONTROLLING PARTIES

The Company's immediate parent company is Liberty Living UK Limited, a company incorporated and registered in the United Kingdom. The ultimate controlling party is the Canada Pension Plan Investment Board. The smallest and largest group to consolidate these accounts is the group headed by Liberty Living Holdings Inc., a company incorporated in Canada.

The registered office address of the above companies is set out below:

Liberty Living UK Limited	Fifth Floor Peninsular House, 30-36 Monument Street, London, United Kingdom, EC3R 8NB
Canada Pension Plan Investment Board	One Queen Street East, Suite 2500, Toronto, ON M5C 2W5, Canada
Liberty Living Holdings Inc.	One Queen Street East, Suite 2500, Toronto, ON M5C 2W5, Canada

LIBERTY LIVING (LIBERTY AP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 August 2017

15. SUBSEQUENT EVENTS

External refinancing

As at 31 August 2017, the Company was party to a guarantee for the £200 million loan facilities of £100 million each with HSBC Bank plc and The Royal Bank of Scotland plc and the US\$155 million (c.£100 million) US loan notes taken out by a related group undertaking. The Company's assets were pledged as security for the facilities. Following the year end the following steps occurred:

- On 13 November 2017, a related group undertaking, Liberty Living Finance plc, entered into a £400m Facilities agreement with HSBC Bank plc, the Royal Bank of Canada and the Royal Bank of Scotland plc with a five year term.
- On 28 November 2017, the same undertaking issued two £300m bond tranches with maturities of seven and 12 years respectively. The Company, along with other Group related undertakings, has irrevocably and unconditionally, jointly and severally, guaranteed to meet the obligations of Liberty Living Finance plc with respect to the amounts borrowed in the event Liberty Living Finance plc fails to meet its obligations when they fall due.
- the proceeds raised on 13 November 2017 were used to repay the £200 million loan facilities and the US\$155 million US loan notes which released the Company from the security pledged.

Capital restructure

Post year end the Company entered into the following steps impacting net assets and equity:

- On 28 November 2017 the Company received £21,780,000 of the proceeds of the new financing from Liberty Living Finance plc which, along with loan repayments received in January 2018 from other subsidiary undertakings of £83,624,000. The Company use the funds to repay an intercompany loan with a related Group undertaking totalling £105,414,000. The new intercompany loans have a maturity period of between five and 12 years.
- On 12 January 2018 the Company increased its investments in two subsidiary undertakings. The Company subscribed for 1 ordinary share of £1.00 in each Company for a total amount of £28,381,000 in one subsidiary and £5,258,000 in the other subsidiary. Pursuant to a Deed of Set-off, the Company and the subsidiaries set-off the consideration paid for the allotment and issue of the £1.00 shares referred to above against the amount of a loan due from the subsidiaries to the Company being in total £23,381,000 and £5,258,000. Therefore, the amount of the Consideration shall be discharged in its entirety and the loan amount shall be reduced to nil.
- On 12 January 2018 the Company's majority shareholder subscribed for 5,901 ordinary shares of £1.00 in the Company for a total amount of £10,898,000 and pursuant to the Deed of Set-off, the Company's majority shareholder and the Company set-off the consideration paid for the allotment and issue of the 5,901 £1.00 shares in the Company referred to above against the amount of a loan due from the Company to the Company's sole member being in total £10,898,000. Therefore the amount of the Consideration shall be discharged in its entirety and the loan amount shall be reduced to nil.
- On 16 January 2018 the Company made a bonus issue to the two members of the Company of 105,901 new ordinary shares in the Company by capitalising an amount standing to the credit of the Company's profit and loss reserve equal to £38,056,000.
- On 23 January 2018 the Company undertook a capital reduction of its share capital and share premium to the profit and loss reserve of £54,335,000.

LIBERTY LIVING HOLDINGS INC.

**Report and Consolidated Financial Statements
For the year ended 31 August 2017**

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LIBERTY LIVING HOLDINGS INC.

CORPORATE INFORMATION

For the year ended 31 August 2017

Liberty Living Holdings Inc. (the 'Company') is a wholly-owned subsidiary of Canada Pension Plan Investment Board ('CPPIB'), and owns the Liberty Living Student accommodation business. CPPIB is a federal Crown corporation, all of the shares of which are owned by Her Majesty the Queen in right of Canada. CPPIB is governed by the *Canada Pension Plan Investment Board Act* (the 'Act') and is responsible for assisting the Canada Pension Plan (the 'CPP') in meeting its obligations to contributors and beneficiaries under the CPP. CPPIB is responsible for managing amounts that are transferred to it under Section 108.1 of the Act in the best interests of CPP beneficiaries and contributors.

CPPIB's assets are to be invested in accordance with the Act, its regulations and investment policies with a view to achieving a maximum rate of return without undue risk of loss, having regard to the factors that may affect the funding of the CPP and the ability of the CPP to meet its financial obligations on any given business day.

The Company's registered office is at One Queen Street East, Suite 2500, Toronto, ON M5C 2W5, Canada.

LIBERTY LIVING HOLDINGS INC.

DIRECTORY

For the year ended 31 August 2017

Directors of the Company:

Karen Rowe
Pierre Abinakle

Registered Office:

One Queen Street East
Suite 2500
Toronto
ON M5C 2W5
Canada

Auditor:

Deloitte LLP

Property Valuer:

Knight Frank LLP

The five principal UK subsidiary holding companies are:

Liberty Living Investments Limited
Liberty Living Investments GP1 Limited
Liberty Living Investments GP2 Limited
Liberty Living Investments GP3 Limited
Liberty Living Investments II Limited

UK Head Office:

Liberty Living Limited
Fifth floor
Peninsular House
30-36 Monument Street
London
EC3R 8NB

Directors of the five principal UK subsidiary holding companies:

Non-Executive Directors:

David Shearer (Executive Chairman)
Catherine Lynn
Gary John
Thomas Jackson
Maximillian Biagosch
Michael Goldberg

Executive Directors:

Paul Mullins (Chief Executive Officer) – appointed 27 September 2017
Gabriel Behr (Chief Financial Officer) – appointed 24 November 2016
Charles Marshall (Chief Executive Officer) – resigned 31 December 2016
Paul Rayner (Interim Chief Financial Officer) – resigned 30 November 2016
John Kenny (Chief Operating Officer) – resigned 3 April 2017

Liberty Living UK Operational Management Team:

Chief Executive Officer – Paul Mullins
Chief Financial Officer – Gabriel Behr
Investment Director – Peter Cross
Director of Property Services – Michael Nelson
Operations and Sales Director – Paul Watson
Legal Director and Company Secretary – Rachel Heslehurst

LIBERTY LIVING HOLDINGS INC.

STRATEGIC REPORT

For the year ended 31 August 2017

This strategic report has been prepared for Liberty Living Holdings Inc. and its subsidiaries ('the Group') as a whole and therefore gives greater emphasis to those matters which are significant to the Group when viewed as a whole.

PRINCIPAL ACTIVITY AND FUTURE OUTLOOK

The principal activity of the Group is to invest in and operate student accommodation property. The Directors do not foresee a change in principal activity in the near future

RESULTS AND REVIEW OF BUSINESS

Results

The key performance indicators for the year ended 31 August 2017 are set out below:

- (1) Turnover of the Group amounted to £135.4m (2016: £117.6m).
- (2) EBITDA, as disclosed in note 16, amounted to £80.5m (2016: £74.6m)
- (3) The valuation of the Group's property portfolio at 31 August 2017 was £2.1bn (2016: £1.6bn).
- (4) The net assets of the Group at 31 August 2017 stood at £1.9bn (2016: £1.4bn).

Current Portfolio

As at 31 August 2017 the Group owned a geographically diverse portfolio of 53 residences located in 19 major university towns and cities across the United Kingdom and two cities in mainland Europe providing accommodation for students. The number of beds at 31 August 2017 is 24,636. The total value of the portfolio was independently valued by Knight Frank LLP at 31 August 2017 at £2.1 billion (2016: £1.6 billion).

On 31 March 2017 the Group acquired the Union State portfolio of 11 UK sites and 2 European sites totalling 6,484 beds and a commercial property at a total cost, including tax and costs of £469.6m. In the same month, the Group also disposed of 1,591 beds from its portfolio from seven non-core assets.

Liberty Living

The Group markets its UK accommodation under the Liberty Living brand and places high importance on providing students with quality accommodation and excellent levels of service.

OUTLOOK

UK Student Accommodation Market Overview

The student intake via UCAS for 2016/17 reached a record high of 535,200 (2015 – 532,300), with significant unmet demand (183,150 more applicants than places). The number of purpose-built beds in 2016/17 has reached 568,000, reflecting an increase of 5.4% on the previous year. Universities, for the most part, remain capital constrained and are small net contributors to new accommodation.

LIBERTY LIVING HOLDINGS INC.

STRATEGIC REPORT

For the year ended 31 August 2017

UCAS Update

Data on 2017/18 applications made by 14 September, 4 weeks after A level results day, showed that 505,680 people had been placed in full-time higher education, a 1% decrease on the prior record breaking year, but broadly in line with the 2015/16 number. As it stands, placements of EU students are down 2.5% on the prior year, whilst non-EU international student placements have increased by 3.2%. The total number of applicants continues to be higher than places available, with 24% of applicants not being accepted to a course, showing continued surplus demand for UK higher education. Final data on the student intake for the 2017/18 academic year will be published by UCAS in December 2017.

Transactions in UK Student Accommodation

Following a record year of transactions in the UK student accommodation sector in 2015 of £5.1 billion, volumes in 2016 were somewhat lower at £3.2 billion, but still characterised by major portfolio acquisitions by overseas investors. In 2017, significant investment activity has occurred, including recent single asset transactions such as Woburn Place, London (£135 million), Aston Student Village (£227 million), and continued portfolio activity such as:

- Europa Generation's £165 million investment in a portfolio of 6 forward fund Watkin Jones assets (1,700 beds).
- Brookfield's £295 million acquisition of a 3,100 bed portfolio of former Unite Group assets.

United Kingdom's Exit from the European Union ('Brexit')

The potential impact of Brexit on occupational demand for student accommodation from EU students is considered to be limited. Students from the EU represent only about 7% of total student numbers while the acknowledged excellence of UK higher education is expected to support demand even if higher fees become payable. However, the Directors of Liberty Living note the potential impact which the UK exiting the EU may have on student numbers, particularly in Scotland. It should be noted that at this stage the Government has not set out its long-term plans for EU student fees or potential EU visa requirements. The effects of Brexit on occupational demand are therefore very difficult to quantify at this stage. Whilst the full impact of Brexit on the student accommodation market is still uncertain, the Group's reliance on EU students is in line with overall industry representation.

Cladding

In light of the events at Grenfell Tower, London on 14 June, in which a Local Authority residential tower block was destroyed by fire with significant loss of life, the Group has taken immediate action to investigate the fire safety of the portfolio, appointing fire and build consultants, with a particular focus on the presence of Aluminium Composite Material (ACM) cladding systems.

The outcome of the Liberty Living investigation is that six properties have some form of ACM (Class 3) cladding. The Group has followed guidelines issued by the Department for Communities and Local Government and has identified specific blocks within two sites in Newcastle and Wolverhampton as requiring immediate remediation works. This has resulted in 654 rooms being unavailable for occupation in the 2017/18 academic year. The remaining four properties have a smaller amount of ACM cladding (estimated to be of 10-25% of the external wall area), and are assessed as being safe for continued occupation, when considering the full range of risks and safety features in these buildings.

Knight Frank's independent valuation has included a deduction for the estimated total cost of the cladding replacement works (plus a contingency of 10%) at all six buildings, together with a reduction in valuation relating to the one-off loss of income in Newcastle and Wolverhampton.

LIBERTY LIVING HOLDINGS INC.

STRATEGIC REPORT

For the year ended 31 August 2017

UK Property Market

The Group's material revenue and operations are located in the United Kingdom. Historic performance of the UK student accommodation market in the last decade has demonstrated that it has only a limited correlation to the United Kingdom economic cycles and commercial property market. The Group's revenue in the United Kingdom is spread over 51 residences in 19 towns and cities and a large number of occupiers and it is a core business policy to increase revenue and capital value year-on-year by active asset management.

RISK MANAGEMENT

The Directors consider risk management to be a cornerstone of protecting the investment and performance returns for investors. Details of the Group's financial risk exposures and its management processes for addressing risk exposures are set out in Note 16.

LIBERTY LIVING HOLDINGS INC.

DIRECTORS' REPORT

For the year ended 31 August 2017

The Directors present their annual report and the audited consolidated financial statements for Liberty Living Holdings Inc. ('the Company') for the year ended 31 August 2017. The Company was formerly named CPPIB Liberty Living Inc. and changed its name to Liberty Living Holdings Inc. on 31 October 2017. The Company was formed on 9 December 2014.

PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS

The principal activity of the Company and future developments are set out in the Strategic Report.

CONTROLLING PARTY

The Company and the Group's controlling party is its owner, Canada Pension Plan Investment Board ('CPPIB').

DIVIDENDS

During the year the Company paid £nil dividends (2016: £nil). The Directors do not recommend the payment of a dividend (2016: £nil).

RISK MANAGEMENT

The Directors consider risk management to be a cornerstone of protecting the investment and performance returns for investors. Details of the Group's financial risk exposures and its management processes for addressing risk exposures are set out in note 16 of the financial statements.

SUBSEQUENT EVENTS

On 3 November 2017, Liberty Living Finance plc, a Group subsidiary, entered into a new five year floating unsecured £250m term loan plus a £150m RCF with three banks. The funds are expected to be drawn post signing of these financial statements in November 2017. This facility will replace the Company's current revolving credit facility which will be repaid on the same day the new term loan is drawn down. On 3 November 2017, the Company issued a repayment notice to the holders of the Company's \$155m US private placement notes and expects to repay these on the same day the term loan is drawn, along with the settlement of any make whole amount due and the related cross currency swap. All security on the facilities in issue at 31 August 2017 will be released on the date they are repaid. Liberty Living Holdings Inc. is not an obligor to the new debt facilities. See Note 13 and 16 for further details.

DIRECTORS

The Directors of the Company set out below held office during the year and up to the date of signing the annual report and accounts were:

Karen Rowe

Pierre Abinakle (appointed 2 September 2016)

Andrea Jeffery (resigned 2 September 2016)

As at 31 August 2017, no Directors had any beneficial interest in the shares of the Company.

SECRETARY

The Secretary of the Company during the year and up to the date of signing the annual report and accounts was:

Andrea Jeffery (resigned 2 September 2016)

Pierre Abinakle (appointed 2 September 2016)

REPORTING CURRENCY

The Company and the Group's reporting currency on these financial statements is UK Pound Sterling or GBP (£), reflecting the operating currency of the business.

LIBERTY LIVING HOLDINGS INC.

DIRECTORS' REPORT

For the year ended 31 August 2017

CORPORATE GOVERNANCE OF THE BUSINESS

The Group's material operations in the year were in the United Kingdom. Operational management of the business is provided by the Liberty Living UK Operational Management Team, whose principal members are detailed in the Directory section of these statements.

Corporate governance of the business is provided by a board detailed in the Directory section of these statements. The UK Board provides assurance to the Directors of the Company on the contents of the financial statements.

GAAP APPLIED IN THE FINANCIAL STATEMENTS

The Company and Group have applied United Kingdom Generally Accepted Accounting Principles ('UK GAAP'), including FRS 102 for the year ending 31 August 2017 and August 2016.

GOING CONCERN

In considering the appropriateness of the going concern basis the Directors have reviewed the key risks and uncertainties to which they believe the Group is exposed, the Group's ongoing financial commitments and the availability of sufficient resources for the next twelve months and beyond.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate over the next 12 months. This view has been strengthened by the refinancing that occurred in November 2017 as the Group entered into a new £250m five year term loan and £150m revolving credit facility. This will replace the revolving credit facility and US Private Placement notes. The new facilities are subject to financial covenants, interest cover ratio and loan to value, over a group of guarantor subsidiaries. The Directors are comfortable that the Group will meet the covenant tests over the next 12 months.

Given the Group has borrowed at a conservative loan to value at an interest rate of LIBOR plus a margin of between 1.45% and 2.20%, the Directors are comfortable that the Group will meet the covenant tests over the next 12 months.

The Directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

INDEPENDENT AUDITOR

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that they ought to have taken as a Director in order to for them to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Deloitte LLP have signified their willingness to remain in office.

Approved by the Board of Directors on 8 November 2017 and signed on its behalf by

KAREN ROWE

Name: Karen Rowe
Title: Director

LIBERTY LIVING HOLDINGS INC.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 August 2017

The Directors have chosen to prepare financial statements for each financial period which gives 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 those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and to ensure that the financial statements are prepared in accordance with accounting principles generally accepted in the United Kingdom. They 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIBERTY LIVING HOLDINGS INC.
For the year ended 31 August 2017**

Report on the audit of the non-statutory financial statements

Opinion

In our opinion the non-statutory financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2017 and 31 August 2016 and of the profit for the years then ended, and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland",

We have audited the non-statutory financial statements of Liberty Living Holdings Inc. (the 'company') which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and company balance sheets;
- the consolidated and company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies and the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is 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).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the non-statutory financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the non-statutory financial statements in the UK, including the FRC'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

We are required by ISAs (UK) to report in respect of the following matters where.

- the directors' use of the going concern basis of accounting in preparation of the non-statutory financial statements is not appropriate; or
- the directors have not disclosed in the non-statutory 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 non-statutory financial statements are authorised for issue.

We have nothing to report in respect of these matters.

LIBERTY LIVING HOLDINGS INC.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIBERTY LIVING HOLDINGS INC.
For the year ended 31 August 2017**

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the non-statutory financial statements and our auditor's report thereon. Our opinion on the non-statutory financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-statutory financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-statutory financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the non-statutory 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 in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the non-statutory financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of non-statutory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-statutory 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.

Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 non-statutory financial statements.

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

Use of our report

This report is made solely to the company's directors, as a body, in accordance with our engagement letter and solely for the purpose of reporting to the directors and members on the consolidated and company results of Liberty Living Holdings Inc.. Our audit work has been undertaken so that we might state to the company's directors 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, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP

Deloitte LLP
London, UK
8 November 2017

LIBERTY LIVING HOLDINGS INC.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 August 2017

	Note	Total 2017 £m	Total 2016 £m
Turnover	4	135.4	117.6
Operating costs		(39.5)	(32.0)
Administrative expenses		(15.4)	(11.0)
Depreciation, amortisation and impairment		(15.1)	(10.5)
Revaluation of investment properties		(13.2)	41.4
Loss on disposal of investment properties		(4.5)	-
Operating profit	4	47.7	105.5
Finance income and similar items	6	2.6	17.9
Finance expense and similar charges	6	(7.8)	(31.0)
Profit on ordinary activities before tax		42.5	92.4
Tax (charge)/credit on ordinary activities	7	(1.6)	4.0
Profit for the year		40.9	96.4

All gains and losses arise from continuing activities.

The accompanying notes form an integral part of these financial statements.

LIBERTY LIVING HOLDINGS INC.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 August 2017

	Note	2017 £m	2016 £m
Profit for the year		40.9	96.4
Translation of foreign operations		1.2	-
Total comprehensive income for the year attributable to equity shareholders of the Company		42.1	96.4

LIBERTY LIVING HOLDINGS INC.

CONSOLIDATED BALANCE SHEET
As at 31 August 2017

	Note	2017 £m	2016 £m
Non-current assets			
Intangible assets	8	77.0	86.5
Investment properties	9(i)	2,055.2	1,638.8
Other tangible fixed assets	9(ii)	26.1	0.1
Financial assets at fair value through profit or loss	16	14.1	11.9
		<u>2,172.4</u>	<u>1,737.3</u>
Current assets			
Cash and cash equivalents	10	18.0	18.4
Debtors, prepayments and accrued income	11	11.2	5.6
		<u>29.2</u>	<u>24.0</u>
Current liabilities			
Creditors: amounts falling due within one year	12	(55.8)	(40.8)
Bank loans	13	(70.0)	-
		<u>(125.8)</u>	<u>(40.8)</u>
Net current liabilities		<u>(96.6)</u>	<u>(16.8)</u>
Total assets less current liabilities		<u>2,075.8</u>	<u>1,720.5</u>
Long-term liabilities			
Creditors: amount due after more than one year			
Bank loans and loan notes	13	(120.3)	(278.1)
Deferred tax	14	(54.2)	(53.4)
Financial liabilities at fair value through profit or loss	16	-	(0.5)
		<u>(174.5)</u>	<u>(332.0)</u>
Net assets		<u>1,901.3</u>	<u>1,388.5</u>
Capital and reserves			
Share capital	15	-	-
Share surplus		1,681.6	1,210.9
Translation reserve		1.2	-
Profit and loss reserve		218.5	177.6
		<u>1,901.3</u>	<u>1,388.5</u>
Equity shareholders' funds		<u>1,901.3</u>	<u>1,388.5</u>

All items in the above statement derive from continuing operations.

The accompanying notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 8 November 2017 and signed on its behalf by:

KAREN ROWE

Name: Karen Rowe
Title: Director

LIBERTY LIVING HOLDINGS INC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 August 2017

	Share capital	Share surplus	Translation reserve	Profit and loss reserve	Total
	£m	£m	£m	£m	£m
As at 31 August 2015	-	1,160.7	-	81.2	1,241.9
Profit for the period	-	-	-	96.4	96.4
Total comprehensive income	-	-	-	96.4	96.4
Net investment through share surplus ¹	-	50.2	-	-	50.2
At 31 August 2016	-	1,210.9	-	177.6	1,388.5
Profit for the period	-	-	-	40.9	40.9
Translation of foreign operations	-	-	1.2	-	1.2
Total comprehensive income	-	-	1.2	40.9	42.1
Net investment through share surplus ¹	-	470.7	-	-	470.7
At 31 August 2017	-	1,681.6	1.2	218.5	1,901.3

1. In 2017 a gross contribution of £470.7m was received from the shareholder. In 2016 the £50.2m is the net of a £57.0m contribution to the capital of the company from the shareholder of the Company and £6.8m repayment of surplus proceeds via a shareholder resolution.

LIBERTY LIVING HOLDINGS INC.

CONSOLIDATED CASH FLOW STATEMENT
 For the year ended 31 August 2017

	Note	2017 £m	2016 £m
Operating activities			
Profit before tax		42.5	92.4
Adjustments to reconcile profit before tax to cash flows from operating activities:			
- Revaluation of investment properties		13.2	(41.4)
- Finance expense		7.8	31.0
- Finance income		(2.6)	(17.9)
- Depreciation, amortisation and impairment		15.1	10.5
- Loss on disposal of investment property		4.5	-
Net cash generated from operating activities before changes in working capital		80.5	74.6
Increase in debtors		(5.2)	(1.1)
Increase/(decrease) in creditors		5.3	(3.3)
Tax paid		(0.4)	(0.9)
Cash flows from operating activities		80.2	69.3
Investing activities			
Disposal of investment property		54.5	-
Enhancement of investment properties		(35.4)	(29.8)
Acquisition of:			
- investment properties		(442.8)	(55.9)
- intangible fixed assets		(0.4)	(0.2)
- other tangible fixed assets		(1.0)	-
- business	19	(28.0)	-
Cash flows from investing activities		(453.1)	(85.9)
Financing activities			
Interest and refinancing costs paid		(8.2)	(12.7)
Repayment of external debt		(90.0)	(36.0)
Funding from shareholder		470.7	50.2
Cash flows from financing activities		372.5	1.5
Net cash flow		(0.4)	(15.1)
Change in cash and cash equivalents			
Cash and cash equivalents at beginning of period		18.4	33.5
Cash and cash equivalents at end of period	10	18.0	18.4

LIBERTY LIVING HOLDINGS INC.

COMPANY BALANCE SHEET
CORPORATION NUMBER: 911455-6
As at 31 August 2017

	Note	2017 £m	2016 £m
Fixed assets			
Investments in subsidiary undertakings	9(iii)	14.6	-
Financial assets at fair value through profit or loss	16	14.1	11.9
		28.7	11.9
Current assets			
Debtors, prepayments and accrued income	11	2,052.0	1,606.9
		2,052.0	1,606.9
Creditors: amounts falling due within one year	12	(99.7)	(63.0)
Bank loans	13	(70.0)	-
		(169.7)	(63.0)
Net current assets		1,882.3	1,543.9
Creditors: amount due after more than one year			
Bank loans and loan notes	13	(120.3)	(278.1)
Financial liabilities at fair value through profit or loss	16	-	(0.5)
Net assets		1,790.7	1,277.2
Capital and reserves			
Share capital	15	-	-
Share surplus		1,681.6	1,210.9
Profit and loss reserve		109.1	66.3
Equity shareholders' funds		1,790.7	1,277.2

The accompanying notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 8 November 2017 and signed on its behalf by:

KAREN ROWE

Name: Karen Rowe
Title: Director

LIBERTY LIVING HOLDINGS INC.

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 August 2017

	Share capital	Share surplus account	Profit and loss reserve	Total
	£m	£m	£m	£m
As at 31 August 2015	-	1,160.7	(7.8)	1,152.9
Profit for the period	-	-	74.1	74.1
Total comprehensive income	-	-	74.1	74.1
Net investment through share surplus	-	50.2	-	50.2
At 31 August 2016	-	1,210.9	66.3	1,277.2
Profit for the period	-	-	42.8	42.8
Total comprehensive income	-	-	42.8	42.8
Net investment through share surplus	-	470.7	-	470.7
At 31 August 2017	-	1,681.6	109.1	1,790.7

Profit attributable to the Company and Company cash flow statement

No separate profit and loss account, statement of comprehensive income or cash flow statement is presented in respect of the Company.

LIBERTY LIVING HOLDINGS INC.

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 August 2017**

1. ACCOUNTING POLICIES

These financial statements are prepared in accordance with accounting standards applicable in the United Kingdom and are denominated in pounds sterling (£). The particular accounting policies adopted are described below. The financial statements have been prepared on a going concern basis, see note 2.

General information and basis of accounting

Liberty Living Holdings Inc. ('the Company') is a company incorporated in Canada. The Company was formerly named CPPIB Liberty Living Inc. and changed its name to Liberty Living Holdings Inc. on 31 October 2017. The address of the registered office is One Queen Street East, Suite 2500, Toronto, ON M5C 2W5, Canada. The nature of the Company and its subsidiaries ('the Group') operations is to invest in and operate student accommodation property.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 ('FRS 102') issued by the Financial Reporting Council.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are presented in pounds sterling as the Group's subsidiaries operate in the United Kingdom.

The Company meets the definition of a qualifying entity under FRS 102 and therefore has taken advantage of the disclosure exemptions in relation to financial instruments, the presentation of a cash flow statement; intra-group transactions and remuneration of key management personnel.

Basis of consolidation

The Consolidated financial statements incorporate the accounts of the Company and its subsidiary undertakings drawn up to 31 August each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions balances, income and expenses are eliminated on consolidation.

Turnover and operating costs

Turnover comprises rental income and other income associated with student accommodation, which is accounted for on an accruals basis. Operating costs are costs relating to the provision of revenue and other income associated with student accommodation and are also accounted for on an accruals basis.

Finance income and expense

The Group has entered into cross currency swaps from US Dollars to Pounds Sterling and interest rate swaps with reputable financial institutions in order to hedge the cash flows, interest payments and principal repayments arising on the loan notes and term loan respectively. Fair value changes on the cross currency swaps are recognised in finance income and expense

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 August 2017

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to investment property is measured using the tax rates and allowances that apply to sale of the asset.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Other tangible fixed assets

Tangible fixed assets are depreciated using the following rates and bases to reduce the cost to residual value by equal amounts over their useful lives, unless the Directors consider that the realisable value is less, when they will reduce the cost to estimated realisable value:

- Short leasehold and fixtures and fittings – between three to ten years
- Land and buildings – 25 years

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree plus costs directly attributable to the business combination.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill.

Intangible assets

Intangible assets are held at cost less amortisation. The amortisation period represents the value that the asset has to the business. The brand and goodwill have an amortisation period of 10 years.

Investment property

Investment properties are initially accounted for at cost plus directly attributable taxes and transaction costs. Investment properties for which fair value can be measured reliably without undue costs or effort on an ongoing basis are measured at fair value annually with any change recognised in the profit and loss account. Incremental costs of replacement or redevelopment incurred are capitalised and separately disclosed.

LIBERTY LIVING HOLDINGS INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2017

Property acquisition costs

Acquisition costs are treated as part of the cost of a property and have, therefore, been taken into account when calculating any gain or loss arising on the revaluation of investment properties recognised through the profit and loss account.

Share surplus account

The premium receivable on the issue of shares is credited to the share surplus account

Investments in subsidiaries

Investments in Subsidiaries are stated at cost less provision for any impairment in value which is considered by the Company to be permanent.

Financial instruments

Sections 11 and 12 of FRS 102 have been applied in these financial statements. The Group's financial instruments comprise debtors, accrued income, cash and cash equivalents, external borrowings, derivative contracts and trade and other creditors and accruals. Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at fair value and subsequently measured at amortised cost, with the exception of the cross currency swaps relating to the loan notes, which are subsequently measured at fair value through the profit and loss account.

Financial assets are generally derecognised when the contractual rights to the cash flows from the financial asset expire or are settled. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Fair value

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss. A non-financial asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 August 2017

2. GOING CONCERN

The financial statements have been prepared on a going concern basis

In considering the appropriateness of the going concern basis the Directors have reviewed the key risks and uncertainties to which they believe the Group is exposed, the Group's ongoing financial commitments and the availability of sufficient resources for the next twelve months and beyond.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate over the next 12 months. This view has been strengthened by the refinancing that occurred in November 2017 as the Group entered into a new £250m five year term loan and £150m revolving credit facility. This will replace the revolving credit facility and US Private Placement notes. The new facilities are subject to financial covenants, interest cover ratio and loan to value, over a group of guarantor subsidiaries. The Directors are comfortable that the Group will meet the covenant tests over the next 12 months.

Given the Group has borrowed at a conservative loan to value at an interest rate of LIBOR plus a margin of between 1.45% and 2.20%, the Directors are comfortable that the Group will meet the covenant tests over the next 12 months.

The Directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the accounting policies in note 1, 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. These are summarised below:

Judgements

Business combinations

The Group acquired the Union State portfolio on 31 March 2017, which comprised 12 UK sites, one Spanish and one German. This highlighted one material area of judgement; concluding if the Union State portfolio was an acquisition of a business or an acquisition of assets. For the UK and the German site, given the acquired assets constituted substantially all the consideration paid, no senior staff transferred and key processes which drive outputs are performed by pre-existing Group resources, the conclusion reached was that these assets met the definition of an asset acquisition, and not a business combination. The Spanish asset is considered to meet the definition of a business given senior management, and the key business processes transferred to the Group along with the property. The business operates with greater autonomy than the rest of the portfolio and the site operates on its own platform, which also transferred to the Group.

Estimates

Investment properties

The Group's investment properties are carried at their fair value as at the reporting date, further information regarding the valuation process is included in note 9.

Intangible assets

The Group has recognised goodwill on the acquisitions of Liberty Living and Student Castle. Goodwill is assessed to have a useful life of 10 years

LIBERTY LIVING HOLDINGS INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2017

4. TURNOVER AND OPERATING PROFIT

	2017 £m	2016 £m
(i) Turnover		
Group		
Core term student accommodation	124.3	109.4
Summer Income	6.6	6.6
Other income	1.4	1.6
Total United Kingdom	132.3	117.6
Core term student accommodation	1.4	-
Summer Income	1.1	-
Other income	0.6	-
Total Europe	3.1	-
Total Turnover	135.4	117.6

	2017 £m	2016 £m
(ii) Operating profit		

The operating profit is stated after charging:

Group		
Auditor's remuneration (see below)	0.5	0.5
Amortisation and impairment of brands and goodwill intangible assets	12.0	10.1
Amortisation of other intangible assets	0.5	0.4
Operating lease expense	0.7	0.6
Depreciation and impairment of other tangible fixed assets	2.6	-

	2017 £'000	2016 £'000
Auditor's remuneration		
Group		
Fees payable for the audit of the Group and its subsidiaries	382	244
Fees payable for the audit of the Group and its subsidiaries for the prior year	73	-
Tax services	-	191
Audit related assurance services	50	-
Total fees	505	435

Company		
Fees payable for the audit of the Company	31	31
Audit related services relates to reporting accountant services provided to the Group.		

LIBERTY LIVING HOLDINGS INC.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 August 2017

5. EMPLOYEE REMUNERATION

Group	2017	2016
	£m	£m
Salary and wages	15.3	12.5
Social security costs	1.3	1.1
Pensions	0.4	0.3
Total salary and wage costs	17.0	13.9
	number	number
Office administration	76	57
Operations	333	277
Average number of staff	409	334

The Directors of the Company are not remunerated by the Company or any member of the Group.

The key management personnel of the Group is considered to be the Directors of the Intermediate holding companies. Remuneration for the year ending 31 August 2017 was £2.6m (2016: £1.0m)

6. FINANCE RELATED INCOME AND EXPENSES

Group	2017	2016
	£m	£m
Gain on derivative contracts	2.6	17.9
Finance income and similar items	2.6	17.9
Bank loan and loan note interest	7.3	11.5
Finance costs paid and amortised	0.1	2.1
Foreign exchanges loss on secured loan notes and intercompany loans	0.4	17.4
Interest payable and similar charges	7.8	31.0

LIBERTY LIVING HOLDINGS INC.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 August 2017

7. TAX ON PROFIT

The tax charge/(credit) comprises.

Group	2017 £m	2016 £m
Current tax on profit on ordinary activities		
Charge for the year	1.0	0.1
Adjustments in respect of prior years	-	1.0
Total current tax charge	1.0	1.1
Deferred tax		
Current year charge	4.2	2.7
Decrease in tax rate	(3.0)	(6.0)
Adjustment to estimated recoverable amount of deferred tax assets arising in previous periods	(0.6)	(1.7)
Over provision in respect of prior periods	-	(0.1)
Total deferred tax charge/(credit)	0.6	(5.1)
Total tax charge/(credit) on profit on ordinary activities	1.6	(4.0)

The Finance Act 2016, which was substantively enacted on 19 September 2016, provided for a further reduction in the main rate of UK corporation tax from 19% to 17% with effect from 1 April 2020. This change has been taken into account in calculating the current year tax charge, where applicable.

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax and the differences are explained below:

Group	2017 £m	2016 £m
Profit on ordinary activities before tax	42.5	92.4
Tax charge at the UK corporation tax rate of 19.58% (2016: 20%)	8.3	18.5
Factors affecting the tax charge/(credit):		
Expenditure not tax deductible	6.3	3.4
Income not chargeable for tax purposes	(8.8)	(18.9)
Changes in tax rates	(3.0)	(6.0)
Movement in timing differences not provided	(0.6)	(0.2)
Adjustment to prior year deferred tax assets considered recoverable	(0.6)	(1.7)
Prior period adjustments	-	0.9
Total tax charge/(credit) for the year	1.6	(4.0)

Company

The Company is incorporated in Canada as a wholly-owned subsidiary of CPPIB. The Company is exempt from Part I tax under paragraph 149(1) (d.2) of the Income Tax Act (Canada) on the basis that all of the shares of the Company are directly owned by a corporation whose shares are owned by Her Majesty the Queen in right of Canada. Thus a provision for Canadian tax is not required in these financial statements.

LIBERTY LIVING HOLDINGS INC.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 August 2017

8. INTANGIBLE ASSETS

	Total £m
Cost	
At 1 September 2016	101.6
Additions	0.5
Arising on acquisition	2.5
At 31 August 2017	<u>104.6</u>
Amortisation	
At 1 September 2016	15.1
Charge for the period	10.6
Impairment	1.9
At 31 August 2017	<u>27.6</u>
Net Book Value	
At 31 August 2017	<u>77.0</u>
At 1 September 2016	<u>86.5</u>

The Carrying value of the Group's intangible assets is £77.0m at 31 August 2017 (2016: £86.5m). This comprises goodwill, brands and other intangible assets of £61.0m (2016: £69.1m), £14.8m (£16.8m) and £1.2m (£0.6m) respectively.

The cost of goodwill brought forward is £81.0 and additions made in the year total £1.9m. Amortisation brought forward is £11.9m, and a charge for the year of £8.1m has been made during the year.

The opening cost and cumulative amortisation of the Liberty Living brand is £19.6m and £2.8m respectively. Amortisation of £2.0m has been charged in the period. The Liberty Living Brand was recognised on the acquisition of the Liberty Living Group on 5 March 2015. The Brand and goodwill is being amortised over a 10-year period.

These balances have been reviewed for impairment indicators as at 31 August 2017, with an impairment of £1.9m recognised.

LIBERTY LIVING HOLDINGS INC.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 August 2017

9. TANGIBLE FIXED ASSETS

(i) Investment properties
Group

	Investment property at cost £m	Property valuation £m	Total £m
At 31 August 2015	1,441.6	66.4	1,508.0
Acquisitions (a)	55.9	-	55.9
Capital expenditure additions (b)	33.5	-	33.5
Revaluation in the year (c)	-	41.4	41.4
At 31 August 2016	1,531.0	107.8	1,638.8
Acquisitions (a)	449.6	-	449.6
Disposals (a)	(64.7)	5.7	(59.0)
Capital expenditure additions (b)	38.1	-	38.1
Revaluation in the year (c)	-	(13.2)	(13.2)
Foreign exchange	0.9	-	0.9
At 31 August 2017	1,954.9	100.3	2,055.2

Included within the investment property valuation is £494.6m (2016: £341.2m) of leasehold property interests and £210.1m (2016: £126.2m) of freehold and part long leasehold properties.

- (a) External acquisitions and disposals of investment properties made by the Group during the year. On 31 March 2017 the Group acquired the Union State Student accommodation portfolio. The 12 UK sites and one German site met the condition of an asset purchase under FRS 102 and have been treated as investment properties carried at fair value.

On 28 and 31 March 2017 the Group disposed of 7 non-core properties.

- (b) Capital expenditure additions include significant enhancements across the portfolio to secure yields and secure value of the assets.
- (c) The Group's investment properties are valued at market value at the balance sheet date of 31 August 2017 by Knight Frank LLP, an independent firm of professional property valuers which is regulated by the Royal Institution of Chartered Surveyors ('RICS'). The valuation was conducted in accordance with RICS Valuation – Global Standards 2017, incorporating the International Valuations Standards and RICS Professional Standards UK 2014 (revised April 2015).

Knight Frank employs an investment approach to derive the valuation of the properties. Income generated from a property is capitalised using market initial yields derived, where possible, from comparable market transactions. Knight Frank value on a property-by-property basis, using their expertise to assess individual assumptions including rents, occupancy, other income and facility management costs.

The valuation has been adjusted for estimated costs (and one-off loss of income), as at the date of signing the accounts, to remediate issues identified relating to Aluminium Composite Material cladding systems at six properties. The valuation will be adjusted in future periods if further information becomes available relating to remediation costs

LIBERTY LIVING HOLDINGS INC.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 August 2017

(ii) Other tangible fixed assets

	Leasehold and fixtures and fittings £m	Land and buildings £m	Total £m
Cost			
At 1 September 2016	0.2	-	0.2
Additions	1.0	-	1.0
Arising on acquisition	-	25.6	25.6
Foreign exchange	-	2.0	2.0
At 31 August 2017	1.2	27.6	28.8
Amortisation			
At 1 September 2016	0.1	-	0.1
Charge for the period	0.2	-	0.2
Impairment	-	2.4	2.4
At 31 August 2017	0.3	2.4	2.7
Net Book Value			
At 31 August 2017	0.9	25.2	26.1
At 1 September 2016	0.1	-	0.1

(iii) Investments in subsidiaries held by the Company

Company	2017 £m	2016 £m
At 1 September	-	182.0
Additions	14.6	11.8
Provision for impairment	-	(193.8)
Total investment at 31 August	14.6	-

In 2015, the investment properties of certain subsidiaries were transferred to the Limited Partnerships. In the prior year, the residual net assets of those subsidiary companies have been distributed to Liberty Living Holdings Inc and therefore the residual balance in these investments has been fully provided against.

Details of the Group's investments in subsidiaries is provided in note 18.

10. CASH AND CASH EQUIVALENTS

	2017 £m	2016 £m
Group		
Cash at bank	18.0	18.4
	18.0	18.4

LIBERTY LIVING HOLDINGS INC.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 August 2017

11. DEBTORS, PREPAYMENTS AND ACCRUED INCOME

	2017 £m	2016 £m
Group		
Other debtors, prepayments and accrued income	<u>11.2</u>	<u>5.6</u>
Company		
Loans due from Group related undertakings	<u>2,052.0</u>	<u>1,606.9</u>

Included within loans due from Group related undertakings is a loan of £122.3m which is due for repayment on 29 November 2018.

The loans advanced by the Company to its UK investments are eliminated in the consolidated financial statements and include a provision for impairment of £108.6m.

12. CREDITORS: amounts falling due within one year

	2017 £m	2016 £m
Group		
Trade creditors	1.8	0.3
Taxes and social security	2.7	2.0
Other creditors	11.8	8.3
Accruals	18.5	15.6
Deferred income	<u>21.0</u>	<u>14.6</u>
	<u>55.8</u>	<u>40.8</u>
	2017 £m	2016 £m
Company		
Amounts due to group related undertakings	97.4	59.7
Other creditors and accrued expenses	<u>2.3</u>	<u>3.3</u>
	<u>99.7</u>	<u>63.0</u>

The amounts due to group related undertaking are repayable on demand and no interest is chargeable

LIBERTY LIVING HOLDINGS INC.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 August 2017

13. BANK LOANS AND LOAN NOTES PAYABLE

Group and Company

Bank loans and loan notes repayable, included within creditors are analysed as follows:

	2017 £m	2016 £m
Revolving credit facility		
Revolving credit facility of £200.0 million repayable August 2018 (a)	70.0	160.0
Balance as at 31 August	70.0	160.0
Secured loan notes		
Secured loan notes of US\$77.5 million repayable February 2022 (b)	60.1	59.0
Secured loan notes of US\$77.5 million repayable February 2024 (b)	60.2	59.1
Balance as at 31 August	120.3	118.1
Total bank loans and loan notes repayable	190.3	278.1

- (a) At 31 August 2017 the £200m revolving credit facility was subject to a floating interest rate based on LIBOR and was due to expire in August 2018. As such, the outstanding balance of £70.0m has been disclosed as current. On 3 November 2017 a newly incorporated subsidiary, Liberty Living Finance plc, entered into a floating rate and unsecured £250m five year term loan and £150m revolving credit facility with HSBC Bank plc, Royal Bank of Canada, RBC Europe Limited and The Royal Bank of Scotland plc (trading as NatWest Markets). The interest expense of the new facility is LIBOR plus a margin determined by the loan to value ratio of between 1.45% to 2.20%. The funds are expected to be drawn post signing of these financial statements in November 2017. This facility will replace the Company's current revolving credit facility which will be repaid on the same day the new term loan is drawn down.
- (b) As at 31 August 2017 the Company had in issue US\$155 million of US Private Placement loan notes in two equal tranches with maturities of 10 and 12 years respectively and also entered into a long-dated cross currency swaps from US Dollars to Sterling and interest rate swaps from US fixed rates to UK fixed rates to maturity in order to hedge the cash flows, interest payments and principal repayments arising on these loan notes. On 3 November 2017, the Company issued a repayment notice to the holders of the Company's \$155m US private placement notes and expects to repay these on the same day the term loan is drawn, along with the settlement of any make whole amount due and the related cross currency swap. Liberty Living Holdings Inc. is not an obligor to the new debt facilities. See Note 13 and 16 for further details.

The £2.2m movement on the loan notes during the year relates to foreign exchange movements which have been recognised as a finance charge. A £2.2m gain on the cross currency swap offsets this charge, shown within finance income

- (c) As at 31 August 2017 the Company was party to a guarantee for the loan facilities and loan notes and its assets, including investment property, were used as security for the facilities. The Company was also an obligor under the loan facility agreement. Only the assets of the Company's investments in Liberty Living Investments Limited, Liberty Living Investments GP1 Limited and Liberty Living Investments I Limited Partnership were pledged as security at the balance sheet date.

Upon the settlement of the US Private Placement Loan notes and revolving credit facility the security provided will be released and the Company is no longer an obligor to the new term loan and revolving credit facility. Further details of the new obligor group is provided in Note 16.

LIBERTY LIVING HOLDINGS INC.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 August 2017

14. DEFERRED TAX

	Brand	Other short term timing differences	Investment properties	Total
	£m	£m	£m	£m
As at 31 August 2015	3.6	(0.1)	55.0	58.5
Credit to profit and loss account	(0.7)	(1.7)	(2.7)	(5.1)
As at 31 August 2016	2.9	(1.8)	52.3	53.4
(Credit)/charge to profit and loss account	(0.3)	0.3	0.6	0.6
Business combination	0.2			0.2
At 31 August 2017	2.8	(1.5)	52.9	54.2

A deferred tax asset has not been recognised in respect of timing differences relating to losses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £1.8m. The asset will be recovered if sufficient relevant profits arise in the affected entities in the future.

15. SHARE CAPITAL

	Canadian Dollars	Number of Shares
Shares of one Canadian Dollar each 31 August 2017 and 2016	1	1

LIBERTY LIVING HOLDINGS INC.**NOTES TO THE FINANCIAL STATEMENTS**
For the year ended 31 August 2017**16. FINANCIAL RISK MANAGEMENT**

The Group is party to financial instruments which are summarised below:

	Group 2017 £m	Group 2016 £m
Financial assets		
Measured at fair value through profit or loss		
- Derivative financial instrument	14.1	11.9
Measured at amortised cost		
- Cash and cash equivalents	18.0	18.4
- Debtors excluding prepayments	8.9	3.6
	26.9	22.0
Total financial assets	41.0	33.9
Financial liabilities		
Measured at fair value through profit or loss		
- Derivative financial instrument	-	0.5
Measured at amortised cost		
- Trade, other creditors and accruals	32.1	24.2
- External borrowings	190.3	278.1
	222.4	302.3
Total financial liabilities	222.4	302.8

Gains and losses relating to financial instruments recognised in the profit and loss account are summarised in note 6. The derivative financial instruments include interest rate caps and cross currency swaps to hedge against the floating rate on the revolving credit facility and the foreign currency on the private placement loan notes. The cross currency swaps are valued using quoted forward exchange rates matching the maturity of the contracts. The interest rate caps are valued at the present value of future cash flows discounted based on yield curves derived from quoted interest rates.

The Group is exposed to the following types of financial risk:

MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other performance risk. The Group's exposure and its management process for different types of risks are given below:

(i) Currency risk

While the Company is a Canadian entity, the Group's business is in the United Kingdom and its operational currency is Sterling. Any currency risk on the translation of Canadian Dollars into Sterling for investments in the Company is held by the Company's parent CPPIB.

Currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group's material revenues, costs and assets are denominated in Sterling. The Group's currency exposure on its US Dollar denominated secured loan notes were hedged by fixed rate currency swaps at the time of their issue, as explained under Loan Facilities below.

LIBERTY LIVING HOLDINGS INC.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 August 2017

(ii) Interest rate risk

Loan Facilities

The interest rate risk and currency risk related to the Group's debt as at 31 August 2017, as outlined in Note 13, is as follows:

- (a) **Revolving Credit Facility of £200 million repayable in 2018.** This facility is subject to a floating interest rate based on a spread over the LIBOR rate. An interest rate cap of 2% on the facility was issued over £100m of the facility. The cash flows, interest payments and principal repayments arising on this loan can therefore vary over its term.

As disclosed in Note 13 this facility is expected to be repaid and terminated in November 2017 after these financial statements are signed.

- (b) **Secured loan notes totalling US\$155 million repayable in 2022 and 2024.** These secured loan notes are at a fixed interest rate based on a spread over the 10-year benchmark US Treasury rate at the time of their issue. The Group entered into long-dated cross currency swaps from US Dollars to Sterling and interest rate swaps from US fixed rates to UK fixed rates to maturity in order to hedge the cash flows, interest payments and principal repayments arising on these loan notes. The counterparties on these swaps are HSBC Bank plc and The Royal Bank of Scotland plc. Following completion of these cross currency swaps and interest rate swaps, the Group's exposure to these secured loan notes is fixed in Sterling and at fixed interest rates as set out below.

As disclosed in Note 13 the US Private Placement Loan notes are expected to be repaid in November 2017 and the cross currency swap are also expected settled.

During the year the Group incurred loan interest of £7.3m (2016: £11.5m). The loan interest rates applying at 31 August 2017 were as follows:

Facility	Interest Rate Type	Interest Rate %
Revolving credit facility of £200.0 million repayable August 2018	Floating	1.6%*
Secured loan notes of US\$77.5 million repayable February 2022	Fixed	5.07%
Secured loan notes of US\$77.5 million repayable February 2024	Fixed	5.26%

* This is the average of GBP LIBOR plus a margin of 135 bps.

The sensitivity of the profit and loss account to interest rate changes on the revolving credit facility, that could reasonably be expected to occur, have been considered, with no material impact identified.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 August 2017
(iii) Performance risk

Performance risk is the risk that the fair value of the Group's Investment Properties will fluctuate because of changes in market prices. The Group's objective is to provide long term positive returns for the shareholder through a combination of secure income and capital appreciation arising from increasing rental values in its student accommodation portfolio. The income of the portfolio is spread over a large number of properties, and there is potential to increase income and capital value by active asset management year on year.

The Company manages performance risk by:

- utilising research capabilities with emphasis on information and guidance received from the external Property Valuer and other third party sources;
- adopting specific criteria for portfolio selection;
- applying mindful attention to portfolio mix; and
- the employment of an experienced Property Asset Manager led by a strong and experienced senior management team.

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

The table below analyses the Group's maximum exposure to credit risk on its financial assets.

	2017	2016
	£m	£m
Cash and cash equivalents	18.0	18.4
Debtors excluding prepayments	8.9	3.6
Derivative financial assets	14.1	11.9
	41.0	33.9

- The Group's material cash balances are held at HSBC Bank plc. The Group's policy is to deposit with highly regarded institutions with credit ratings of at least "A-/A3" by S&P, Fitch or Moody's Investor Services.
- Other debtors, prepayments and accrued income are monitored by management and do not pose any significant credit risk.

The Group is not exposed to a concentration of credit risk relating to trade debtors, which comprise individual students which are widely dispersed, or Education institutions, none of which individually comprise a material amount of the Group's revenue.

LIBERTY LIVING HOLDINGS INC.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 August 2017

LIQUIDITY RISK

Liquidity risk is the risk the Group will fail to meet its financial obligations as they fall due.

The Group manage liquidity risk by.

- ensuring that there is prudent asset allocation within a diversified property portfolio;
- ensuring that the portfolio has a secure rental income profile;
- having the ability to utilise borrowings to meet cash requirements for operations;
- careful monitoring of the Group's cash flow requirements; and
- seeking to refinance or repay debt maturities a minimum of 12 months ahead of their stated maturities, unless it is expected that they will be replaced with other form of capital in which case, the refinancing could occur closer to the maturity.

With regard to trade creditors it is the Group's policy to pay its creditors within the agreed credit terms for each creditor.

The Group's financial liabilities by maturity date are as follows:

	Due within 1 year £m	Due after 1 year £m	Total £m
At 31 August 2017			
Bank loans and loan notes	70.0	120.3	190.3
Trade, other creditors and accruals	32.1	-	32.1
	102.1	120.3	222.4
	Due within 1 year £m	Due after 1 year £m	Total £m
At 31 August 2016			
Bank loans and loan notes	-	278.1	278.1
Derivative financial instruments		0.5	0.5
Trade, other creditors and accruals	24.2	-	24.2
	24.2	278.6	302.8

LIBERTY LIVING HOLDINGS INC.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 August 2017

Post balance sheet event

Post year end, the funding structure and liquidity position of the Group is expected to change through a refinancing of the Group's borrowing facilities outstanding at the balance sheet date. On 3 November 2017, Liberty Living Finance plc entered into a floating unsecured £250m five year term loan and £150m revolving credit facility, with certain subsidiaries of the Company becoming obligors to the new facilities. Furthermore, the companies/properties which have provided guarantees will change as compared to the security perimeter of the revolving credit facility and private placement notes, which are outstanding at the balance sheet date.

At the time of the refinancing a restructuring exercise was undertaken to partially repay and capitalise intercompany loans from the obligor group due to the Company, which is outside of the obligor group, into equity or partnership capital of the loan beneficiaries. Interest payable on the remaining loan balances has been waived by the Company from 1 November 2017.

The tables below set out the consolidated profit and loss account and balance sheet of the Liberty Living Holdings Inc. disaggregated between obligors and non-obligors to the new unsecured debt facilities.

The abbreviations used in the column headings of the consolidated profit and loss and balance sheet are defined in the following table. All Limited companies mentioned in the key directly below are direct subsidiaries of Liberty Living Holdings Inc.

GP1	Liberty Living Investments GP1 Limited and its subsidiaries
LP1	Liberty Living Investments 1 Limited Partnership
LLIL	Liberty Living Investments Limited and its subsidiaries
GP2	Liberty Living Investments GP2 Limited and its subsidiaries
LP2	Liberty Living Investments 2 Limited Partnership
LLIL2	Liberty Living Investments II Limited and its subsidiaries
GP3	Liberty Living Investments GP3 Limited
LP3	Liberty Living Investments 3 Limited Partnership
Non-Obligors	See below for a list of entities that are not obligors to the new debt facilities

EBITDA Earnings before finance related items, tax, depreciation, amortisation, impairment and revaluation of investment properties and loss on disposal of investment properties.

The GP1, LLIL, GP2 and LLIL2 columns present the consolidated financial position and performance of the respective companies (see above) and their direct and indirect subsidiaries. All subsidiaries within each sub-group are obligors to the new term loan and the revolving credit facility.

A full list of the Groups subsidiaries is provided in note 18. All companies included in note 18 are obligors to the new borrowing facility with the exception of:

- Liberty Living Holdings Inc.
- Liberty Living Group plc (dormant)
- Liberty Living (Galileo Residenz) GmbH
- Liberty Living Investments (Spain) S.L.
- Liberty Living (Galileo Galilei) S.L.
- Liberty Living (Liberty Plaza Newcastle) Limited (dormant)
- Central Link (General Partner) 1 Limited (dormant)
- Central Link (General Partner) 2 Limited (dormant)
- Central Link 1 Scottish Limited Partnership (dormant)
- Central Link 2 Scottish Limited Partnership (dormant)

LIBERTY LIVING HOLDINGS INC.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 August 2017

Upon the refinancing a restructuring exercise was undertaken to partially repay and capitalise *intercompany loans from the obligor group due to the Company, which is outside of the obligor group*. At the date of this report there are no loans due from outside the obligor group other than the new bank facility.

The financial information for the entities defined and described above has been prepared on a group basis, which reflects the net profit/net asset contribution to the Liberty Living Holdings Inc. consolidated financial information.

Within the balance sheet, fixed assets exclude intercompany investments. Net current liabilities and net assets/liabilities exclude intercompany investments and intercompany debt balances, which are eliminated upon consolidation into the Liberty Living Holdings Inc. financial statements.

Within the profit and loss account, EBITDA and operating profit exclude intragroup management charges and *intercompany lease costs*. *Profit on ordinary activities before tax and profit for the period* exclude intragroup management charges, intercompany lease costs and intercompany interest costs, which are eliminated on consolidation.

A reconciliation has been provided to reconcile between the group basis presented and the net asset/profit numbers which would be presented were statutory accounts prepared for each of the entities/groups.

The intercompany receivable adjustment on the balance sheet and operating profit for the year ended 31 August 2017 for the non obligor group is shown gross of an £108.6m impairment.

LIBERTY LIVING HOLDINGS INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2017

Consolidated profit and loss account for the year ended 31 August 2017

	GP1	LP1	LLIL	GP2	LP2	LLIL2	GP3	LP3 ¹	Obligor Group	Non-Obligors	Total Group
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Turnover	3.1	51.8	23.5	7.9	14.4	20.7	-	10.9	132.3	3.1	135.4
Operating costs	(0.7)	(14.5)	(6.9)	(2.3)	(4.3)	(4.7)	-	(3.9)	(37.3)	(2.2)	(39.5)
Administrative expenses	-	-	(0.3)	(13.3)	-	-	-	-	(13.6)	(1.8)	(15.4)
EBITDA	2.4	37.3	16.3	(7.7)	10.1	16.0	-	7.0	81.4	(0.9)	80.5
Depreciation, amortisation and impairment	-	-	(2.7)	(3.2)	-	(2.9)	-	-	(8.8)	(6.3)	(15.1)
Revaluation of investment properties	-	(3.7)	7.4	-	9.3	12.1	-	(38.1)	(13.0)	(0.2)	(13.2)
Loss on disposal of investment property	-	-	-	-	(4.5)	-	-	-	(4.5)	-	(4.5)
Operating profit/(loss)*	2.4	33.6	21.0	(10.9)	14.9	25.2	-	(31.1)	55.1	(7.4)	47.7
Finance income and similar items	-	-	-	-	-	-	-	-	-	2.6	2.6
Interest payable	-	-	-	-	-	-	-	-	-	(7.3)	(7.3)
Finance expense and similar charges excluding interest payable	-	-	-	-	-	-	-	-	-	(0.5)	(0.5)
Profit/(loss) on ordinary activities before tax*	2.4	33.6	21.0	(10.9)	14.9	25.2	-	(31.1)	55.1	(12.6)	42.5
Tax (charge)/credit on ordinary activities	(0.1)	-	(0.4)	(0.1)	-	(0.9)	-	-	(1.5)	(0.1)	(1.6)
Profit/(loss) for the financial period*	2.3	33.6	20.6	(11.0)	14.9	24.3	-	(31.1)	53.6	(12.7)	40.9
Intercompany adjustments:											
- Lease recharges	(1.7)	1.7	-	(4.5)	4.5	-	-	-	-	-	-
- Central cost recharge	(0.4)	(5.9)	(2.9)	14.2	(2.0)	(1.5)	-	(1.5)	-	-	-
- Intercompany interest	-	(55.2)	(27.3)	(2.2)	(22.4)	(40.1)	-	(9.8)	(157.0)	157.0	-
Statutory profit/(loss) for the financial period*	0.2	(25.8)	(9.6)	(3.5)	(5.0)	(17.3)	-	(42.4)	(103.4)	144.3	40.9

1. Liberty Living Investments 3 Limited Partnership's material operations began on 31 March 2017 upon the acquisition of 12 assets.

LIBERTY LIVING HOLDINGS INC.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 August 2017

Consolidated profit and loss account for the year ended 31 August 2016											
GP1	LP1	LLIL	GP2	LP2	LLIL2	GP3	LP3	Obligor Group	Non-Obligors	Total Group	
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Turnover											
5.3	49.0	23.2	2.8	16.8	20.5	-	-	117.6	-	117.6	
(1.0)	(12.8)	(6.1)	(1.1)	(5.9)	(5.1)	-	-	(32.0)	-	(32.0)	
	-	-	(10.3)	-	-	-	-	(10.3)	(0.7)	(11.0)	
EBITDA											
4.3	36.2	17.1	(8.6)	10.9	15.4	-	-	75.3	(0.7)	74.6	
	-	(2.7)	(3.0)	-	(2.9)	-	-	(8.6)	(1.9)	(10.5)	
	25.9	5.6	-	-	9.9	-	-	41.4	-	41.4	
Operating profit/(loss)*											
4.3	62.1	20.0	(11.6)	10.9	22.4	-	-	108.1	(2.6)	105.5	
	-	-	-	-	-	-	-	-	17.9	17.9	
	-	-	-	-	-	-	-	-	(11.5)	(11.5)	
	-	-	-	-	-	-	-	-	(19.5)	(19.5)	
Profit/(loss) on ordinary activities before tax*											
4.3	62.1	20.0	(11.6)	10.9	22.4	-	-	108.1	(15.7)	92.4	
(0.1)	-	2.4	0.8	-	0.9	-	-	4.0	-	4.0	
Profit/(loss) for the financial period*											
4.2	62.1	22.4	(10.8)	10.9	23.3	-	-	112.1	(15.7)	96.4	
Intercompany adjustments:											
(3.2)	3.2	-	(1.3)	1.3	-	-	-	-	-	-	
(0.5)	(4.8)	(2.6)	11.2	(2.0)	(1.3)	-	-	-	-	-	
-	(17.1)	(26.1)	(2.1)	(6.5)	(36.3)	-	-	(88.1)	88.1	-	
0.5	43.4	(6.3)	(3.0)	3.7	(14.3)	-	-	24.0	72.4	96.4	
Statutory profit/(loss) for the financial period*											

LIBERTY LIVING HOLDINGS INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2017

Consolidated balance sheet as at 31 August 2017

	GP1	LP1	LLIL	GP2	LP2	LLIL2	GP3	LP3	Obligor Group	Non-Obligors	Total Group
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Goodwill and intangible assets	-	-	20.4	20.3	-	22.3	-	-	63.0	14.0	77.0
Investment properties	-	743.4	311.1	-	242.2	343.2	-	402.5	2,042.4	12.8	2,055.2
Other tangible fixed assets	-	-	-	0.9	-	-	-	-	0.9	25.2	26.1
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	14.1	14.1
Total fixed assets*	-	743.4	331.5	21.2	242.2	365.5	-	402.5	2,106.3	66.1	2,172.4
Cash and cash equivalents	-	(1.6)	5.9	1.7	2.2	4.6	-	3.7	16.5	1.5	18.0
Debtors, prepayments and accrued income	0.4	2.0	2.6	1.5	0.9	2.0	-	0.7	10.1	1.1	11.2
Creditors due within one year	(0.6)	(12.4)	(12.0)	(7.3)	(3.2)	(9.0)	-	(7.5)	(52.0)	(3.8)	(55.8)
Bank loans	-	-	-	-	-	-	-	-	-	(70.0)	(70.0)
Net current liabilities*	(0.2)	(12.0)	(3.5)	(4.1)	(0.1)	(2.4)	-	(3.1)	(25.4)	(71.2)	(96.6)
Bank loans and loan notes	-	-	-	-	-	-	-	-	-	(120.3)	(120.3)
Deferred tax	-	-	(24.8)	(2.4)	-	(26.8)	-	-	(54.0)	(0.2)	(54.2)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-
Net (liabilities)/assets*	(0.2)	731.4	303.2	14.7	242.1	336.3	-	399.4	2,026.9	(125.6)	1,901.3
Intercompany adjustments:											
Intercompany balances	2.9	(633.2)	(315.6)	(18.2)	(248.4)	(381.0)	-	(441.9)	(2,035.4)	2,035.4	-
Investment in subsidiary	-	-	-	-	-	-	14.6	-	14.6	(14.6)	-
Statutory net assets/(liabilities)*	2.7	98.2	(12.4)	(3.5)	(6.3)	(44.7)	14.6	(42.5)	6.1	1,895.2	1,901.3

LIBERTY LIVING HOLDINGS INC.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 August 2017

Consolidated balance sheet as at 31 August 2016											
	GP1	LP1	LLIL	GP2	LP2	LLIL2	GP3	LP3	Obligor Group	Non-Obligors	Total Group
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Goodwill and intangible assets	-	-	23.0	23.0	-	25.3	-	-	71.3	15.2	86.5
Investment properties	-	724.2	295.5	-	288.9	330.2	-	-	1,638.8	-	1,638.8
Other tangible fixed assets	-	-	-	0.1	-	-	-	-	0.1	-	0.1
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	11.9	11.9
Total fixed assets*	-	724.2	318.5	23.1	288.9	355.5	-	-	1,710.2	27.1	1,737.3
Cash and cash equivalents	0.6	5.8	7.2	0.6	(2.8)	7.0	-	-	18.4	-	18.4
Debtors, prepayments and accrued income	0.3	1.4	1.5	0.4	1.7	0.3	-	-	5.6	-	5.6
Creditors: due within one year	(1.0)	(8.5)	(9.7)	(4.4)	(5.1)	(8.8)	-	-	(37.5)	(3.3)	(40.8)
Net current liabilities*	(0.1)	(1.3)	(1.0)	(3.4)	(6.2)	(1.5)	-	-	(13.5)	(3.3)	(16.8)
Bank loans and loan notes	-	-	-	-	-	-	-	-	-	(278.1)	(278.1)
Deferred tax	-	-	(24.4)	(2.7)	-	(26.3)	-	-	(53.4)	-	(53.4)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	-	(0.5)	(0.5)
Net (liabilities)/assets*	(0.1)	722.9	293.1	17.0	282.7	327.7	-	-	1,643.3	(254.8)	1,388.5
Intercompany adjustments:											
- Intercompany balances	0.8	(597.3)	(295.9)	(21.5)	(279.4)	(354.9)	-	-	(1,548.2)	1,548.2	-
- Investment in subsidiary	-	-	-	-	-	-	-	-	-	-	-
Statutory net assets/(liabilities)*	0.7	125.6	(2.8)	(4.5)	3.3	(27.2)	-	-	95.1	1,293.4	1,388.5

*See page 36 for an explanation of the basis of preparation of the line items

LIBERTY LIVING HOLDINGS INC.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 August 2017

17. CONTROLLING PARTIES

The Company was incorporated on 9 December 2014 and is a wholly-owned subsidiary of Canada Pension Plan Investment Board (CPP Investment Board).

18. GROUP ENTITIES

The following directly owned operating subsidiaries of the Company are:

	Country of incorporation	% Holding
Liberty Living Investments Limited	England and Wales ¹	Class A Shares *100 Class B Shares **30
Liberty Living Investments GP1 Limited	England and Wales ¹	Class A Shares *100 Class B Shares **30
Liberty Living Investments GP2 Limited	England and Wales ¹	Class A Shares *100 Class B Shares **30
Liberty Living Investments GP3 Limited	England and Wales ¹	100
Liberty Living Investments II Limited	England and Wales ¹	100
Liberty Living Finance plc ³	England and Wales ¹	100
Liberty Living (HE) Holdings Limited ³	England and Wales ¹	100
Liberty Living Group plc ³	Jersey ²	100

Registered office

1. Fifth floor, Peninsular House, 30-36 Monument Street, London, EC3R 8NB
2. 47 Esplanade St Helier Jersey JE1 0BD
3. Liberty Living Finance plc was incorporated on 25 September 2017; Liberty Living (HE) Holdings Limited was incorporated on 22 September 2017; and Liberty Living Group plc was incorporated on 28 September 2017.

- * Class A Shares have the ownership of the net assets except for the share capital of the Class B Shares.
- ** Class B Shares have only the ownership their own nominal value, but have the power to appoint directors. The remaining 70% holding of the Class B Shares is held by 8961255 Canada Inc. (a Company incorporated in Canada).

The following are directly owned subsidiaries of the Company that no longer operate:

	Country of incorporation	% Holding
Liberty Living (Liberty Plaza Newcastle) Limited	British Virgin Islands ¹	100
Central Link (General Partner) 1 Limited	Guernsey ²	100
Central Link (General Partner) 2 Limited	Guernsey ²	100
Central Link 1 Scottish Limited Partnership	Scotland	100
Central Link 2 Scottish Limited Partnership	Scotland	100

Registered office

1. Trident Chambers, Wickhams Cay P.O. Box 146, Road Town, Tortola, British Virgin Islands
2. PO Box 186, 1 Le Marchant Street, St Peter Port, Guernsey, GY1 4HP

The following UK Limited partnerships are below:

	Country of incorporation	% Holding
Liberty Living Investments 1 Limited Partnership	England and Wales ¹	99.9 *
Liberty Living Investments 2 Limited Partnership	England and Wales ¹	99.9 **
Liberty Living Investments 3 Limited Partnership	England and Wales ¹	99.9 ***

Registered office

1. Fifth floor, Peninsular House, 30-36 Monument Street, London, EC3R 8NB

- * The other 0.1% holding is held by Liberty Living Investments GP1 Limited
- ** The other 0.1% holding is held by Liberty Living Investments GP2 Limited
- *** The other 0.1% holding is held by Liberty Living Investments GP3 Limited

LIBERTY LIVING HOLDINGS INC.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 August 2017

The following indirectly owned subsidiaries are:

	Country of incorporation	% Holding
Liberty Living Limited	England and Wales ¹	100
Liberty Living UK Limited	England and Wales ¹	100
Liberty Living (Liberty AP) Limited	England and Wales ¹	100
Liberty Atlantic Point (Liverpool) Limited	England and Wales ¹	100
Liberty Living (Liberty CP) Limited	England and Wales ¹	100
Liberty Cambrian Point (Cardiff) Limited	England and Wales ¹	100
Liberty Living (LP Coventry) Limited	England and Wales ¹	100
Liberty Point (Coventry) Limited	England and Wales ¹	100
Liberty Living (LP Manchester) Limited	England and Wales ¹	100
Liberty Point (Manchester) Limited	England and Wales ¹	100
Liberty Living (LQ Newcastle) Limited	England and Wales ¹	100
Liberty Quay (Newcastle) Limited	England and Wales ¹	100
Liberty Living (Liberty PP) Limited	England and Wales ¹	100
Liberty Prospect Point (Liverpool) Limited	England and Wales ¹	100
Liberty Living Spareco Limited	England and Wales ¹	100
Liberty Living (Liberty SP) Limited	England and Wales ¹	100
Liberty Severn Point (Cardiff) Limited	England and Wales ¹	100
Liberty Park (Bedford) Limited	British Virgin Islands ²	100
Liberty Plaza (Newcastle) Limited	British Virgin Islands ²	100
Liberty Living Investments Nominee 1 Limited	England and Wales ¹	100
Liberty Living Investments Nominee 2 Limited	England and Wales ¹	100
Liberty Plaza (London) Limited	England and Wales ¹	100
Liberty Park (Bristol) Limited	England and Wales ¹	100
Liberty Living (LP Bristol) Limited	England and Wales ¹	100
Liberty Living Investments II Holdco 2 Limited	England and Wales ¹	100
Liberty Living Investments II Holdco Limited	England and Wales ¹	100
LL Midco 2 Limited	England and Wales ¹	100
Liberty Park (US Bristol) Limited	England and Wales ¹	100
Liberty Gardens (Cardiff) Limited	England and Wales ¹	100
Liberty Living (LG Cardiff) Limited	England and Wales ¹	100
Liberty Heights (Manchester) Limited	England and Wales ¹	100
Liberty Living (LH Manchester) Limited	England and Wales ¹	100
Liberty Quay 2 (Newcastle) Limited	England and Wales ¹	100
Liberty Living (LQ2 Newcastle) Limited	England and Wales ¹	100
Liberty Village (Edinburgh) Limited	England and Wales ¹	100
Liberty Point Southampton (Block A) Limited	England and Wales ¹	100
Liberty Living Investments Nominee 3 Limited	England and Wales ¹	100
Liberty Living (Galileo Residenz) GmbH	Germany ⁴	100
Liberty Living Investments (Spain) S.L.	Spain ³	100
Liberty Living (Galileo Galilei) S.L.	Spain ³	100

Registered office

1. Fifth floor, Peninsular House, 30-36 Monument Street, London, EC3R 8NB
2. Trident Chambers, Wickhams Cay P.O. Box 146, Road Town, Tortola, British Virgin Islands
- 3 Calle Nanclares de Oca, 1 B, 28002, Madrid, Spain
4. Paul- Gerhardt- Allee 50, 80804 Munich, Germany

LIBERTY LIVING HOLDINGS INC.

NOTES TO THE FINANCIAL STATEMENTS
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19. BUSINESS COMBINATION ACQUIRED

On 31 March 2017 the Group acquired 12 UK sites and one German property which formed part of the Union State portfolio. This acquisition did not meet the requirements to be classified as a business combination under FRS102 and has been treated as an asset purchase. See note 9 for further details of this acquisition.

On 31 March 2017 the Company acquired a Spanish student accommodation business which also formed part of the Union State portfolio into an existing subsidiary, Liberty Living (Galileo Galilei) S.L.. The structure of this operation meets the requirement of a business and has been accounted for as a business combination. The detail of this acquisition is set out below.

Group	2017 £m
Cash consideration	28.0
Net assets acquired	
Property and equipment	25.6
Intangible asset – brand	0.6
Current assets	0.6
Current liabilities	(0.5)
Deferred tax	(0.2)
	26.1
Goodwill acquired	1.9
Total assets acquired	28.0

Since the date of acquisition the Spain business has contributed £2.7m of revenue and a loss after tax of £3.8m. Goodwill of £1.9m was recognised on the acquisition of a business in Spain and was immediately written down to nil. The carrying value of the net asset is equal to its fair value

20. OPERATING LEASES

The future minimum lease payments payable under non-cancellable operating leases are as follows.

	2017 £m	2016 £m
Within one year	0.5	0.1
Between two and five years	2.2	-
Greater than five years	2.2	-
	4.9	0.1

The future minimum lease payments receivable under non-cancellable operating leases, other than assured shorthold tenancy's with students and other leases with a period of a year or less are as follows:

	2017 £m
Within one year	59.4
Between two and five years	89.3
Greater than five years	85.5
	234.2

LIBERTY LIVING HOLDINGS INC.

NOTES TO THE FINANCIAL STATEMENTS
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21. RELATED PARTY TRANSACTIONS

During the year the Company received funding, recognised as share surplus, from its Parent to support the Group's activities totalling £470.7m (2016: £50.2m). There were no other related party transactions between the Group and its Parent.

Key management personnel disclosure is disclosed in note 5.

22. POST BALANCE SHEET EVENTS

On 3 November 2017, Liberty Living Finance plc, a Group subsidiary, entered into a new five year floating unsecured £250m term loan plus a £150m RCF with three banks. The funds are expected to be drawn post signing of these financial statements in November 2017. This facility will replace the Company's current revolving credit facility which will be repaid on the same day the new term loan is drawn down. On 3 November 2017, the Company issued a repayment notice to the holders of the Company's \$155m US private placement notes and expects to repay these on the same day the term loan is drawn, along with the settlement of any make whole amount due and the related cross currency swap. *All security on the facilities in issue at 31 August 2017 will be released on the date they are repaid.* Liberty Living Holdings Inc. is not an obligor to the new debt facilities. See Note 13 and 16 for further details.