Registered number: 04116192

UPP (OXFORD BROOKES) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2016

COMPANY INFORMATION

Directors	R Bailey-Watts J Benkel J Wakeford R Bienfait
Company secretary	J Benkel
Registered number	04116192
Registered office	40 Gracechurch Street London EC3V 0BT
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Milton Keynes

UPP (OXFORD BROOKES) LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 AUGUST 2016

Business review

The Company's principal activity is the development, funding, construction and operation of university accommodation under the University Partnerships Programme.

The project comprises of 750 student residential accommodation bedrooms within the Oxford Brookes University main campus. An additional 20 rooms were completed ahead of the 2016/2017 academic year.

Both the level of business, achieving full occupancy and the year end financial position were in accordance with the directors' expectations. The directors anticipate that the future level of activity will be in accordance with their expectations and consider that the project will yield returns in line with current forecasts.

Toward the end of the financial year, the impact of the referendum decision to leave the European Union (EU) has also been the focus of much attention across the Higher Education (HE) sector. Following the result, the Government has committed to continue current funding arrangements for EU students until the completion of the Article 50 negotiations. At this stage it is unlikely that there will be any significant impact on demand from what is a relatively small proportion of the overall student population (i.e. circa 5%), however, the Board remain cognisant of the attendant risks relating to this process and will continue to actively manage these where they arise.

The robust characteristics of this market remain; with strong levels of student demand resulting from greater institutional autonomy and a recognition of the importance of high quality facilities as a central element of improving the experience of students.

Principal risks and uncertainties

Financial risk management objectives and policies

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.

Interest rate risk

The Company finances its operations through a mixture of retained profits, related party borrowings and fixed rate and inflation linked on-loans from a fellow group undertaking.

Through the use of the fixed rate tranche of the on-loan the Company has mitigated its negative exposure to interest rate fluctuations on that portion of its borrowings. The index-linked tranche of the on-loan has a nominal fixed rate that is linked to RPI (see below).

Inflation risk

Growth in rental income is linked to the movement in RPI and the company and group manages the exposure to this index through a mix of inflation linked debt on-lent from the fellow group undertaking and the use of RPI swaps to hedge a portion of the fixed rate on-loan servicing costs.

Liquidity risk

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

The maturity of borrowings is set out in note 14 to the financial statements.

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 period to enable the Group to review its strategic position.

Financial key performance indicators

The following are considered by the directors to be indicators of average performance of the Company that are not necessarily evident from the financial statements but provide insight into the quality of underlying cash flows for the borrowers.

	2015/16	2014/15
Average Applications : Acceptance ratio	5.52:1	6.62:1
Average core demand pool (no. of students)	8,492	8,575

The indicators above are directly related to performance of the university partner of the Company and any changes in these statistics may potentially affect the performance of the Group and in turn, the economic viability of this company.

The directors also monitor the occupancy levels of the student accommodation facilities.

	2015/16	2014/15
Average occupancy across the facilities	100.0%	100.0%

The target occupancy level is 98-99%, as such the directors are satisfied occupancies noted above are within tolerable limits for the recovery of credit extended to the Company. In addition, the Company met its on-loan obligations in the period.

Other financial key performance indicators, such as debt service cover ratio, relate to financial covenants on the associated senior debt financial instruments. All of the financial covenants have been met during the financial year.

This report was approved by the board on 12 December 2016 and signed on its behalf.

R Bienfait
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2016

The directors present their report and the financial statements for the year ended 31 August 2016.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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;
- 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.

Principal activity of the business

The Company's principal activity is the development, funding, construction and operation of university accommodation under the University Partnerships Programme.

Financial risk management objectives and policies

The company's financial risk management objectives and policies are considered to be of strategic significance and are therefore detailed in the Strategic Report on page 2.

Going concern

The directors have reviewed the Company'a projected profits and cash flows which they have prepared on the basis of a detailed analysis of the Company's finances, contracts and likely future demand trends. The Company has a net current liability position and has received confirmation from its immediate parent undertaking, UPP Bond 1 Limited that it will provide the necessary financial support to ensure it can meet its liabilities as they fall due. Accordingly the financial statements have been prepared on a going concern basis.

Results and dividends

The loss for the year, after taxation, amounted to £523k *(2015 - £404k).*

The directors did not declare any dividends for the year (2015 - £nil).

Directors

The directors who served during the year were:

R Bailey-Watts
J Benkel
J Wakeford (appointed 27 July 2016)
G Behr (resigned 10 May 2016)

The following director was appointed after the year end:

R Bienfait (appointed 11 October 2016)

Disclosure of information to auditor

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

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

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 12 December 2016 and signed on its behalf.

R Bienfait
Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UPP (OXFORD BROOKES) LIMITED

We have audited the financial statements of UPP (Oxford Brookes) Limited for the year ended 31 August 2016, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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 those financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UPP (OXFORD BROOKES) LIMITED (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.

Giles Mullins (Senior Statutory Auditor)

for and on behalf of
Grant Thornton UK LLP

Chartered Accountants
Statutory Auditor

Milton Keynes

12 December 2016

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2016

	Note	2016 £000	2015 £000
Turnover	4	**4,271**	*4,188*
Cost of sales		**(897)**	*(893)*
Gross profit		**3,374**	*3,295*
Administrative expenses		**(741)**	*(610)*
Operating profit	5	**2,633**	*2,685*
Interest receivable and similar income	8	**28**	*23*
Interest payable and similar charges	9	**(3,184)**	*(3,112)*
Loss on ordinary activities before tax		**(523)**	*(404)*
Tax on loss on ordinary activities	10	**-**	-
Loss for the year		**(523)**	*(404)*

The notes on pages 13 to 34 form part of these financial statements.

The above results all relate to continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2016

	Note	2016 £000	2015 £000
Loss for the financial year		**(523)**	*(404)*
Other comprehensive income			
Unrealised surplus on revaluation of tangible fixed assets		**3,375**	-
Deferred tax on revaluation of tangible fixed assets		**(316)**	-
Fair value of RPI swap		**363**	*830*
Deferred tax on movement on fair value of RPI swaps		**(84)**	*(166)*
Other comprehensive income for the year		**3,338**	*664*
Total comprehensive income for the year		**2,815**	*260*

The notes on pages 13 to 34 form part of these financial statements.

BALANCE SHEET
AS AT 31 AUGUST 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
Fixed assets					
Tangible fixed assets	11		**43,200**		*40,129*
			43,200		*40,129*
Current assets					
Debtors	12	**2,406**		*2,585*	
Cash at bank and in hand		**247**		*230*	
		2,653		*2,815*	
Creditors: amounts falling due within one year	13	**(975)**		*(902)*	
Net current assets			**1,678**		*1,913*
Total assets less current liabilities			**44,878**		*42,042*
Creditors: amounts falling due after more than one year	14		**(52,821)**		*(53,116)*
Provisions for liabilities					
Deferred tax		**(1,222)**		*(906)*	
			(1,222)		*(906)*
Net liabilities			**(9,165)**		*(11,980)*
Capital and reserves					
Called up share capital	18		**1,206**		*1,206*
Revaluation reserve	19		**11,525**		*8,537*
Other reserves	19		**1,330**		*1,051*
Profit and loss account	19		**(23,226)**		*(22,774)*
			(9,165)		*(11,980)*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 December 2016.

R Bienfait

Director

J Benkel

Director

The notes on pages 13 to 34 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2016

	Called up share capital	Revaluation reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 September 2015	1,206	8,537	1,051	(22,774)	(11,980)
Loss for the year	-	-	-	(523)	(523)
Transfer from revaluation reserve	-	-	-	71	71
Surplus on revaluation of leasehold property	-	3,059	-	-	3,059
Other comprehensive income for the year	-	-	279	-	279
Transfer to profit and loss account	-	(71)	-	-	(71)
At 31 August 2016	1,206	11,525	1,330	(23,226)	(9,165)

The notes on pages 13 to 34 form part of these financial statements.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the Profit and Loss account as a movement on reserves. The transfer for 2016 was £71k.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2015

	Called up share capital	Revaluation reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 September 2014	1,206	8,591	387	(22,424)	(12,240)
Comprehensive income for the year					
Loss for the year	-	-	-	(404)	(404)
Transfer from revaluation reserve	-	-	-	54	54
Other comprehensive income for the year	-	-	664	-	664
Transfer to profit and loss account	-	(54)	-	-	(54)
At 31 August 2015	1,206	8,537	1,051	(22,774)	(11,980)

The notes on pages 13 to 34 form part of these financial statements.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the Profit and Loss account as a movement on reserves. The transfer for 2015 was £54k.

1. General information

UPP (Oxford Brookes) Limited is a private limited company incorporated in England, with company number 04116192. The registered office is 40 Gracechurch Street, London, EC3V 0BT.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of fair value basis for all derivative instruments and revaluation of fixed assets and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 21.

The Company has chosen to apply transitional relief under Section 35.10 (i) Service concession arrangements – Accounting by operators and as a result its tangible fixed assets which meet the definition of service concession arrangements under Section 34 but where the contract was entered into before the date of transition will continue to be accounted for using the same accounting policies being applied at the date of transition to 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 number of changes in accounting policies to those used previously. The nature of these changes and their impact on opening equity and loss for the comparative period are explained in note 21.

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

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

The following principal accounting policies have been applied:

2.2 Going concern

The directors have reviewed the Company's projected profits and cash flows which they have prepared on the basis of a detailed analysis of the Company's finances, contracts and likely future demand trends. The Company has a net current liability position and has received confirmation from its immediate parent undertaking, UPP Bond 1 Limited that it will provide the necessary financial support to ensure it can meet its liabilities as they fall due. Accordingly the financial statements have been prepared on a going concern basis.

2.3 Turnover

Rent receivable is recognised on a straight line basis of the amount receivable in respect of the accounting period. Amounts received in advance are included within deferred income.

2. Accounting policies (continued)

2.4 Tangible fixed assets

Tangible fixed assets are stated at valuation, net of depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost of the tangible fixed assets, less any residual value, over the expected useful economic lives of the assets concerned once construction is complete. The principal rates of depreciation used for this purpose are:

Assets for use in operating leases	-	annuity method over the term of the lease

The economic benefit of the principal assets for use in operating leases is the return on assets invested into the financing arrangement with the relevant university. The annuity method takes into account the cost of capital notionally invested in the principal asset. Notional interest calculated using the relevant group's actual weighted cost of capital and depreciation combined will give an approximately constant charge to revenue.

The Company has adopted a policy to revalue the principal asset every five years with an interim valuation performed in year three of the cycle and in other years if there is evidence that the value has changed significantly. The movement in fair value is recognised in other comprehensive income and accumulated in equity in a revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

2.5 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of UPP Group Holdings Limited as at 31 August 2016 and these financial statements may be obtained from Companies House, Cardiff CF14 3UZ.

2. Accounting policies (continued)

2.6 Debtors

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

Impairment is determined by making an estimate of the likely recoverable value of short term debtors by considering factors such as the credit rating, the aging profile and the historic experience of the respective debtor.

2.7 Cash and cash equivalents

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

2.8 Interest bearing loans and borrowings

Fixed rate senior secured notes, index-linked senior secured notes and subordinated loan notes are initially measured at fair value, net of transaction costs. They are then subsequently measured at amortised cost using the effective interest method. Refer to section 3 for details on why the instruments are considered to be basic.

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 flows through the expected life of the financial liability, or (where appropriate) a shorter year, to the net carrying amount on initial recognition.

Where the financial liability has variable cash flows, such as the index linked interest and principal repayments, the change in RPI is charged to the profit and loss in the period to which it relates.

2.9 Creditors

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

2.10 Derivative instruments

Derivatives such as inflation swaps are not basic financial instruments.

To mitigate its exposure to changes in inflation, the Company has entered into an inflation linked swap ('RPI swaps') with UPP Bond 1 Issuer Plc, a fellow group undertaking. All derivative instruments are initially measured at fair value on the date the contract is entered into and subsequently re-measured to fair value at each reporting date. The gain or loss on re-measurement is taken to the income statement in finance cost or finance income as appropriate, unless they are included in a hedging arrangement.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair values of inflation swap contracts are determined by calculating the present value of the estimated future cash flows using observable yield curves.

2. Accounting policies (continued)

2.11 Hedge accounting

The Company applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. The Company designates all its derivative financial instruments, which meet the qualifying conditions for hedge accounting, as cash flow hedges:

Inflation linked swaps are held to manage the Company's exposure to changes in RPI. The Company's rental income from student accommodation is linked to RPI and the swap contacts manage the exposure to RPI by swapping RPI annual rate changes with a fixed rate.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised in other comprehensive income directly in cash flow hedge reserve. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the profit and loss account.

The gain or loss recognised in other comprehensive income is reclassified to the profit and loss when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

The Company has elected to adopt hedge accounting for all its swaps which meet the qualifying criteria for hedge accounting under Section 12 of FRS 102. It is considered that the criteria to apply hedge accounting have been met.

2.12 Finance costs

Financing costs, comprising interest payable on loans and subordinated loan notes and the costs incurred in connection with the arrangement of borrowings are recognised in the income statement using the effective interest method. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument unless the capital instrument is subsequently carried at fair value in which case the initial issue costs are expensed in the profit and loss account.

Financing costs also include losses or gains arising on any ineffective portion of fair value changes of designated for hedge accounting derivative instruments. Any movements in fair value of derivative instruments designated for hedge accounting that are effective are recognised in other comprehensive income as finance gains or losses.

2.13 Borrowing costs

Borrowing costs directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.14 Interest income

Interest income is recognised in the Profit and Loss Account using the effective interest method.

2. Accounting policies (continued)

2.15 Current and deferred taxation

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

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

A deferred tax liability is recognised on any tangible fixed assets revaluations. The corresponding movements in deferred tax are recognised in the same component of income as the transaction it relates to.

The Company has decided to make the election to be taxed under Regulation 9 in relation to derivative financial instruments and as a result a deferred tax asset or liability is recognised on the carrying value of any derivative instruments. Any deferred tax movements are recognised in other comprehensive income, where hedge accounting is applied for the underlying derivative instrument or in the profit and loss account where hedge accounting is not applied.

Deferred tax is calculated on a non-discounted basis using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference. Group relief is only accounted for to the extent that a formal policy is in place at the reporting period end. Where no policy is in place, current and deferred tax is measured before benefits which may arise from a formal group relief policy.

2.16 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.

3. Judgements in applying accounting policies 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:

Revaluation of the principal assets

The Company has adopted a policy to revalue the principal assets every five years with an interim valuation performed in year three of the cycle and in other years if there is evidence that the value has changed significantly. The Company engages independent valuation specialists to determine the fair value of the assets every five years, with a directors' valuation performed at any other interim period. The valuation technique employed by both the independent valuers and directors is based on a discounted cash flow model as there is a lack of comparable market data due to the specific nature of the property assets. The determined fair value of the principal assets is most sensitive to the estimated rental growth, discount rate, as well as the long term occupancy rates. The key assumptions used to determine the principal assets are further explained in note 11 on pages 23 to 25. JLL have confirmed that the value of the revalued assets as at the 31st of August 2016 was £43,200k.

Valuation of RPI swaps

The Company entered into derivative financial instruments, being RPI swaps, to manage the Company's exposure to RPI. Derivatives are initially recognised at fair value at the date a derivative is entered into and are subsequently re-measured at fair value at each reporting date. The fair values of the swaps are based on mark to market valuations adjusted for credit risk. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. The resulting gain or loss is recognised in profit or loss unless hedge accounting is applied, in which case, any portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income.

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 the 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 revalued amount where the impairment loss of a re-valued asset is a revaluation decrease.

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

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

3. Judgments in applying accounting policies (continued)

Presentation of the principal asset

Rent receivable is generated from the Company's interests in university accommodation. These interests fall within the scope of Section 34 of FRS 102, however, due to the transitional relief adopted in relation to service concession arrangements, the Group continues to account for all its principal assets applying the policies under the extant UK GAAP, FRS 5 (Application Note F).

Each year the Company applies judgement in assessing the status of these interests, in accordance with the provisions of FRS 5 (Application Note F), assessing the balance of the significant risks and rewards of ownership of the asset. The appropriate balance sheet treatment of these interests is to treat the asset as a finance receivable asset where the Company does not have the majority of significant risks and rewards. Where it does, the asset is treated as a tangible fixed asset.

The directors consider the balance of the risks and rewards lies with the company due to the Company taking the key demand risk and therefore the assets are treated as tangible fixed asset.

Classification of index-linked financial instruments

The Company's index-linked senior secured notes are fully amortising with both principal repayments and real interest adjusted semi-annually by the change in the RPI index. Management have concluded that despite both principal and interest being linked to RPI, these links are not leveraged and because both principal and interest repayment obligations change in the same proportion and therefore the conditions in paragraphs 11.9(a) and (aA) of FRS 102 are met and the Company's index linked financial instruments are classified as basic and carried at amortised cost.

Hedge accounting for inflation swaps

The Company has chosen to apply hedge accounting for all hedging instruments which are in a qualifying hedging relationship under Section 12 of FRS 102. Significant judgement is exercised in concluding that future inflationary increases or decreases in rent receivable from university partners are separately identifiable and reliably measurable components of the rental income which ensures the inflation component of rental income and the related RPI swaps are in a hedging relationship which meets the qualifying criteria for hedge accounting under Section 12 of FRS 102.

4. Turnover

Turnover represents income, on the basis of accounting policy 2.3, excluding VAT, attributed to the provision of student accommodation.

	2016 **£000**	*2015* *£000*
Provision of student accommodation	**4,271**	*4,188*
	4,271	*4,188*

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2016 £000	*2015 £000*
Depreciation of tangible fixed assets	**303**	*271*
Auditors remuneration	**13**	*13*

During the year, no director received any emoluments *(2015 - £NIL)*.

6. Auditor's remuneration

	2016 £000	*2015 £000*
Fees payable to the Company's auditor for the audit of the Company's annual financial statements:	**7**	*8*
Fees payable to the Company's auditor and its associates in respect of non audit services:		
Taxation compliance services	**6**	*5*
	6	*5*

7. Employees

Staff costs were as follows:

	2016 £000	2015 £000
Wages and salaries	362	332
Social security costs	31	28
Cost of defined contribution scheme	14	11
	407	371

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	2015 No.
Site managers (full time)	1	2
Adminstration, maintenance and cleaning (full and part time)	16	15
	17	17

Key management personnel

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration with respect of these individuals is £nil (2015: £nil).

8. Interest receivable

	2016 £000	2015 £000
Interest receivable from group companies	26	22
Bank interest receivable	2	1
	28	23

9. Interest payable and similar charges

	2016 £000	*2015 £000*
Interest payable on fixed rate senior on loans	**1,544**	*1,555*
Suborindated loan interest payable	**1,262**	*1,161*
Interest payable on index-linked senior on loans	**378**	*396*
	3,184	*3,112*

Suborindated loan interest is payable to UPP Bond 1 Limited.

10. Taxation

	2016 £000	*2015 £000*
Total current tax	-	-
Deferred tax		
Total deferred tax	-	-
Taxation on profit on ordinary activities	-	-

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2015 - higher than)* the standard rate of corporation tax in the UK of 20% *(2015 - 21%)*. The differences are explained below:

	2016 £000	*2015 £000*
Loss on ordinary activities before tax	**(523)**	*(404)*
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 21%)	**(105)**	*(85)*
Effects of:		
Expenses disallowable for tax purposes	**(1)**	*135*
Movement in deferred tax not recognised	**106**	*(50)*
Total tax charge for the year	-	-

10. Taxation (continued)

Factors that may affect future tax charges

The deferred tax has been recognised at a rate of 18% which was substantively enacted in Finance Bill 2015.

There will be a reduction in corporation tax rate from the current 20% rate to 19% from 1 April 2017 and then to 18% from 1 April 2020.

A deferred tax asset of £2,454k (2015: £2,553k) in respect of available tax losses has not been recognised at 31 August 2016. This is due to there being no persuasive and reliable evidence available at this time of suitable profits to offset these losses.

11. Tangible fixed assets

	Assets for use in operating leases £000
Cost or valuation	
At 1 September 2015	**40,400**
Revaluations	**2,800**
At 31 August 2016	**43,200**
At 1 September 2015	**271**
Charge for period on owned assets	**303**
On revalued assets	**(574)**
At 31 August 2016	**-**
Net book value	
At 31 August 2016	**43,200**
At 31 August 2015	*40,129*

11. Tangible fixed assets (continued)

Fixed assets include borrowing costs up to the date of completion of £1,455k (2015: £1,455k)

Assets used in operating leases were independently valued by Jones Lang LaSalle ("JLL"), Chartered Surveyors, on an existing use basis at 31 August 2016 in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. JLL have confirmed that the value as at that date was £43,200k.

Following an internal review of the assets used in operating leases, the directors have decided to revalue the assets to the value as determined by JLL in 2016.

The critical assumptions made in relation to the valuation are set out below:

	2016	2015
Discount rates	8.40%	N/A
Occupancy rates	99.25%	N/A
Long term annual rental growth	3%	N/A

Cost or valuation at 31 August 2016 is as follows:

	Assets for use in operating leases £000
At cost	**31,840**
At valuation:	
Revaluation as at 31st August 2016	**11,360**
	43,200

11. Tangible fixed assets (continued)

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2016 £000	*2015* *£000*
Cost	**31,840**	*31,840*
Accumulated depreciation	**(1,397)**	*(1,165)*
Net book value	**30,443**	*30,675*

12. Debtors

	2016 £000	*2015* *£000*
Due after more than one year		
Deferred tax asset	**102**	*186*
	102	*186*
Due within one year		
Amounts owed by group undertakings	**2,300**	*2,391*
Prepayments and accrued income	**4**	*8*
	2,406	*2,585*

Included within amounts owed by group undertaking is a balance of £576k (2015 - £522k) which is to fund a debt service reserve account that is sized to be adequate to cover the next six months of service costs of both tranches of the senior secured notes. This amount is reviewed every six months and increased or decreased accordingly. Interest receivable on these loans is calculated using the effective interest method which is different to the actual cash interest received at the rate the company earns interest on the cash balances it holds.

The amounts owed by group undertakings are repayable on demand and not subject to interest.

13. Creditors: Amounts falling due within one year

	2016 £000	*2015 £000*
Current installments due on loans	**539**	*443*
Trade creditors	**-**	*14*
Amounts owed to group undertakings	**76**	*88*
Accruals and deferred income	**360**	*357*
	975	*902*

The amounts owed to group undertakings are repayable on demand and not subject to interest.

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

	2016 £000	*2015 £000*
Fixed rate on loans	**28,771**	*29,262*
Index-linked on loans	**8,089**	*7,938*
Unsecured subordinated loan	**15,392**	*14,984*
Derivative financial instruments	**569**	*932*
	52,821	*53,116*

15. Loans

On loans

On 5 March 2013 a fellow subsidiary of the company's immediate parent UPP Bond 1 Limited, UPP Bond 1 Issuer plc, launched a Multicurrency Programme for the issuance of £382.1 million Senior Secured Notes. The proceeds of this bond issuance were on lent to UPP (Oxford Brookes) Limited and five other subsidiary undertakings of UPP Bond 1 Limited, to enable the companies to repay their existing senior bank debt funding.

These notes are listed on the Irish Stock Exchange. The 4.9023% fixed rate loan notes are due to be fully repaid by 2040, with repayments having begun in August 2013.The 2.7291% index linked loan notes are due to be fully repaid by 2047, with repayments starting in August 2038.

The company entered into on-loan arrangements with UPP Bond 1 Issuer plc the terms and conditions of which are laid out below:

	Amount	Interest rate	Maturity
Tranche A	31,615,000	Fixed rate at 4.9023%	31 August 2039
Tranche B	7,826,000	Index-linked at 2.7291%	31 August 2047

The on-loan facilities above are secured under a debenture deed. Under the terms of the debenture, the finance provider, UPP Bond 1 Issuer plc, has security by way of a first legal mortgage over all estates or interests in the leasehold properties and buildings and fixtures on those properties, as well as security over all other assets of the company by way of fixed and floating charges.

Unsecured subordinated loan notes

On 5 March 2013 UPP Bond 1 Limited provided unsecured subordinated loan notes of £13,378,000 to the company. These loan notes bear interest at 14% and are repayable by 2049.

15. (continued)

Analysis of the maturity of loans is given below:

	2016 £000	*2015 £000*
Amounts falling due within one year		
Fixed rate on loans	**539**	*443*
	539	*443*
Amounts falling due 1-2 years		
Fixed rate on loans	**645**	*539*
	645	*539*
Amounts falling due 2-5 years		
Fixed rate on loans	**1,712**	*1,814*
	1,712	*1,814*
Amounts falling due after more than 5 years		
Fixed rate on loans	**26,414**	*26,909*
Index-linked on loans	**8,089**	*7,938*
Unsecured subordinated loan notes	**15,392**	*14,984*
	49,895	*49,831*
	52,791	*52,627*

16. Financial instruments

	2016 £000	*2015 £000*
Financial assets		
Financial assets that are debt instruments measured at amortised cost	**2,300**	*2,391*
	2,300	*2,391*
Financial liabilities		
Financial liabilities measured at amortised cost	**(52,542)**	*(52,421)*
Derivative financial instruments measured at fair value	**(569)**	*(932)*
	(53,111)	*(53,353)*

Financial assets measured at amortised cost comprise cash and amounts owed by group undertakings which is repayable on demand.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, debt issue costs, fixed rate senior secured notes, index linked senior secured notes, unsecured subordinated loan notes.

To mitigate the risks of inflation movements in the underlying income generation of the Company impacting on the Company's ability to service the fixed rate senior on loans, the Company has entered into an RPI swap with UPP Bond 1 Issuer plc, a fellow group company, which has entered into on –loan arrangements with the Company. The notional amounts swapped for each year has been determined with reference to a percentage of the fixed rate on loan servicing costs.

The fair value of this derivative instrument has been determined using yield curves derived from quoted RPI rates matching the maturity of the RPI swap. This fair value is based on a mark to market valuation adjusted for credit risk.

The Company entered into the RPI swap on 5 March 2013, fixing a portion of the underlying rental income stream to 2.7%. The RPI swap is for a period of 27 years from March 2013, commencing in February 2015 and finishing in February 2042.

The Company applies hedge accounting for its derivative instrument as the criteria are not met under section 12 FRS 102. A hedging gain of £279k arose during the year (2015: £664k gain) and was recognised in other comprehensive income t, reflecting the change in fair value of the RPI swap.

17. Deferred taxation

	2016 £000	2015 £000
At beginning of year	(720)	(554)
Charged to other comprehensive income	(400)	(166)
At end of year	(1,120)	(720)

The provision for deferred taxation is made up as follows:

	2016 £000	*2015 £000*
Deferred tax on revaluation of tangible asset	(1,221)	*(906)*
Deferred tax on RPI swap	101	*186*
	(1,120)	*(720)*
Comprising:		
Asset - due after one year	102	*186*
Liability	(1,222)	*(906)*
	(1,120)	*(720)*

18. Share capital

	2016 £000	*2015 £000*
Shares classified as equity		
Authorised, allotted, called up and fully paid		
1,205,957 Ordinary Shares shares of £1 each	1,206	*1,206*

19. Reserves

Revaluation reserve

The reserve is used to record the surplus or deficit arising on valuation of the principal asset of the Company as well as the deferred tax liability arising on any chargeable gains if the associated property were to be sold at the balance sheet date.

Other reserves

The cash flow hedge reserve includes the fair value movements on the derivities financial instruments and the deferred tax associated with these.

Profit and loss account

The reserve consists of current and prior years profit and loss.

20. Controlling party

The Company is wholly owned by UPP Bond 1 Limited, a wholly owned subsidiary of UPP Bond 1 Holdings Limited, itself a wholly owned subsidiary of UPP Group Limited. UPP Group Limited is a wholly owned subsidiary of UPP Group Holdings Limited.

UPP Group Holdings Limited was 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.

The parent undertaking of the smallest group of which the Company is a member and for which Group accounts are prepared is UPP (Oxford Brookes) Limited.

The parent undertaking of the largest group of which the Company is a member and for which Group accounts are prepared is UPP Group Holdings Limited.

Copies of the accounts can be obtained from Companies House, Cardiff CF14 3UZ, once they have been filed.

21. First time adoption of FRS 102

The Company transitioned to FRS 102 from previously extant UK GAAP as at 1 September 2014. The impact of the transition to FRS 102 is as follows:

Reconciliation of equity at 1 September 2014

	Note	£000
Equity at 1 September 2014 under previous UK GAAP		(10,305)
Fixed rate on loans at amortised cost		(151)
Subordinated loan notes at amortised cost		1,082
Fair value of RPI swap		(1,762)
Deferred tax on RPI swap		352
Holiday pay accrual		(6)
Fair value of debt service reserve account		(545)
Deferred tax on revaluation reserve		(906)
Equity shareholders funds at 1 September 2014 under FRS 102		**(12,241)**

Reconciliation of equity at 31 August 2015

	Note	£000
Equity at 31 August 2015 under previous UK GAAP		(11,390)
Fixed rate on loans at amortised cost		(192)
Subordinated loan notes at amortised cost		1,794
Fair value of RPI swap		(931)
Deferred tax on RPI swap		186
Holiday pay accrual		(8)
Fair value of debt service reserve account		(534)
Deferred tax on revaluation reserve		(906)
Equity shareholders funds at 31 August 2015 under FRS 102		**(11,981)**

Reconciliation of profit and loss account for the year ended 31 August 2015

	£000
Profit for the year under UK GAAP	(1,085)
Fixed rate on loans at amortised cost	(41)
Subordinated loan notes at amortised cost	712
Holiday pay accrual	(2)
Fair value of debt service reserve account	12
Loss for the year ended 31 August 2015 under FRS 102	**(404)**

21. First time adoption of FRS 102 (continued)

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

1 Derivative financial instruments

The Company was not previously required to recognise the RPI swaps on the balance sheet. Instead the effects of these derivative financial instruments were recognised in profit or loss on settlement and any net interest payable was accrued.

Under FRS 102, derivative financial instruments are classified as other financial instruments and are recognised as a financial asset or a financial liability, at fair value, when an entity becomes party to the contractual provisions of the instrument. On the adoption of the requirements of FRS 102 Section 11 and 12, derivative financial liabilities of £1,762k have been recognised in the balance sheet at the date of transition, 1 September 2014.

At 31 August 2015, the fair values of the RPI swap was £931k. In accordance with the accounting policy in note 2.10, the difference between the fair values has been recognised in other comprehensive income where a policy of hedge accounting is adopted.

2 Deferred tax

Under FRS 102, deferred tax is recognised on a timing difference plus approach, whereas previous UK GAAP required a timing difference approach.

A deferred tax asset of £352k was recognised on 1 September 2014 in relation to the fair value recognition of the RPI swaps. The deferred tax asset provision as at 31 August 2015 had decreased to £186k.

A deferred tax liability of £906k was recognised on 1 September 2014 in relation to the revaluation of the tangible asset. The deferred tax asset provision as at 31 August 2015 was £906k.

3 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 amortising its long term debt instruments using a 'constant' rate method which resulted 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 debt instruments as at 1 September 2014:
•Senior loan notes - a decrease of the liability by £151k on 1 September 2014, with a increase of £192k in year ended August 2015
•Unsecured loan notes - a decrease of the liability by £1,082k on 1 September 2014 with a decrease of £1,794k in year ended August 2015
•Debt service reserve loan balance - a decrease of the asset by an amount of £545k on 1 September 2014, with a decrease of £534k in year ended August 2015

21. First time adoption of FRS 102 (continued)

4 Holiday pay accrual

Prior to the adoption of FRS 102, the Company did not make provision for holiday pay earned but not taken before the year end. FRS 102 requires the cost of short-term compensated absences to be recognised when employees render the service that increases their entitlement.

Consequently an additional accrual of £6k at 1 September 2014 has been made to reflect this. The provision at 31 August 2015 was £8k with the movement charged to profit and loss in the year ended 31 August 2015.

22. Transitional relief

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

Service concession arrangements
The Group has chosen to apply transitional relief under Section 35.10 (i) Service concession arrangements – Accounting by operators and as a result it shall account for all its tangible assets which meet the definition of service concession arrangements under Section 34 but where the contract was entered into before the date of transition, using the same accounting policies being applied at the date of transition to FRS 102. This transitional relief applies to all of the Group's principal assets as at 31 August 2016.

Hedge accounting
UPP has adopted hedge accounting policies for all its hedging relationships existing on the date of transition which meet the qualifying criteria for hedge accounting to be applied under FRS 102 paragraph 12.18.