

**UPP Bond 1 Holdings Limited
Unaudited financial statements**

For the six months ended 29 February 2016

UPP Bond 1 Holdings Limited

Unaudited financial statements

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Basis of reporting

The company commenced trading on 5 March 2013 by acquiring six subsidiary companies from its parent company, UPP Group Limited. The company acquired an additional company UPP (Exeter) Limited on the 9 December 2014.

The principal activity of the company is of a holding company to its subsidiary undertakings and subordinated debt financing.

The company transitioned from previously extant UK GAAP to FRS 102 as at 1 September 2014 and this is the first period in which the financial statements have been prepared under FRS 102.

UPP Bond 1 Holdings Limited

Statement of Comprehensive Income

for six months ended 29 February 2016



	Notes	Unaudited Six months ended 29 February 2016 £'000	Unaudited Six months ended 28 February 2015 £'000
Interest receivable & similar income	6	7,630	6,640
Interest payable & similar charges	7	(7,630)	(6,640)
Profit on ordinary activities before taxation		-	-
Tax charge on profit on ordinary activities		-	-
Profit for the financial period		-	-
Total comprehensive income for the period attributable to owners of the parent		-	-

The above results all relate to continuing operations.

UPP Bond 1 Holdings Limited

Statement of changes in equity for the six months ended 29 February 2016



Attributable to owners of the parent

	Share capital	Profit & loss account	Total equity
	£'000	£'000	£'000
At 1 September 2014	36,849	-	36,849
Share issue	18,721		18,721
Profit for the financial period	-	-	-
Balance at 28 February 2015	55,570	-	55,570
At 1 March 2015	55,570	-	55,570
Profit for the financial period	-	-	-
At 31 August 2015	55,570	-	55,570
At 1 September 2015	55,570	-	55,570
Profit for the financial period	-	-	-
Balance at 29 February 2016	55,570	-	55,570

Other reserve

Other reserve relates to deferred tax liability on fair value adjustments arising on business combinations.

UPP Bond 1 Holdings Limited

Statement of financial position

As at 29 February 2016

Company registration number: 08253967

	Notes	Unaudited 29 February 2016 £'000	Unaudited 28 February 2015 £'000
Fixed assets			
Investments	8	<u>55,570</u>	<u>55,570</u>
		55,570	55,570
Current assets			
Debtors: amounts falling due within one year	9	37,914	26,386
Debtors: amounts falling due after one year	10	<u>130,894</u>	<u>135,827</u>
		168,808	162,213
Creditors: amounts falling due within one year	11	<u>(36,912)</u>	<u>(25,750)</u>
Net current (liabilities) / assets		<u>131,896</u>	<u>136,463</u>
Total assets less current liabilities		<u>187,466</u>	<u>192,033</u>
Creditors: amounts falling due after more than one year	12	(131,896)	(136,463)
Net assets		<u>55,570</u>	<u>55,570</u>
Share capital and reserves			
Called up share capital	13	55,570	55,570
Profit and loss account		<u>-</u>	<u>-</u>
		<u>55,570</u>	<u>55,570</u>

UPP Bond 1 Holdings Limited

Notes to the unaudited financial statements for the six months ended 29 February 2016



1. Company information

UPP Bond 1 Holdings Limited is a limited liability company incorporated in England. The registered office is 40 Gracechurch Street, London, EC3V 0BT.

2. Basis of preparation

These interim financial statements have been prepared in accordance with The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis. The Company has chosen to adopt Section 11 and 12 of FRS 102 in respect of financial instruments as available under Sections 11 of FRS 102.

The company transitioned from previously extant UK GAAP to FRS 102 as at 1 September 2014 and this is the first period in which the financial statements have been prepared under FRS 102. The transition to FRS 102 has resulted in a small number of changes in accounting policies to those used previously. The nature of these changes and their impact on opening equity and profit for the comparative period are explained in note 17.

The financial statements are presented in Sterling (£) which is the company's functional currency, rounded to the nearest thousand.

Going concern

The directors have reviewed the group's projected profits and cash flows which they have prepared on the basis of a detailed analysis of the group's finances, contracts and likely future demand trends. After consideration of these projections the directors consider that the group will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis.

Basis of consolidation

The company is exempt from preparing consolidated financial statements under section 400 of the Companies Act 2006, as the company forms part of a larger group for which UPP Group Holdings Limited produces consolidated financial statements. These accounts present information about the company as an individual undertaking and not about its group.

Cash flow statement

The company has taken advantage of the exemption available under FRS 102.9.3 and has not prepared a cash flow statement by virtue of being a small company.

UPP Bond 1 Holdings Limited

Notes to the unaudited financial statements for the six months ended 29 February 2016

3. Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to exercise judgement in applying the Company's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. However, the nature of estimation means that actual outcomes could differ from those estimates.

Estimates and assumptions are reviewed on an on-going basis with revisions recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving the most sensitive estimates and assumptions that are significant to the financial statements are set out below:

Impairment of non-financial assets

The Company assesses at each reporting date whether an asset may be impaired. If any such indication exists the Company estimates recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company estimates, the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through impairment in profit and loss unless the asset is carried at a re-valued amount where the impairment loss of a re-valued asset is a revaluation decrease.

An impairment loss recognised for all assets and is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

Taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

UPP Bond 1 Holdings Limited

Notes to the unaudited financial statements for the six months ended 29 February 2016

4. Principal accounting policies

(a) Investments

Fixed asset investments are carried at cost less any provision for impairment in value.

(b) Financial liabilities

Unsecured notes are initially measured at fair value, net of transaction costs. They are then subsequently measured at amortised cost using the effective interest method, with interest expense recognised on the basis of the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments through the effected life of the financial liability, or (where appropriate) a shorter year, to the net carrying amount on initial recognition.

(c) Finance costs

Financing costs, comprising interest payable on unsecured notes are recognised in profit or loss using the effective interest method.

Financing costs also include losses or gains arising on the change in fair value of hedging instruments that are recognised in profit or loss.

(d) Finance income

Interest income is recognised in profit and loss as it accrues, using the effective interest method.

(e) Debt issue costs

The debt issue costs incurred have been offset against the related debt and will be charged to finance costs at a constant rate on the carrying value of the debt. If it becomes clear that the related debt will be redeemed early then the charge to finance costs will be accelerated.

(f) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as define above, net of outstanding bank overdrafts.

UPP Bond 1 Holdings Limited

Notes to the unaudited financial statements for the six months ended 29 February 2016

4. Principal accounting policies (continued)

(g) Taxation

The tax charge for the year represents the sum of the tax currently payable and deferred tax based on the taxable profit for the year.

Deferred tax is recognised on all timing differences at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenditure in tax assessment in periods different from those in which they are recognised in the financial statements. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realised or the deferred tax liability to be settled on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting year.

(h) Related party transactions

The company is a wholly owned subsidiary of UPP Group Holdings Limited and as such the company has taken advantage of the terms of FRS 102.33.1A not to disclose related party transactions which are eliminated on consolidation, from the date that the group was acquired by UPP Bond 1 Holdings Limited.

(i) Segment information (continued)

FRS 102 requires operating segments to be determined based on the Company's internal reporting to the Chief Operating Decision Maker ('CODM') as they are primarily responsible for the allocation of resources to segments and the assessment of the performance of each segment.

The principal activity of the Company is that of a holding company for its subsidiary undertaking. Management consider that there is only one operating segment, as this is the lowest level at which discrete financial information is available. All of the company's income is generated from UK operations.

The measurement policies the Company uses for segment reporting under FRS 102 are the same as those used in its financial statements.

5. Directors' remuneration

The immediate subsidiary undertaking, UPP Bond 1 Limited, paid fees of £1,416 (2015: £1,702) to Structured Finance Management Limited in respect of services performed in connection with the management of the affairs of the company for the period up to 29 February 2016.

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the company are considered to be key management personnel.

No directors or other key management personnel of the company received payment for services performed in relation to the management of the company other than already mentioned above.

UPP Bond 1 Holdings Limited
Notes to the unaudited financial
statements for the six months ended 29 February 2016



6. Interest receivable and similar income

	Unaudited Six months ended 29 February 2016 £'000	Unaudited Six months ended 28 February 2015 £'000
Interest from unsecured loan notes	<u>7,630</u>	<u>6,640</u>

7. Interest payable and similar charges

	Unaudited Six months ended 29 February 2016 £'000	Unaudited Six months ended 28 February 2015 £'000
Interest due on unsecured loan notes	<u>7,630</u>	<u>6,640</u>

UPP Bond 1 Holdings Limited

Notes to unaudited financial statements for the six months ended 29 February 2016



8. Investments

Company	Interest in subsidiary undertakings £'000
At 28 February 2015 and 29 February 2016	<u>55,570</u>

The company ultimately owns 100% of the issued ordinary share capital in the companies listed below. All of these companies are registered in England and Wales.

On 9 December 2014 the share capital of UPP (Exeter) Limited was purchased for £18,721,000.

Subsidiary undertaking	Nature of business
UPP (Alcuin) Limited	Provision of student accommodation
UPP (Broadgate Park) Holdings Limited	Provision of student accommodation
UPP (Kent Student Accommodation) Limited	Provision of student accommodation
UPP (Nottingham) Limited	Provision of student accommodation
UPP (Oxford Brookes) Limited	Provision of student accommodation
UPP (Plymouth Three) Limited	Provision of student accommodation
UPP (Exeter) Limited	Provision of student accommodation
UPP Bond 1 Issuer plc	Financing company
UPP Bond 1 Limited	Treasury management company

The fixed asset investment value above represents the carrying value of the company's investment in its subsidiary undertakings.

UPP Bond 1 Holdings Limited
Notes to unaudited financial
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9. Debtors: amounts falling due within one year

	Unaudited	Unaudited
	29	28
	February	February
	2016	2015
	£'000	£'000
Amounts receivable from subsidiary company	<u>37,914</u>	<u>26,386</u>

10. Debtors: amounts falling due after one year

	Unaudited	Unaudited
	29	28
	February	February
	2016	2015
	£'000	£'000
Unsecured loan notes	<u>130,894</u>	<u>135,827</u>

The company subscribed for unsecured loan notes in its subsidiary undertaking, UPP Bond 1 Limited, on 5 March 2013.

Additional £21,308,000 unsecured loan notes were subscribed for on 9 December 2014.

The loan notes are scheduled to be repaid by August 2057, with repayments commencing in August 2030, and bear an interest rate of 13.75%.

11. Creditors: amounts falling due within one year

	Unaudited	Unaudited
	29	28
	February	February
	2016	2015
	£'000	£'000
Unsecured loan notes	<u>(36,912)</u>	<u>(25,750)</u>

UPP Bond 1 Holdings Limited

Notes to unaudited financial statements for the six months ended 29 February 2016



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

	Unaudited 29 February 2016 £'000	Unaudited 28 February 2015 £'000
Unsecured loan notes	<u>131,896</u>	<u>136,463</u>
Maturity of debt		
Repayable in more than five years	<u>131,896</u>	<u>136,463</u>

Unsecured loan notes

UPP Group Limited has provided unsecured loan notes of £146,669,000 to the company. These loan notes bear interest at 13.5% and are repayable by 2057. Payment of interest is subject to the group passing lock up tests and availability of cash reserves.

13. Called up share capital

	28 February 2016 £'000	28 February 2015 £'000
Issued, allotted, called up and fully paid 55,570,408 Ordinary shares of £1 each	<u>55,570</u>	<u>55,570</u>

14. Financial risk management

The company uses various financial instruments including loans, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. All of the company's financial instruments are of sterling denomination and the company does not trade in financial instruments or derivatives.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below. The directors review and agree policies for managing each of these risks and they are summarised below.

UPP Bond 1 Holdings Limited

Notes to unaudited financial statements for the six months ended 29 February 2016

14. Financial risk management (continued)

Interest rate risk

The company finances its operations through related party borrowings, on an arms-length basis.

Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and debt servicing and by investing cash assets safely and profitably.

The following table indicates the contractual cash flow maturities of the Group's financial instruments:

	Effective Interest rate %	Carrying Amount £'000	As at 29 February 2016				
			Contractual Cash flows £'000	< 1 year £'000	1 - 5 years £'000	5 years & over £'000	
<i>Financial asset</i>							
Unsecured loan notes issued 5 March 2013	9.25%	110,053	125,361	-	-	125,361	
Unsecured loan notes issued 9 December 2014	12.07%	20,841	21,309	-	-	21,309	
<i>Financial liability</i>							
Unsecured loan notes issued 5 March 2013	9.25%	110,990	125,361	-	-	125,361	
Unsecured loan notes issued 9 December 2014	12.07%	20,906	21,309	-	-	21,309	
			262,790	293,340	-	-	293,340

Demand risk

The company is subjected to risks arising from occupancy voids and no nominations by the university partners which can lead to uncertain revenues. This risk is managed by cementing relationships with the university, improved marketing of accommodation and improved third party revenues to compensate for any shortfalls in rental income.

Portfolio risk

The assets of the company are in the student market and reduced student numbers could impact upon financial performance. The company seeks to mitigate this risk by building excellent long term relationships with its university partner and ensuring up to date in depth market analysis is completed each year to enable the company to review its strategic position.

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Notes to unaudited financial statements for the six months ended 29 February 2016



15. Financial instruments

The carrying amounts of financial instruments by categories shown in the statement of financial position are as follows:

	Carrying amount At 29 February 2016 £000	Carrying amount At 28 February 2015 £000
Financial assets		
<i>Financial assets measured at amortised cost:</i>		
Unsecured loan notes	<u>130,894</u>	<u>135,827</u>
<i>Total financial assets measured at amortised cost:</i>	<u><u>130,894</u></u>	<u><u>135,827</u></u>
Financial liabilities		
<i>Financial liabilities measured at amortised cost:</i>		
Unsecured loan notes	<u>131,896</u>	<u>136,462</u>
<i>Total financial liabilities measured at amortised cost:</i>	<u><u>131,896</u></u>	<u><u>136,462</u></u>

16. Parent undertaking and controlling party

The group is wholly owned by UPP Group Limited, a company itself a wholly owned subsidiary of UPP Group Holdings Limited.

UPP Group Holdings Limited is controlled by a 60% stake held by PGGM Vermogensbeheer BV ("PGGM"), a company incorporated in The Netherlands.

It is the directors' opinion that PGGM is the ultimate controlling party.

UPP Bond 1 Holdings Limited

Notes to the unaudited financial statements for the six months ended 29 February 2016



17. Transition to FRS 102

The company transitioned to FRS 102 from previously extant UK GAAP as at 1 September 2014.

The impact from the transition to FRS 102 is as follows:

Reconciliation of equity at 1 September 2014 and 31 August 2015

	1 September 2014 £'000	31 August 2015 £'000
Equity shareholder funds as previously stated	37,316	56,390
Amortised cost of financial assets / liabilities	467	820
Equity shareholder funds under FRS 102	<u>36,849</u>	<u>55,570</u>

Reconciliation of total comprehensive income for the half year ended 28 February 2015

	28 February 2015 £'000
Total comprehensive income for the half year ended 28 February 2015 as previously stated	169
Decrease in carrying value of financial instruments under amortised cost	(169)
Total comprehensive income for the half year ended 28 February 2015 under FRS 102	<u>-</u>

UPP Bond 1 Holdings Limited

Notes to the unaudited financial statements for the six months ended 29 February 2016

17. Transition to FRS 102 (continued)

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

Amortised cost for financial liabilities

Under FRS 102, basic financial instruments are measured at amortised cost using the effective interest method, with interest expense recognised on the basis of the effective interest method. Under the previous UK GAAP, UPP had a policy of mortising its long term financial instruments using a 'constant' rate method which results in different carrying values for the debt instruments.

Consequently, on adoption of FRS 102, the following adjustments were made to the carrying values of the Company long term financial instruments as at 1 September 2014:

- Unsecured loan notes receivable - a decrease of the asset by £8,206,000 with a further decrease of £5,117,000 in year ended August 2015
- Unsecured loan notes payable - an decrease of the liability by £7,739,000 with a further decrease of £4,765,000 in year ended August 2015

Transitional relief

On transition to FRS 102 from previous UK GAAP, the group has taken advantage of transitional relief as follows:

Investments in subsidiaries

The company has elected to treat the carrying amount of investments in subsidiaries under previous UK GAAP at the date of transition as deemed cost on transition to FRS 102.