UPP Bond 1 Limited Investor Report

For the year ended 31 August 2016

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Investor report for the year ended 31 August 2016

This annual Investor Report is delivered pursuant to Schedule 9 Part 1 of the Common Terms Agreement ('CTA') and covers the year ended 31 August 2016.

The date of this Investor Report is 13 December 2016. Unless otherwise defined herein, capitalised terms have the meanings given in the Prospectus for the £5,000,000,000 multicurrency programme for the issuance of senior secured notes dated 5 March 2013, and as updated on 1 December 2014.

General overview

1.0

UPP Bond 1 Holdings Limited

UPP Bond 1 Holdings Limited announces its results for the year ended 31 August 2016

Audited financial highlights for the year ended 31 August 2016

£'000	Year ended 31 August 2016	Year ended 31 August 2015**	Change %	Previously reported 31 August 2015***
Turnover	61,309	59,236	3.5%	55,673
Gross profit	42,591	40,841	4.3%	38,246
EBITDA*	39,652	38,455	3.1%	35,973
EBITDA margin*	64.7%	64.9%	(0.2%)	64.6%

**EBITDA before sinking fund expenditure*

***Includes results for UPP (Exeter) Limited from 1 September 2014*

****Previously reported last year including UPP (Exeter) Limited from 9 December 2014*

Business highlights

- Occupancy for 2015/16 of 99.9% (2014/15: 99.7%)
- Turnover up by 3.5%, reflecting RPI linked annual term rental income increases
- Operating cash flow for 2015/16 of £35.5m (2015: £32.3m)
- Both Historic and Projected Annual Debt Service Coverage Ratios comfortably above lock up triggers post year end
- Strong demand has continued into 2016/17 with occupancy of 99.6% as at date of publication with six of the seven AssetCos achieving 100% occupancy
- Term rental income predicted to increase by 2.1% compared to 2016

Sean O'Shea, Chief Executive Officer

"Once again I am delighted to report the continued robust performance of UPP Bond 1 Holdings Limited for the financial year ended 31 August 2016. The year saw an increase in turnover of 3.5% to £61.3m and as a result a growth in EBITDA to £39.7m. Particularly pleasing is the delivery of sector leading occupancy across the portfolio reaching 99.9% for the year, up from 99.7% in 2014/15. During a period of much greater global competition between universities for students, this performance underlines the strength of the UPP business model - the cornerstone of which is establishing long term partnerships with institutions best positioned for future success. It also highlights the continued popularity of the UK as a world leading destination for students.

We believe the introduction of the Higher Education and Research Bill during Q1 of 2017 will reinforce the market environment for UK universities to prosper, while they realise with ever greater clarity the need to provide the best residential and academic facilities to secure student demand at a time when capital market funding remains historically cost effective."

Enquiries

UPP	Richard Bienfait	Chief Financial Officer	Tel: 020 7398 7200
	Jon Wakeford	Group Director, Strategy and Communications	

1.1 Summary of the UPP Group business

UPP Group (defined as UPP Group Holdings Limited and its subsidiaries) is the largest provider of on-campus residential and non-residential infrastructure to universities in the United Kingdom and currently has c.30,000 student rooms in operation with 14 partner universities, of which 11,693 are rooms operated by the AssetCos, including 20 rooms completed at the site at Oxford Brookes University during the year.

The key features of UPP Group's cash generative business model, based on bespoke partnerships with universities, including the seven AssetCos, are:

- An integrated service model for universities encompassing the funding, design, construction and operation of student accommodation
- A business model underpinned by long term contracts (typically in excess of 40 years) with all partner universities
- Annual rent increases for the life of the project linked to the Retail Price Index ("RPI")
- UPP benefits from a restrictive covenant regime that limits long term competing university supply in order to maintain project demand dynamics
- UPP establishes partnerships with leading institutions, targeted on the basis of its own rigorous selectivity criteria
- Accommodation is always located on, or very near to, campus, which is the preferred location for target cohorts of first year domestic and international undergraduate and postgraduate students
- Average occupancy over the last five years has been in excess of 99.5% across the AssetCos
- Credit and void risk is passed to the university partner once a student of the university enters into a student residence agreement
- The university partner markets UPP accommodation at the agreed rent concurrent to its own stock
- Each AssetCo has the ability to pass cost increases in utilities, insurances and those resulting from a change of law through to student rents to the extent that they are not covered by the annual RPI linked uplift
- Facilities management costs are subject to five yearly benchmarking exercises

1.2 Summary of bond issuance

On 5 March 2013 UPP Bond 1 Issuer Plc issued a £382.1m secured bond listed on the Irish Stock Exchange. The bond was secured against the income from the properties at the universities of York, Nottingham, Nottingham Trent, Kent, Oxford Brookes and Plymouth ("the AssetCos"). UPP Bond 1 Holdings Limited is a wholly owned subsidiary of UPP Group Limited and was set up to be the intermediate holding Company for the six AssetCos.

This issuance comprised two tranches:

- £307.1m 4.9023% Amortising Fixed Rate Bond due 2040
- £75m 2.7291% Amortising Index Linked Bond due 2047

On 9 December 2014, the Group acquired UPP (Exeter) Limited from UPP Group Limited. On the same day, UPP Bond 1 Issuer Plc issued a new tranche of £149.7m 1.037% amortising index linked secured notes, listed on the Irish Stock Exchange. These funds were on-lent to UPP (Exeter) Limited to enable that company to repay its bank facilities and associated costs. This tranche is due 2049.

Proceeds of the issuances, along with a tranche of unsecured subordinated debt, were utilised to:

- Repay existing senior bank facilities owed by the seven AssetCo's
- Fund the payment of break costs crystallised on the termination of the interest rate and RPI hedging arrangements in place with the current bank funders
- Prefund a debt service reserve account for the new bond issuance
- Purchase minority interest shareholdings held by two of the university partners in the relevant AssetCos
- Fund the costs associated with the transaction

Interest and principal repayments are due in February and August each year.

All notes issued under the Programme benefit from security granted by the AssetCos specified below, in respect of seven student accommodation concessions granted by seven English universities, namely:

- University of York – UPP (Alcuin) Limited
- University of Nottingham – UPP (Broadgate Park) Holdings Limited
- University of Kent – UPP (Kent Student Accommodation) Limited
- Nottingham Trent University – UPP (Nottingham) Limited
- Oxford Brookes University – UPP (Oxford Brookes) Limited
- University of Plymouth – UPP (Plymouth Three) Limited
- University of Exeter – UPP (Exeter) Limited

UPP currently operates over 2,500 rooms in long term partnership with the University of Exeter, funded as part of its £5 billion bond programme.

Higher education sector & business developments

2.0

2.1 The Higher Education (HE) sector

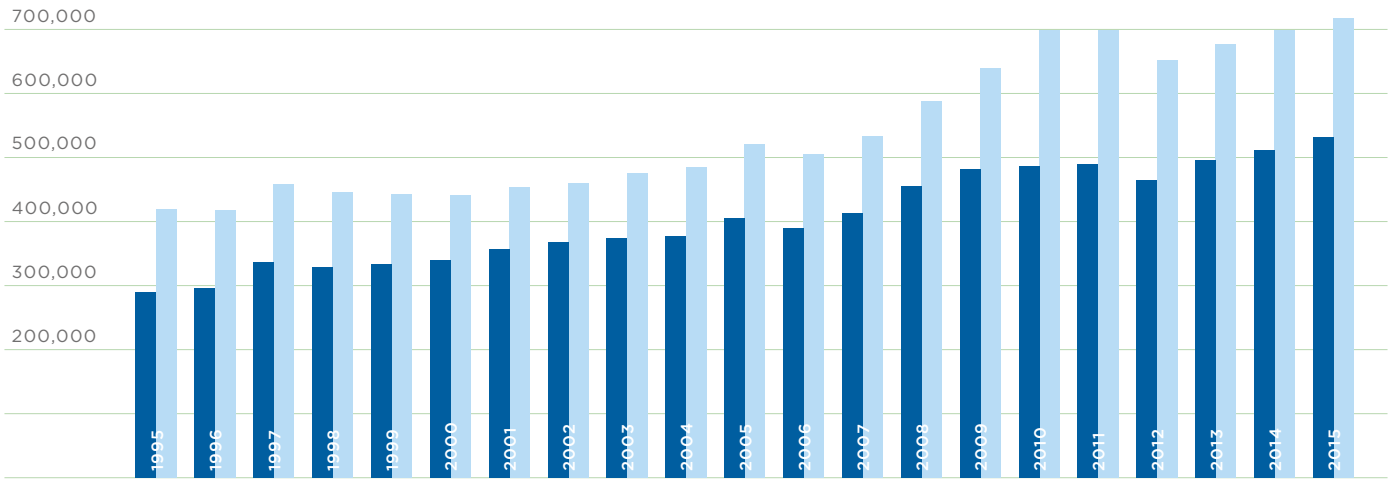
Over the last few decades, OECD countries have seen a massive expansion of higher education, with HE systems worldwide shifting from elite forms of higher education to mass participation. In most countries higher education continues to be a key issue as economic development depends in part on the presence of an educated and skilled workforce and on technological improvements that raise productivity. This growth has witnessed the number of young people aged 25-34 with a tertiary qualification increasing by nearly 45% between 2005 and 2013 in OECD and G20 countries, a trend that is expected to continue over the coming decade. While, on average, only 14% of the young people in OECD and G20 countries had a tertiary qualification in 2005, more than 45% are expected to have a tertiary qualification in 2030 if the growth of the past decade is sustained.[1] In 2013 there were 137 million 25-34 year olds with a tertiary education by 2030 this figure is projected to increase to 300 million.[2]

As a result of this growth in global demand for higher education, systems continue to change developing a wider diversity of provision to meet the needs of new student populations and to accommodate labour market pattern changes and the need to re-skill adults through lifelong learning. Most higher education systems, including the UK, have undergone a form of decentralisation which has also changed their structure and size. In addition, the growing trend of public-private cost sharing, especially via tuition fees has resulted, in a greater student focus on quality and value for money. Global student mobility continues its dramatic increase, with the number of students enrolled outside of their country of citizenship increasing fivefold over the last four decades to 4.5million.[3] It also appears that students are staying in higher education for longer, with 69% of students graduating within the theoretical duration of their course plus three years.[4]

It is within this context that the UK remains one of the top global destinations for HE. Institutions across the country continue to retain world-class status, with the Times Higher Education World University Rankings for 2016/17 ranking 32 UK institutions in the top 200 and 12 within the top 100.[5] In terms of global popularity it remains second only to the US and the number one destination for HE students in Europe.[6] The UK sector continues to attract record numbers of applicants from the UK and overseas and whilst, as expected, the rate of applicant growth has slowed in recent years – largely tracking the UK birth rate – overall applicant numbers have once again increased year on year.[7] According to the Higher Education Statistics Agency full-time enrolments have continued to increase, now standing at 1,697,150 the equivalent of a compound annual growth rate of 2.0% over the last decade.

Higher education in the UK continues to be a significant sector of economic activity in its own right, representing a key driver of growth at national and local level. In 2011/12, the sector generated over £73.1 billion through both direct and secondary outputs, contributed £17.9bn to UK GDP (i.e. 2.8%) and created 757,268 full time equivalent jobs throughout the economy. The off-campus expenditure of all non-UK students attending UK universities is estimated to be £4.9bn and generates a further £7.4bn across the wider economy.[8]

Applicants and Acceptances 1995 to 2015



Source: UCAS

Number of Acceptances Number of Applicants

2.2 Academic demand

Domestic

Demand for higher education in the UK remains healthy and growth in applicant numbers continues. As projected this growth has been at a slower rate, flattening overall in line with the UK birth rate. UCAS figures from 30 June 2016 identify that total applicant numbers have risen by more than 58,000 or 9.4% over the course of 2012/13 and 2016/17 application cycles. Domestic applicant numbers grew by nearly 7.7%, the equivalent of 39,770 students over the same period. Student applicants from the EU have shown the strongest rate of growth since the introduction of tuition fees at 25.0%, whilst international applicant numbers have increased by more than 8,000 to just under 70,000 per annum. The total number of applicants for the 2016/17 academic year has increased by just 0.3% year on year, the equivalent of 1,850 students to 674,890.[9]

UCAS data published on 28 September 2016 identified the position with respect to acceptances recorded four weeks following 'A' level results. It identified that almost 522,000 students had been accepted to UK universities through UCAS which represented an increase of 7,000 students on the same point in 2015. Acceptances for study were up across all the countries of the UK, with the number of students beginning university courses with A levels showing a small decrease on the previous year. UK and EU domiciled acceptances to the 2016/17 entry year at this point were 482,750, an increase of 1.5% or approximately 7,320 compared to the same point in the 2015/16 cycle. Acceptances to the 2016/17 entry year are 18.4% higher than in 2012/13 - the first year of the £9,000 tuition fee cap regime.[10]

1. *OECD (2016) Education at a Glance http://www.oecd.org/edu/education-at-a-glance-19991487.htm*
2. *OECD (2015) Education Indicators in Focus http://www.oecd.org/edu/skills-beyond-school/EDIF%2031%20(2015)--ENG--Final.pdf*
3. *OECD (2014) Education at a Glance*
4. *OECD (2016) Education at a Glance http://www.oecd.org/edu/education-at-a-glance-19991487.htm*
5. *The Times Higher Education World University Rankings 2016/17*
6. *OECD (2013) Education at a Glance*
7. *UCAS 30 June Deadline (Applicants by Domicile)*
8. *Universities UK: Impact of universities on the UK economy 2013/14*
9. *UCAS: Deadline Applicant Statistics: June 2016*
10. *UCAS: Acceptances: Interim (day 28) 2016*

Annual UCAS Applicant Data by Domicile (as at 30 June 2016)

App. Domicile	2012/13	2013/14	2014/15	2015/16	2016/17	% 16/17 vs 15/16
England	429,100	441,790	456,920	460,740	459,430	-0.3
Northern Ireland	19,150	20,290	20,300	20,810	21,110	1.4
Scotland	42,490	42,930	43,910	48,490	49,470	2.0
Wales	23,240	22,660	23,450	23,550	23,740	0.8
UK	**513,970**	**527,670**	**544,580**	**553,590**	**553,574**	**0.0**
EU (excluding UK)	41,480	43,290	45,380	48,930	51,850	6.0
Non EU	61,260	64,940	69,060	70,530	69,300	-1.7
Total	**616,700**	**635,910**	**659,030**	**673,040**	**674,890**	**0.3**

International

As a leading global destination for higher education, UK HE sector continues to witness enrolment growth from students domiciled in the EU and further afield. In 2014/15, the most recent year for which domestic data is available, there were 436,585 EU and international students studying at publicly-funded HE institutions across the UK – 232,000 studying at undergraduate level and more than 204,000 at postgraduate.[11]

As the table Applicants to UCAS by Domicile (above) identifies, since the introduction of the current tuition fee cap EU applicant numbers have increased year on year. In real terms this has seen an extra 10,370 students apply over the period, an increase of 25% overall. International student numbers have increased by more than 8,000 since 2012/13 an increase of 13.1% to 69,300. Whilst for 2016/17 there remains some growth in domestic applicant numbers, as expected the extent of this growth has slowed in line with the birth rate.

Academic demand indicators for 2017/18

Initial 15 October 2016 deadline data from UCAS with respect to applicants for the academic year 2017/18 have been reflecting those students applying for medicine, dentistry, and veterinary degrees, as well as for all courses at the University of Cambridge and the University of Oxford. Overall applicant numbers have witnessed an increase of 1% on last year, an increase of 560 applicants to 57,190. UK applicant numbers have increased by 3% to 39,440, an increase of 1,110. The data also identified strong growth in demand from 18 year olds in England (+8%) and Wales (+7%), with approximately 2,000 more people submitting applications despite the young population falling again this year by around 2%; an impact of the birth rate. EU applicant numbers have, however, declined by 9% to this deadline. It should be noted however that EU applicant numbers for this 2017 entry cycle are close to where they were for the 2015 cycle. International demand continues to be strong, with numbers from outside the EU increasing by a similar amount as last year, by 1%, to 11,510 people.

As with previous cycle deadline data, 15 October figures represent just 10% of eventual applicants with a full picture of demand for UK higher education, including from EU students, only becoming clear after the main January deadline.

11. HESA (Headcount) 2014/15

2.3 Student accommodation demand

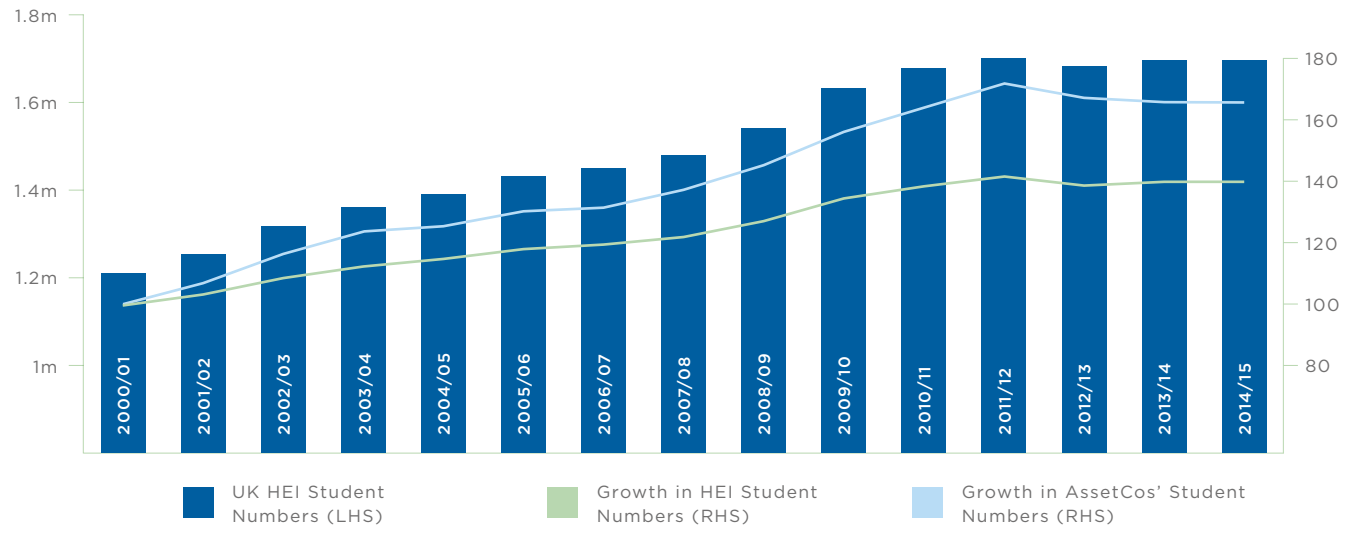
The demand for student accommodation remains largely unchanged. Residential accommodation supply for students in the UK HE sector has not kept pace with the growth in student numbers which has taken place over the last 15 years. This situation has been exacerbated by the introduction of significant disincentives for private sector landlords to convert residential properties for HMO use. These include Article Four Directives - which bring the conversion of residential properties for student letting under the Town and Country Planning Act and revised Stamp Duty Land Tax rules.

Student enrolment has grown at more than twice the rate of accommodation supply, with the private rented sector continuing to face tougher regulations. In 2014/15, there were an estimated 824,000 students in the UK living in houses of multiple occupation. A significant proportion of these students would prefer to live on campus given sufficient supply, the right product and at the right price.

The UK HE estate is also in need of considerable investment, currently carrying a backlog maintenance requirement of some £5 billion. Given that approximately 25% of the estate is in need of either complete refurbishment or redevelopment, there also remains a growing economic rationale for estate transfer transactions, as universities seek to do more with less, and differently.[12]

[12.] *HEFCE Estates Management Statistics*

Full time student enrolments from 2000/01 to 2014/15 in the UK



Source: HESA

2.4 AssetCo demand

Demand for student residential accommodation at universities in the UPP Bond 1 portfolio remains strong. In the financial year 2015/16, levels of occupancy were extremely robust with occupancy of 99.9%. For the academic year 2016/17, occupancy is still ahead of modelled expectations at 99.6% across the portfolio. Six of the seven AssetCos have secured 100% occupancy for 2016/17. At time of publication, the AssetCo at the University of Nottingham had secured occupancy of 97.4%, although this is likely to increase with short term bookings available on the vacant rooms. Performance for the individual AssetCos comprising the UPP Bond 1 portfolio is detailed in the table below. More detail for the outlook of each AssetCo University is provided in Appendix 1.

AssetCo	Occupancy 2015/16	Occupancy 2016/17
UPP (Alcuin) Limited – University of York	100%	100%
UPP (Broadgate Park) Holdings Limited – University of Nottingham	99.9%	97.4%
UPP (Exeter Limited) – University of Exeter	100%	100%
UPP (Kent Student Accommodation) Limited – University of Kent	100%	100%
UPP (Nottingham) Limited – Nottingham Trent University	100%	100%
UPP (Oxford Brookes) Limited – Oxford Brookes University	100%	100%
UPP (Plymouth Three) Limited – Plymouth University	100%	100%

2.5 Market demand for student accommodation as an asset class

The strong appetite for student accommodation assets on the part of the investors has continued. Transaction volumes doubled in the direct let student accommodation market during 2015 and the narrative of portfolio sales and merger and acquisition activity continued over Q1 and Q2 of 2016.[13] The market has also seen the deployment of significant levels of new investment from recently recapitalised operators. International investors have remained active, including the likes of CPPIB, the Unite Fund, Letter One and Goldman Sachs.

Notable activity taking place over the last 12 months has included:

- Campus Living Villages has embarked on a potential sale of its $2 billion global portfolio. Advised by UBS, CLV which was spun out of Transfield Holdings is assessing three options, either an outright sale, a recapitalisation that would retain some of the company's current superannuation fund investors or a capital injection. Globally CLV has a total of more than 44,000 rooms in 66 properties located in Australia, US and New Zealand. In the UK CLV operates more than 13,500 bedrooms of which approximately 9,000 rooms are in partnership style DBFO schemes, with a further 4,500 beds operating on a direct let basis. In terms of market share the portfolio represents circa 6% of the PBSA market
- Blackstone is preparing to sell the Victoria Hall student housing portfolio of 7,921 beds for £450m, which it bought as part of its €1.8bn Project Tower loan portfolio investment from Ireland's National Asset Management Agency in 2014. The Victoria Hall portfolio has properties in 11 cities across the UK and Ireland. The Victoria Hall portfolio represents the largest investment opportunity in the student accommodation sector since Avenue Capital sold its £450m student housing portfolio to Canadian real estate giant Brookfield Property Partners in February 2016
- GIC the Singaporean sovereign wealth fund and student accommodation developer GSA acquired a £700m portfolio of student halls. The transaction is the largest deal in the sector this year, purchasing The Student Housing Company portfolio from funds managed by Oaktree Capital Management. The portfolio, which comprises 7,150 beds, is only half built – there are nine buildings in six university cities: Liverpool, Bristol, London, Edinburgh, Cardiff and Southampton, as well as a pipeline of 3,516 more beds that GSA will develop over the next three years

- Collegiate AC and Shuman Capital have launched a €300 million European Student Living Fund. The professional investor fund will be invested in procuring assets developed to Collegiate's product and brand specification, leveraging on Collegiate's international marketing reach. The accommodation assets will typically be a minimum of 350 beds, which will benefit from the full service offering of the Collegiate Prestige five star plus product and service specification. Specification includes on-site cinema rooms and gyms; VIP bars; club rooms and gaming centre; hotel-style concierge arrangements
- Empiric has launched a strategy to target second and third year undergraduate demand in the UK, after doubling the value of its portfolio in a year. Whilst the majority of the company's portfolio is currently composed of studio flats aimed at postgraduate and international students, the company is looking to diversify into other accommodation for undergraduates. Empiric's results for the year to June 30, noted that the value of the current portfolio had increased from £251.3m to £523.9m on the basis of a significant number of acquisitions. This year the company funded its expansion through raising £286.4m of equity in three separate fundraisings, as well as securing £120m of new debt financing

The market for large scale on-campus reconfigurations and estate transfers has, as predicted, shown a considerable upturn during 2016, with transactions coming to market at universities such as the University of London, University of Hull, University of Swansea and University of Durham. UPP has identified at least a further 10,000 new beds due to come to market over the course of the next 12 months and the Group is also currently pursuing further transactions with a number of its existing partners.

Whilst 2016 has represented a period of far greater certainty in the HE sector, there remain a number of notable opportunities and challenges for UK universities. These include the introduction of the Higher Education and Research Bill, which as of December 2016 is at Committee Stage in its Parliamentary process to statute law. This will see a rationalisation of the regulatory architecture of the sector with HEFCE replaced by the Office for Students (OfS). The OfS will continue to support and regulate the sector, but will benefit from extended powers - allowing private providers of higher education to enter the sector more quickly and providing a pathway for failing institutions to exit the sector. The legislation will also introduce a new Teaching Excellence Framework (TEF) measuring institutions on the quality of their teaching and making the tiered ranking of institutions a gateway for universities to increase their tuition fees above the current £9,000 cap by inflation.

Along with many sectors of the economy Higher Education is also currently considering the likely impact of the referendum vote to leave the EU. The focus of the sector has been largely upon the potential impact on demand from EU students, were the latter to be treated the same as other international students (i.e. paying higher fees, having no access to tuition fee loans and potentially having to deal with current visa regulations). Properly contextualised, the risk that a fall in EU student numbers would impact on academic and residential demand appears low. Currently, only one in twenty full time undergraduates (5%) are from the EU (excluding UK) and just 12% of full time postgraduates. Enrolment from the EU has continued to increase despite, until recently, there being little incentive for universities to do so (i.e. EU students fell within the HEFCE SNC, there were more than enough home students to fill those places and recruiting EU students was more costly and less enticing than recruiting international students).

The Minister for Universities and Skills has confirmed that there would be "no immediate changes" for EU nationals and students studying at UK universities. The Department for Business, Energy and Industrial Strategy has also reaffirmed the continuation of funding for EU students (currently enrolled) for the duration of their courses. The fall in the value of sterling is also likely to encourage more international students to study in the UK.

In terms of the student accommodation market it is unlikely that the Brexit vote will impact on longer term sustainability. The UK sector remains the most popular global destination for higher education (with the exception of the US) and this popularity is based on the quality of provision and the attractiveness of courses taught in English. As an asset class student accommodation is a well diversified market and will potentially prove more resilient to Brexit than other property use classes. In the specific case of the UPP Bond 1 PLC portfolio, the Group's selective approach to partnering has ensured that the universities for which it holds AssetCos, have outperformed the sector as a whole and continue to attract strong levels of demand.

[13.] *CBRE UK Student Accommodation MarketView, February 2016*

Eddie Kealey

Regional Director, UPP Central Region

Together we're able to deliver massive improvements in service delivery. We learn from them, they learn from us. It's genuine partnership, and it delivers real results.

Financial highlights

For the year ended 31 August 2016

3.0

Highlights of the audited consolidated results of UPP Bond 1 Holdings Limited were:

- Occupancy for 2016 at 99.9% (2015: 99.7%)
- Turnover increased to £61.3m which is a 3.5% underlying increase on 2015
- EBITDA before sinking fund of £39.7m (2015: £36.0m)
- Healthy cash balance of £42.9m made up largely of liquidity reserve accounts and short term working capital requirements
- Interest payments to subordinated debt loan note holders of £10.25m (2015: £8.65m)

For the year ended 31 August 2016, the Bond portfolio performed above modelled expectations. The historic ADSCR for the period was 1.38 compared to a lock up ADSCR of 1.15.

As in 2015, the rental income was fixed at the start of the academic year along with a significant proportion of the costs with the main exception being utilities. With occupancy secured at 99.9%, performance for the year surpassed model and budget expectations, with strong operating cash generation of £35.5m.

The Group made a loss for the year of £9.458m (2015: £5.06.m). Of this loss, £16.05m (2014: £14.34m) is attributable to interest on subordinated debt, of which only £10.25m (2015: £8.65m) was paid in respect of the 2015/16 financial year. This result is above modelled projections where the coupon on the subordinated debt is paid over the life of the concession.

Consolidated profit and loss results for the seven AssetCos are presented below for the financial year ended 31 August 2016. These results for 2016 and 2015 include the costs associated with UPP Bond 1 Limited, UPP Bond 1 Holdings Limited and UPP Bond 1 Issuer Plc.

To aid comparison, performance for 2015 is shown including UPP (Exeter) Limited for the full period. For the year ended 31 August 2015, the reported figures included those for UPP (Exeter) Limited from 9 December 2014, being the date that AssetCo joined the HoldCo. These reported figures are also shown for reference.

3.1 AssetCo Consolidated profit and loss account for year ended 31 August 2016

	Year ended 31 August 2016	Year ended 31 August 2015*	Change %	Previously reported 31 August 2015**
	£'000		£'000	£'000
Turnover	61,309	59,236	3.5%	55,673
Cost of sales	(18,718)	(18,395)	1.8%	(17,427)
Gross profit	42,591	40,841	4.3%	38,246
Gross profit margin	69.5%	68.9%		68.7%
Operating expenses	(2,939)	(2,386)	23.2%	(2,273)
EBITDA before sinking fund expenditure	39,652	38,455	3.1%	35,973
EBITDA margin	64.7%	64.9%		64.6%
Sinking Fund expenditure	(3,799)	(2,721)	39.6%	(2,602)
EBITDA	35,854	35,734	0.3%	33,371

**Includes results for UPP (Exeter) Limited from 1 September 2014*
***Previously reported last year including UPP (Exeter) Limited from 9 December 2014*

Turnover is defined to include rental receipts from students net of contractual amounts deducted by university partners for taking credit and void risk, upside sharing arrangements, commercial and vacation income derived from other activities at each AssetCo, together with any payments or receipts under the relevant RPI linked swaps. With typically high occupancy, the main driver of turnover growth is the annual RPI linked increase in the rental rate.

For the year ended 31 August 2016 occupancy was 99.9% (2015: 99.7%) showing the strength of demand for the AssetCos. The growth in turnover was 3.5% (2015: 3.7%) which was driven by RPI linked rental income and lower than expected student discounts required to optimise occupancy. Rents for all the AssetCos except Oxford Brookes were set 12 months prior to the start of the academic year, when RPI was 2.26%. This therefore continues to demonstrate the strong linkage between student rental growth and RPI.

Cost of sales, which is made up of facilities management costs, staff costs and utilities, increased by 1.8% (2015: 2.7%) during the year. Facilities Management and staff costs increased during the year due to contractual increases linked to September 2014 RPI, with the exception of Oxford Brookes where both rentals and FM costs are linked to RPI as at the start of the academic year. Internet access costs increased due to upgrades and enhanced services to students which were modelled at the outset of bond issuance. Utility costs have remained in line with 2015 expenditure levels across all the AssetCos.

Overheads have increased by 23.2% due to a number of one off costs within the Asset Cos during the year. The EBITDA margin before sinking fund expenditure is 64.7% (2015: 63.9%). These approved variations include £164k for the Sandby room conversion and £72k for gas mains maintenance at Nottingham Trent, £91k for impression plans at Plymouth and £64k for fire detector head replacements at York.

Sinking Fund costs are made up of items throughout the accommodation that reach the end of their economic life and require replacement. While Sinking Fund expenditure is highly predictable and modelled in line with the relevant replacement period for each item, it is not necessarily comparable from one year to the next. In addition, some Sinking Fund items are capital in nature as opposed to being expensed through the Profit and Loss account. Accordingly, the amount charged to the Profit and Loss account, while visible, can vary substantially between years and as such the financial performance of the AssetCos is best monitored at the EBITDA before sinking fund expenditure line.

More detailed analysis of the performance of each individual AssetCo is provided in Appendix 1 of this report.

3.2 Forecast financial highlights for the year ended 31 August 2017 for the seven AssetCos

- Occupancy for the year currently standing at 99.6% with potential further sales of rooms to occur at Broadgate Park, the University of Nottingham
- Rental income projected to increase by 1.5%
- Projected ADSCR ratio of 1.36 compared to lock up ratio of 1.15

AssetCo occupancy is secured at 99.6% at the start of the academic year with six of the seven AssetCos achieving 100%. This demonstrates the strengths of both market conditions and UPP business model. More detail on the developments in the HE sector is provided in Section 2 of this report.

With occupancy confirmed for 2016/17, rental receipts from students net of contractual university fees are expected to be c. £61.4m, an underlying increase of 1.5% on 2015/16.

The projected ADSCR outcome for the year is expected to be 1.36. The business model ensures that costs are predominantly fixed at the start of the year giving predictability to the cash flows. The exception is the cost of utilities which are closely managed and procured in advance where possible to give price certainty.

3.3 Sinking fund & operational performance

Facilities management (FM) services are provided by UPP's 100% owned subsidiary, UPP Residential Services Ltd (URSL). UPP considers that controlling the FM provider is crucial to the success of the AssetCos. Site staff are incentivised on the performance of the AssetCo, rather than the profit of URSL. This ensures that service levels are not reduced in order to improve the profitability of the FM provider. Rather, services are delivered to the highest level possible in order to ensure the continued attractiveness of the accommodation and to maximise occupancy for future years.

This targeting of high service levels is reflected in the performance of the FM provider. During the period, URSL suffered no deductions for unavailability or poor performance and this reflects the high standards set in previous years.

Lifecycle, or Sinking Fund, expenditure is managed by URSL and was in line with budget for the year. In total, £3.8m (2015:£2.6m) was invested into the AssetCos to maintain the quality of the accommodation. All works were completed on time and within budget. More detail on the expenditure for each AssetCo is provided in Appendix 1 of this report.

During the prior year, at the AssetCo at the University of Exeter, a latent defect in the newly built accommodation was identified relating to the external panel detailing around the buildings. This latent defect does not affect the operation of the accommodation which continues to be fully occupied at modelled rents. UPP (Exeter) Limited, along with its advisors, have been working with the contractor which built the accommodation to develop a programme of rectification works. It is the intention of UPP (Exeter) Limited to ensure that its rights under the original construction contract are robustly applied. These place liability for latent defects firmly with the Contractor. The company has engaged with the University of Exeter who are supportive of the proposed approach.

On the basis of having considered the facts and circumstances the directors of the Company do not believe this matter will have a material adverse effect.

Ratio calculations

4.0

As set out in Paragraph 2 of Part 2 of Schedule 9 of the CTA the ratio calculations for the year ended 31 August 2015 are:

4.1 Historic AssetCo DSCR

UPP (Alcuin) Limited	1.38
UPP (Broadgate Park) Limited	1.38
UPP (Kent Student Accommodation) Limited	1.39
UPP (Nottingham) Limited	1.33
UPP (Oxford Brookes) Limited	1.39
UPP (Plymouth Three) Limited	1.36
UPP (Exeter) Limited	1.45

4.2 Projected AssetCo DSCR

UPP (Alcuin) Limited	1.32
UPP (Broadgate Park) Limited	1.27
UPP (Kent Student Accommodation) Limited	1.33
UPP (Nottingham) Limited	1.36
UPP (Oxford Brookes) Limited	1.38
UPP (Plymouth Three) Limited	1.39
UPP (Exeter) Limited	1.42

4.3 Historic senior DSCR 1.38

4.4 Projected senior DSCR 1.36

The Historic Senior DSCR and Projected Senior DSCR have been calculated as per the definition in the Common Terms Agreement.

Per Schedule 10 (Monitoring Trigger Events and Lock-up Events), the Historic Senior DSCR and the Projected Senior DSCR exceed 1.15: 1 for the Test Period and therefore:

- Per Part 1 of this Schedule (Monitoring Trigger Events) there is no event that gives rise to a Monitoring Trigger Event
- Per Part 4 of this Schedule (Lock-up Events), the Historic Senior DSCR and Projected Senior DSCR does not give rise to a Lock-up Event under Paragraph 1.1

5.0 Transition to new UK GAAP, FRS 102

A new accounting framework was introduced in the UK in March 2013 with mandatory adoption for companies with accounting periods beginning on or after 1 January 2015. As the UPP companies have a financial year ended 31 August, the first period of adoption is 31 August 2016, with a requirement to restate the previous financial year (31 August 2015) in line with the new framework for the comparative period. UPP has chosen to adopt FRS 102. Prior to this UPP reported under UK GAAP and was not required to report under FRS 25 and 26, the standards relating to the disclosure and measurement of financial instruments.

In brief material changes identified to the financial reporting of the UPP Bond group are:

- Presentation of Principal Asset – a typical UPP partnership arrangement is likely to be classified as a service concession arrangement under FRS 102 section 34, giving rise to the principal asset being reflected as an intangible asset, subject to annual impairment. However, transitional relief is available for arrangements in place at 1 September 2014 and therefore there has been no change to the classification of the principal asset within the UPP Bond group. All of these principal assets were independently valued by Jones Lang LaSalle ('JLL') Chartered Surveyors on an existing use basis as at 31 August 2016. JLL have confirmed that the value of all the AssetCos' principal assets as at that date was £554.6m. Following an internal review of all of the principal assets the directors have decided to revalue the assets to the value determined by JLL
- Recognition of fair value of derivative instruments – as stated above the UPP Bond group has previously not been required to account for the fair value of its derivative instruments, primarily the RPI swaps entered into in March 2013. Under FRS 102 sections 11 & 12 these fair values are now required to be accounted for as a financial liability or asset as applicable at fair value. As at 31 August 2016 this fair value, adjusted for counter party credit risk, is £5.7m (liability) whilst the corresponding figure for 31 August 2015 was £9.3m (liability)
- Where the criteria for hedge accounting are met the movement in these fair values is taken to a hedge reserve and not reflected in the Income Statement (previously the Profit & Loss account). Where the criteria for hedge accounting are not met, the movement in these fair values are reflected through the Income Statement
- Recognition of deferred tax – a deferred tax asset or liability is recognised in respect of the fair value of the derivative instruments and a deferred tax liability in respect of the revaluation uplift to the principal asset. Deferred tax has also been recognised on all fair value adjustments arising in business combinations
- Recognition of debt at amortised cost – 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. All of the secured senior notes and unsecured loan notes have been assessed to fall within the criterion of being classified as basic. The carrying value of all of the debt now includes any debt issue costs that would have previously been separately identified and accrued interest

The financial impact of the transition to FRS 102 has been detailed in note 28 to the attached audited non-statutory consolidated financial statements for UPP Bond 1 Holdings Limited for the year ended 31 August 2016.

To aid understanding and comparison to previously reported figures, the results for each AssetCo detailed in Appendix 1 has been shown in old UK GAAP with the adjustments to FRS 102.

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6.0 Current hedging policy

On 5 March 2013 the Group entered into three Inflation Linked swaps (RPI swaps), to reduce its exposure to inflation on the revenue streams generated by the AssetCo's. These swaps are sized to cover 80% of the anticipated debt service costs on the fixed rate tranche of the Bond, in line with the Hedging Policy outlined in Schedule 13 of the CTA.

Receipts and payments on the RPI swaps are recognised as they are incurred over the life of the arrangement. Changes in fair value of these arrangements have previously not been required to be recognised under UK GAAP unless a company has chosen to or is required to adopt FRS 25 and FRS 26.

The new UK GAAP accounting framework (FRS 102) was issued in March 2013 and as detailed above in 5.0 all companies are now required to account for the fair value of derivatives. If certain criteria are met then a company can choose to adopt Hedge Accounting, with movements in fair value of derivatives being taken through reserves rather than the profit and loss of the company.

For the year ended 31 August 2016 the Group has recognised the fair value of derivatives. In recognising this fair value the Group has considered the contractual rent basis of each of the AssetCo's and whether the criteria is met to utilise Hedge Accounting and ascertained that for four out of the six AssetCo's that have entered into Inflation Linked swaps the Hedge Accounting criteria had been met.

The directors of the Group considered that the underlying contractual arrangements with UPP (Kent Student Accommodation) Limited and UPP (Plymouth Three) Limited and their respective University partners did not meet these criteria and therefore Hedge Accounting could not be utilised and any movements in fair value of the Inflation linked swaps will be recognised within the profit & loss account of each AssetCo. We note however, that these limitations within Section 12 of FRS 102 in the application of hedge accounting do not impact the Group's cash flow position. The reasons for entering into RPI swaps remain commercially sound, that is they are intended to be held to maturity in order to reduce volatility in the Group's cash flows. Both UPP (Kent Student Accommodation) Limited and UPP (Plymouth Three) Limited will elect to apply the Disregard Regulations as defined within the Tax Deed of Covenant dated 5 March 2013. This election will be undertaken before the tax computations for those AssetCo's are required to be filed with HMRC. Under this election any fair value movement in the profit and loss account will not be subject to tax.

7.0 Distributions made

In accordance with the terms of the Loan Note Instrument dated 5 March 2013 entered into by UPP Bond 1 Holdings Limited and UPP Group Limited and the terms of the CTA, an amount of £10,245,000 (2015: £8,650,918) was distributed to UPP Group Limited on 1 September 2016.

8.0 Other matters

Change in auditors at UPP Bond 1 Issuer plc

In October 2016 the Company was notified by Grant Thornton LLP of their intention to resign as auditors of UPP Bond 1 Issuer plc in order that they comply with the requirements of the Revised Ethical Standards 2016, in respect of the provision of non audit services to UPP Band 1 Issuer plc, on 17 November 2016 UPP Bond 1 Issuer plc appointed Hacker Young LPP as auditor of the company for the year ended 31 August 2016.

Novation of RPI swap

In June 2016 the directors of UPP Bond 1 Issuer plc were approached by Barclays Bank plc, as one of the three original hedge counterparties who provided the Inflation swaps, to seek permission to novate the Inflation swap entered into on 5 March 2013 to Royal Bank of Canada. Having sought legal advice, the directors of the approved this without requiring additional consents from the Issuer Security Trustee on the basis that transfer was to a current hedge counter party which was contemplated by the CTA. This novation took effect on 29 June 2016.

Change in Account Bank

On 9 December 2016 UPP Bond 1 Limited commenced a consent process to replace Barclays Bank plc as Account Bank. HSBC Bank plc have agreed to act as Substitute Account Bank and enter into an Account Bank Agreement broadly in line with the existing agreement.

9.0 Confirmation

Per paragraph 3.3.4 of Schedule 9 of the CTA this confirms that;

a) The Investor Report attached herein is accurate in materially all respects

b) No Default, Senior DSCR Enforcement Event, Lock-up Event or Monitoring Trigger Event has occurred and is continuing

c) The Group is in compliance with the Hedging Policy

Signed for and on behalf of UPP Bond 1 Issuer Plc

Julian Benkel
Group Compliance Director and Company Secretary

Caroline Addo
Receptionist, UPP at Griffon Studios,
Imperial College London

We do everything we can to ensure the residents have whatever they need. We aim to create a community built on the very best in student experience.

£5 billion Multicurrency Programme for the Issuance of Senior Secured Notes

Monitoring Adviser addendum

A. Background

UPP Bond 1 Issuer PLC (the "**Issuer**") has prepared its annual Investor Report for the year ended 31 August 2016 in relation to the Issuer's note programme (the "**Programme**"). Bishopsfield Capital Partners Limited ("**Bishopsfield**" or "**BCP**"), as Monitoring Adviser, is required under the terms of the Monitoring Services Agreement ("**MSA**") dated 5 March 2013 to prepare an addendum to the annual Investor Report (the "**Monitoring Adviser Addendum**") commenting, inter alia, on whether on the basis of information obtained by the Monitoring Adviser in the performance of the Services, and in accordance with the Monitoring Adviser Standard, it agrees with the matters stated in the Annual Investor Report. The Monitoring Adviser Addendum is also required to identify:

- MA ('Monitoring Advisor') Direction Matters and ISC ('Issuer Secured Creditor') Recommendation Matters decided during the year to which the Annual Investor Report relates (see Paragraph C below), and
- any other information which the Monitoring Adviser considers relevant to Holders including any material findings arising from its monitoring obligations described in Paragraph 1.3 (*Property Visits*) of Schedule 1 (*Monitoring Services*), Part 1 (*Monitoring under Normal Conditions*) of the MSA (see Paragraph E below)

This Monitoring Adviser Addendum refers to matters arising during the period from 1 September 2015 through 31 August 2016 unless otherwise stated herein.

B. Executive summary

Bishopsfield has reviewed the Issuer's Annual Investor Report. On the basis of the information provided and discussions held with the Issuer's management in the on-going undertaking of the Monitoring Adviser Services, Bishopsfield agrees the matters stated in the Issuer's Annual Investor Report.

We note that monitoring was conducted under normal conditions throughout the year to 31 August 2016 (the Transaction Documents would require Bishopsfield to provide certain escalated monitoring should certain triggers be breached).

There are presently three tranches of notes outstanding:

- £307.1 million 4.9023% Amortising Fixed Rate Bond due 2040;
- £75 million 2.7921% Amortising Index Linked Bond due 2047; and
- £149.7 million 1.037% Amortising Index Linked Bond due 2049

Occupancy across the seven AssetCos was 99.9% for the 2015/16 academic year; occupancy was 100% for all AssetCos except at UPP (Broadgate Park) Holdings Ltd (at the University of Nottingham) where occupancy of 99.9% was observed (improved from 98% across 2014/15).

EBITDA, before Sinking Fund payments, was £39.7 million on turnover of £61.3 million.

One distribution of £10.25 million was announced in relation to the last academic year and this is reported to have been paid on 1 September 2016.

As previously reported (see December 2015 Addendum) Bishopsfield visited two AssetCo's properties during September 2015 at Nottingham Trent University and University of Nottingham. In August 2016, Bishopsfield visited the AssetCo properties at Kent University and, in September 2016, Bishopsfield visited the AssetCo properties at Oxford Brookes. These latter two AssetCos account for approximately 4.7% and 6.4% of rooms within the bond financing and 6.1% and 8.2% of EBITDA, respectively and these two Site Visits are summarised in Section D of this Monitoring Adviser Addendum.

The Issuer provided the following Compliance Certificates during the twelve months ended 31 August 2016:

- Compliance Certificate dated 15 December 2015 in relation to Audited Financial Statements for the year ended 31 August 2015 (included as part of the Issuer's Annual Investor Report);
- Compliance Certificate dated 28 April 2016 in relation to unaudited semi-annual Financial Statements for the first half of the financial year ending 31 August 2016 (i.e. for the six months ending 29 February 2016); and
- Compliance Certificate dated 31 August 2016 in relation to a Distribution reported by the Issuer to have been made on 1 September 2016

C. MA proposal requests received

The Monitoring Adviser considered five MA Proposal Requests during the year to 31 August 2016.

1) . On 10 November 2015, the Issuer sought consent to UPP (Nottingham) Limited (as the relevant AssetCo) entering into an agreement for the installation and provision of a WiFi service in relation to the relevant AssetCo's properties at Nottingham Trent University. Bishopsfield confirmed the categorisation of the MA Proposal Request as an MA Direction Matter and made a recommendation that the Issuer Security Trustee approves the MA Proposal Request on behalf of the Issuer Secured Creditors on the basis that the proposed Agreement and the Enhancement Works (as defined in the relevant MA Proposal Request) are not expected to materially adversely affect the interests of the Issuer Secured Creditors and are likely to improve the student experience, thus enhancing the sustained marketability of the Relevant Properties. Specifically we noted:

- The costs of the Enhancement Works were forecasted to be absorbed by the relevant AssetCo without material impact on the Projected Relevant AssetCo DSCR or the Projected Senior DSCR
- The Issuer had confirmed that all necessary notifications relative to the Enhancement Works, including to Nottingham Trent University, the students and its insurance providers
- UPP had further confirmed that:
  - Disruption to residents of the Relevant Properties would be managed;
  - Appropriate insurance cover is maintained by the contractor; and
  - The Enhancement Works would be monitored by UPP Residential Services Limited ("URSL") on behalf of UPP (Nottingham) Limited against the agreed scope of work

We note that the condition to the Monitoring Adviser's Recommendation was subsequently satisfied through provision of a copy of the agreement between the relevant AssetCo and CableCom Networking Ltd dated 9 December 2015.

2) On 10 November 2015, the Issuer sought consent to UPP (Broadgate Park) Limited (as the relevant AssetCo) entering into an agreement for the installation and provision of a WiFi service in relation to the relevant

Students' Union, Nottingham Trent University

AssetCo's properties at University of Nottingham. Bishopsfield confirmed the categorisation of the MA Proposal Request as an MA Direction Matter and made a recommendation that the Issuer Security Trustee approves the MA Proposal Request on behalf of the Issuer Secured Creditors on the basis that the proposed Agreement and the Enhancement Works (as defined in the relevant MA Proposal Request) are not expected to materially adversely affect the interests of the Issuer Secured Creditors and are likely to improve the student experience, thus enhancing the sustained marketability of the Relevant Properties. Specifically we noted:

- The costs of the Enhancement Works were forecasted to be absorbed by the relevant AssetCo without material impact on the Projected Relevant AssetCo DSCR or the Projected Senior DSCR
- The Issuer had confirmed that all necessary notifications relative to the Enhancement Works, including to Nottingham University, the students and its insurance providers
- UPP had further confirmed that:
  - Disruption to residents of the Relevant Properties would be managed;
  - Appropriate insurance cover is maintained by the contractor; and
  - The Enhancement Works would be monitored by URSL on behalf of UPP (Broadgate Park) Limited against the agreed scope of work

We note that the condition to the Monitoring Adviser's Recommendation was subsequently satisfied through provision of a copy of the agreement between the relevant AssetCo and CableCom Networking Ltd dated 9 December 2015.

3) On 8 February 2016, the Issuer sought consent to UPP (Exeter) Limited (as the relevant AssetCo) entering into a JCT MWD 2011 Contract with Rateavon Ltd in relation to Rateavon undertaking some intrusive investigations into the causes of failing cladding to the exterior elevations of Lafrowda Hall of Residence and other buildings in the Exeter Property. Bishopsfield confirmed the categorisation of the MA Proposal Request as an MA Direction Matter and made a recommendation that the Issuer Security Trustee approves the MA Proposal Request on behalf of the Issuer Secured Creditors on the basis that the proposed Agreement is not expected to materially adversely affect the interests of the Issuer Secured Creditors. Specifically we noted:

- The contemplated works were required to enable relevant parties to develop an understanding of the cause of the cladding failure observed at Lafrowda Hall of Residence
- The costs of the contemplated works would be absorbed by UPP Group Limited and would therefore not impact on the Projected Relevant AssetCo DSCR or the Projected Senior DSCR
- The Issuer confirmed that all necessary notifications relative to the Enhancement Works, including to Exeter University, the residents and its insurance providers
- UPP further confirmed that:
  - Disruption to residents of the Relevant Properties would be minimal;
  - Appropriate insurance cover is maintained by the contractor; and
  - The works would be monitored by Bailey Partnership on behalf of the AssetCo against the agreed scope of work

We note that the condition to the Monitoring Adviser's Recommendation was subsequently satisfied through provision of a copy of the agreement between the relevant AssetCo and Rateavon Ltd dated 26 January 2016.

4) On 19 April 2016, the Issuer sought consent to UPP (Oxford Brookes) Limited (as the relevant AssetCo) entering into a JCT MWD 2011 Contract with Harris Evolution Ltd in relation to Harris Evolution converting the use of some previously under-utilised space into twenty new bedrooms, accompanying communal space and a new common room. Bishopsfield confirmed the categorisation of the MA Proposal Request as an MA Direction Matter and made a conditional recommendation that the Issuer Security Trustee approves the MA Proposal Request on behalf of the Issuer Secured Creditors on the basis that the proposed Agreement is not expected to materially adversely affect the interests of the Issuer Secured Creditors. Specifically we noted:

- The costs of the Development Works were expected to be absorbed by UPP Group Limited
- The forecast ADSCR for AssetCo was projected to

rise from 1.37x to 1.41x for the year commencing 1 September 2016 as a result of the Development Works

- The University's support for the Development Works
- The Issuer had confirmed that all necessary notifications and consents relative to the Development Works, including to the University, the students and its insurance providers, had or would be provided
- Bishopsfield requested that WSP provide a report for the benefit of the Issuer Secured Creditors on the proposed Development Works. We were satisfied that the risks raised in the WSP report were mitigated through the contractual provisions and management arrangements implemented
- The relative credit strength of Harris Evolution Limited, the contractor
- That UPP had provided, in response to our request, several confirmations, addressed to the Issuer Secured Creditors within its Finalised Proposal Request. These include that:
  - Disruption to residents of the Relevant Properties would be managed;
  - Appropriate insurance cover is maintained by AssetCo and the Contractor; and
  - Wilmore Iles and URSL on behalf of AssetCo would monitor the Development Work against the agreed scope of work

We note that almost all of the conditions to the Monitoring Adviser's Recommendation were subsequently satisfied through provision of:

a. a copy of the agreement between the relevant AssetCo and Harris Evolution Ltd dated 15 April 2016

b. confirmation from Oxford Brookes University that credit, void, allocation and marketing arrangements for the new rooms will be consistent with those applied to the existing rooms

c. we understand that the University has monitored, and is satisfied that the AssetCo has complied with its requirements

d. the AssetCo reported that Condition 9 of the Planning Consent has been waived as a result of a reduction in the bike storage requirement

e. The works were reported to have been completed on 22 August 2016

f. Three monthly reports prepared by URSL advising progress of the Development Work. The last report was delivered during October 2016 and included a copy of the certificate of practical completion dated 2 September 2016. The report further confirmed that the works were delivered in a timely manner and within the contemplated budget. The last report notes that Building Control certification is awaited

5) On 1 July 2016, the Issuer sought consent to UPP (Nottingham) Limited (as the relevant AssetCo) entering into a JCT MWD 2011 Contract with Novus Property Solutions Ltd (the "Agreement") in relation to Novus Property Solutions enhancing 51 bedrooms at Sandby Hall of Residence in order to create hotel-style accommodation with flexible contractual letting lengths. Bishopsfield confirmed the categorisation of the MA Proposal Request as an MA Direction Matter and made a conditional recommendation that the Issuer Security Trustee approves the MA Proposal Request on behalf of the Issuer Secured Creditors on the basis that the proposed Agreement is not expected to materially adversely affect the interests of the Issuer Secured Creditors. Specifically we noted:

- The costs of the Enhancement Works would be absorbed by the AssetCo out of available cash flow and the additional rent budgeted to be generated as a result of the Enhancement Works is forecast to more than compensate for such costs in under three years
- The University provided comfort that demand remains robust for AssetCo's accommodation, including Sandby Hall of Residence, and that should demand from international students (the primary target market for the Accommodation) not materialise to the extent anticipated, it anticipates allocating domestic undergraduates to the Accommodation to ensure full occupancy
- For the Issuer group, the Projected DSCR was forecast to reduce marginally from just above 1.35 to just below 1.35 during the twelve months commencing 1 March 2016 as result of the Enhancement Works expenditure. However it was also forecast to rise in each subsequent year (details of the analysis were provided as part of the Monitoring Adviser Recommendation)
- The University instigated this request and AssetCo's implementation of the request demonstrates that AssetCo is supporting the University's strategic objectives that should, in turn, lead to increased rental income over time

- The Issuer confirmed that all necessary notifications and consents relative to the Enhancement Works, including to the University, the students and its insurance providers, have or will be provided
  - Bishopsfield will receive a monthly report on progress of the Enhancement Works highlighting any material considerations arising. We will, in addition, visit Sandby Hall in due course to view the Accommodation and understand the impact of the contemplated changes to the marketing strategy on maintenance and sinking fund expenditure
  - The Contractor has extensive experience in the provision of the matters contemplated in the Enhancement Works. Furthermore, the Contractor is experienced with working at UPP sites. Payments will be certified by the contract administrator, FaithFull & Gould on behalf of AssetCo under the Agreement
  - The Issuer and AssetCo have provided, in response to our request, several confirmations, addressed to the Issuer Secured Creditors within its Finalised Proposal Request. These include that:
    - Disruption to residents of the Relevant Properties will be managed;
    - Appropriate insurance cover is maintained by AssetCo and the Contractor; and
    - The Enhancement Works will be monitored by URSL on behalf of AssetCo against the agreed scope of work

We received the initial Monthly Report (dated 10 August 2016) in relation to these works; this report noted that some of the contemplated work had commenced. However, following discovery of some asbestos, the contemplated work programme had been delayed.

The second Monthly Report (dated 29 November 2016) was presented to us on 5 December 2016. This latest Monthly Report confirmed that the majority of the contemplated works were completed by 22 September 2016 in time for resident occupation. The completed works included the bedrooms and corridors and some cosmetic work to the kitchens. It is reported that the kitchen work will be completed prior to Christmas 2016. The Monthly Report also provided an update on the budget and indicates potential for a negative variance against the budget proposed in the consent request.

When Bishopsfield receives a final Monthly Report we will review the actual expenditure against the budget; we note that the relevant AssetCo benefits from, in the 2016/17 Operating Budget, a significant surplus over documented trigger thresholds.

We note, for information, that Bishopsfield has been provided with a copy of the executed JCT MWC agreement dated 13 September 2016.

We have discussed with management weaknesses in the reporting, delivery of documents and budget management in relation to this consent and have been assured that the process will benefit from heightened management scrutiny and oversight in the future.

In June 2016 the Issuer advised it was approached by Barclays Bank plc. in connection with their intention to novate their interests in the hedging arrangements for UPP Bond 1 Issuer Plc. to Royal Bank of Canada, one of the other hedge counterparties. We understand from the Issuer that all relevant parties were notified of the novation.

D. Monitoring services performed[16]

1. REGULAR UPDATES

1.1. Management meetings

In addition to the 30 November 2015 Management Meeting that we discussed in our previous Monitoring Adviser Addendum, two further Management Meetings have been conducted:

- On 12 May 2016 Bishopsfield met with Management. Discussions focused on:
  - Lettings
    - i. Management commented that prospective lettings for 2016/17 were at a comparable position to prior years. Some specific discussions with relevant universities were highlighted where some revisions to letting strategies may be merited

[16] *Each heading follows the relevant heading in Schedule 1, Part 1 of the MSA*

– University relations

i. Management characterised relations as 'good' across the portfolio. Two key university management changes were highlighted (i) NTU change of Chief Operating Officer and (ii) Plymouth change of Vice-Chancellor. In both instances, management commented on the efforts being made to minimise the relationship impact

– Technology

i. Management discussed the recent launch of its new facilities management software; this is anticipated, by management, to have a positive IRR effect

– Utilities management

i. Management commented that continued price reductions were being experienced. However the Group's strategy to fix prices limits the immediate impact of such falls on cash flows

– UPP Management changes

i. Management discussed four changes:
CFO: Gabriel Behr (resigned May 2016)
MD of URSL: Paul Millner joined in November 2015
MD of Projects: Andrew Percival (ex Vinci) joined recently
MD of Construction: Peter Bowe was appointed to this new role having been Commercial Director of Projects since 2005

– Existing and anticipated

– MA Proposal Requests (see Section C above for additional details)

i. NTU Sandby Hall; management introduced the consent request that we subsequently recommended in July 2016 (BCP Ref. UPP 11)

ii. Kent sewerage; management commented on demand for water and sewerage and Kent having grown to the point where existing infrastructure is struggling to manage. These works were further discussed during the Kent Site Visit (see comments below) and may give rise to a MA Proposal Request in due course

iii. Oxford Brookes additional rooms; management discussed provision of the various condition precedent documents required under BCP's Monitoring Adviser Recommendation and commented that enabling works had commenced. (BCP Ref. UPP 6)

iv. NTU and Broadgate Park WiFi; management commented that these two enhancements, following MA Proposal Requests in late 2015, were implemented on time and on budget. (BCP Ref. UPP 7 and 8 respectively)

v. Exeter latent defects; management discussed that following our recommendation in February 2016, intrusive investigations had occurred. (BCP Ref. UPP 9)

UPP's scheme at the University of Kent provides 1,840 rooms, a lecture theatre and seminar rooms.

– Financial performance

i. Management discussed the financial performance of the Group and the AssetCos. This was as described in the six-monthly Investor Report

- Bishopsfield met with Management on 9 November 2016. Discussions focussed on:

– Lettings

i. Management commented that almost all rooms are fully let with demand observed to be increasing at all sites

ii. Sandby Hall was fully let notwithstanding the uncertainty during the summer as to whether the works contemplated in MA Proposal Request 11 were to be implemented

iii. The new rooms at Oxford Brookes were fully let

– Market environment; management commented:

i. That the AssetCo properties continued, in general, to out-perform their peer group in terms of applications, enrolment and occupancy

ii. Student / bed ratios at all sites held up well; some negative variance was observed at universities as universities refined their strategies

iii. Demand from EU students had remained robust notwithstanding uncertainties over the BREXIT referendum

iv. Long-term demand for student accommodation remains strong, with an additional 100,000 new beds anticipated to be required by 2030

v. On the competitive landscape and UPP's focus on its core, on-campus partnership approach

– Policy changes; management commented on changes to the UK visa system for students and that this appears to be making stronger performing universities more attractive. In addition, management commented on the Higher Education and Research Bill under consideration; how this may impact student demand across the sector and student fees

– BREXIT. UPP commented on the popularity of the UK tertiary education sector on a global basis, on how EU students (not including UK) comprise only approximately 5% of the UK student population, and how weakness in GBP were all mitigating any immediate impact of the recent referendum

– UPP management changes
CFO: Richard Bienfait has joined as Chief Financial Officer

– Existing and anticipated MA Proposal Requests (see Section C above for additional details)

i. NTU Sandby Hall; management commented that whilst certain works had been undertaken, some works had been placed on hold due to discovery of asbestos. Works are likely to occur during the Christmas and Easter vacations and management confirmed that monthly reporting (as required under the MA Proposal Request) would recommence in due course (BCP Ref. UPP 11)

ii. Kent sewerage; management commented that the works are presently being re-tendered and an MA Proposal Request is still anticipated

iii. Oxford Brookes additional rooms; these works were completed in August 2016 on budget (BCP Ref. UPP 6)

iv. Exeter latent defects: management updated us with a message consistent with that included in the Issuer's Annual Investor report

1.2. FM Provider

FM services are provided by URSL. URSL has provided the information that Bishopsfield has requested largely in a timely manner; the information related primarily to the Property Visit conducted during August 2016, the MA Proposal Requests received and certain questions / clarifications arising during the Operating Budget review.

1.3. Property Visits

1.3.1. University of Kent

BCP conducted a Site Visit to Woolf College at the University of Kent during August 2016. Prior to financial close a comprehensive report was produced by WSP and dated October 2012 (the "WSP Report"); following discussions with UPP Group management we elected to rely on the aforementioned WSP Report, together with a Life Cycle Report produced by URSL.

BCP met local staff and were accompanied by members of UPP's head office staff. Staff demonstrated knowledge and awareness of both local and national UPP practices and procedures. We examined the condition of the properties in conjunction with the comments made in the Closing WSP report in this instance and in connection with any major capital expenditure (exceeding £500,000), planned maintenance and lifecycle expenditure over the next 12 months, material disputes, breaches and deductions, litigations and claims and other matters that were brought to our attention. We were satisfied with the current condition subject to subsequent clarifications of certain matters identified.

We discussed AssetCo planned maintenance and lifecycle expenditure over the coming 12 months, material disputes, breaches and deductions, litigations and claims and various other matters arising and are satisfied with the current condition. We note that some drainage issues have been identified relating to a sewer linking the Woolf College to the main sewerage system. It is likely that these works will require Issuer Secured Creditor consent.

1.3.2. Oxford Brookes University

BCP conducted a Site Visit to UPP's accommodation at Oxford Brookes University during September 2016. This Site Visit was scheduled following the works undertaken to add an additional 20 rooms during summer 2016.

Prior to financial close a comprehensive report was produced by WSP and dated October 2012 (the "WSP Report"); following discussions with UPP Group management we elected to rely on the aforementioned WSP report, together with a Life Cycle Report produced by URSL. In addition, a further WSP report was commissioned by BCP to support review and analysis of the works contemplated for summer 2016.

During the Site Visit we met with local and group staff, as well as with a senior representative from the University. We examined the condition of the property in conjunction with the comments made in the Closing WSP Report and the May 2016 WSP report in connection with any major capital expenditure (exceeding £500,000), planned maintenance and lifecycle expenditure over the next 12 months, material disputes, breaches and deductions, litigations and claims and other matters. We were satisfied with the current condition of the property.

We undertook a tour of the newly completed rooms; these were all ready for occupancy (students were due to arrive on the day following our visit) and appeared to be finished to a standard consistent with the expectations of the university, management and ourselves.

2. CASH MANAGEMENT AND OPERATING BUDGET

2.1. Collections

The Monitoring Adviser is required to review ParentCo's Bi-Annual Cash Management Report.

Based upon the summary information presented, Bishopsfield is comfortable that the relevant payments are being made in a timely manner and in accordance with the relevant On-Loan Agreement and other Transaction Documents.

2.2. Operating Budget

The Monitoring Adviser is required to review the Operating Budget of ParentCo and each AssetCo at least annually. Bishopsfield reviewed the Operating Budgets for the twelve months commencing 1 September 2016 and found the reviewed Operating Budgets to be reasonable based upon the information available to us at such time and:

- The performance and financial condition of the business of each applicable AssetCo and the Group,
- Historic expenditure of the relevant AssetCo or the Group,
- The debt service requirements of each AssetCo to the Issuer, and
- Compliance with the terms of the relevant On-Loan, if applicable

3. SINKING FUND REVIEW

The Monitoring Adviser is required to review the Lifecycle Report provided against the sufficiency of the each AssetCo's sinking fund reserves held in the relevant Sinking Fund Reserve Account to meet Projected Lifecycle Maintenance Costs.

Lifecycle Reports can be prepared by the FM Provider (URSL) or an independent and suitably qualified property consultant. The Lifecycle Reports reviewed to date have been prepared by URSL.

The Lifecycle Report should report on lifecycle maintenance costs projected to be required over the following 60 months to maintain the condition of each Relevant Property in good working order, of a quality consistent with those of alternative accommodation available in respect of the relevant University and consistent good industry practice. URSL has provided ten-year projections. Following the Bishopsfield's review of the Lifecycle Report presented in May 2016, using a Test Date of 28 February 2016 for calculations of the Sinking Fund Required Amounts, we can confirm that all Sinking Fund Reserve Accounts had excess funds available as at 28 February 2016 relative to the Sinking Fund Required Amounts.

The Monitoring Adviser has reviewed the projected expenditure identified by URSL and believe that it is reasonable given the information available to us about the condition and plans for each asset.

ALL DEFINED TERMS IN THIS MONITORING ADVISER ADDENDUM ARE WITH REFERENCE TO DEFINED TERMS IN THE ISSUER TRANSACTION DOCUMENTS, UNLESS SPECIFIED AS BEING DEFINED ELSEWHERE.

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AssetCo summaries

APPENDIX 1

UPP (Alcuin) Limited, University of York

Profit and loss, year ended 31 August	Note	2016 UK GAAP £'000	2016 Adj £'000	2016 FRS102 £'000	2015 UK GAAP £'000	2015 Adj £'000	2015 FRS102 £'000
Revenue	1.1	**6,107**	**-**	**6,107**	5,877	-	5,877
Cost of sales	1.2	**(1,318)**	**-**	**(1,318)**	(1,310)	-	(1,310)
Overheads	1.3	**(315)**	**-**	**(314)**	(243)	-	(243)
EBITDA before sinking fund		**4,474**	**-**	**4,474**	4,324	-	4,324
Sinking fund		**(485)**	**-**	**(485)**	(239)	-	(239)
EBITDA		**3,989**	**-**	**3,989**	4,085	-	4,085
Depreciation		**(149)**	**-**	**(149)**	(138)	-	(138)
Amortisation		**(94)**	**-**	**(94)**	(94)	-	(94)
Profit / (loss) before financing costs		**3,746**	**-**	**3,746**	3,853	-	3,853
Interest income		**20**	**21**	**41**	20	27	47
Bond note interest & uplift on Index-linked loan notes	1.4	**(2,501)**	**(93)**	**(2,594)**	(2,445)	(86)	(2,531)
Subordinated debt interest	1.4	**(1,384)**	**13**	**(1,371)**	(1,384)	165	(1,219)
Amortisation of debt issue costs	1.5	**(119)**	**119**	**-**	(121)	121	-
Profit / (loss) before tax		**(238)**	**60**	**(178)**	(77)	227	150
Tax		**-**	**-**	**-**	-	-	-
Profit / (loss) for the year		**(238)**	**60**	**(178)**	(77)	227	150

York

739 ROOMS FEBRUARY 2001 **NB**
304 ROOMS SEPTEMBER 2007 **ET**

ET – Estate Transfer
NB – New Build

UPP (Alcuin) Limited, University of York

Balance sheet	Note	2016 UK GAAP £'000	2016 Adj £'000	2016 FRS102 £'000	2015 UK GAAP £'000	2015 Adj £'000	2015 FRS102 £'000
Fixed assets	1.6	**67,299**	**-**	**67,299**	62,694	-	62,694
Current assets		**2,581**	**1,334**	**3,915**	2,560	1,083	3,643
Current liabilities, excluding senior debt		**(1,388)**	**(4)**	**(1,392)**	(1,170)	(3)	(1,173)
Senior debt and other long term liabilities							
Fixed rate debt	1.4	**(39,818)**	**1,041**	**(38,777)**	(40,337)	1,108	(39,229)
Index linked debt	1.4	**(12,306)**	**324**	**(11,982)**	(12,109)	350	(11,759)
Subordinated debt	1.4	**(9,885)**	**(1,589)**	**(11,474)**	(9,885)	(1,372)	(11,257)
Debt issue costs	1.5	**1,504**	**(1,504)**	**-**	1,623	(1,623)	-
Derivative financial instruments		**-**	**(531)**	**(531)**	-	(877)	(877)
Deferred tax		**-**	**(3,406)**	**(3,406)**	-	(3,000)	(3,000)
Net assets / (liabilities)		**7,987**	**(4,335)**	**3,652**	3,376	(4,334)	(958)
Share capital		**440**	**-**	**440**	440	-	440
Revaluation reserve		**25,998**	**(3,502)**	**22,496**	21,197	(3,175)	18,023
Profit and loss account		**(18,451)**	**(2,559)**	**(21,010)**	(18,261)	(2,619)	(20,881)
Cash flow hedge reserve		**-**	**1,726**	**1,726**	-	1,460	1,460
Shareholders' funds		**7,987**	**(4,335)**	**3,652**	3,376	(4,334)	(958)

Notes

1.1 The increase in turnover to £6.1m (2015: £5.9m) is the result of rental indexation with occupancy stable at 100% across both years.

1.2 Cost of sales has remained constant at £1.3m (2015: £1.3m).

1.3 Overheads have increased to £315k (2015: £243k), due to the replacement of fire head detectors.

1.4 Interest is paid on fixed rate debt, index linked debt and subordinated debt balances.

1.5 Amortisation relates to debt issue costs as a result of the bond issue. These are fully amortised over the life of the bond. Under FRS102 these costs are offset against the carrying value of the debt.

1.6 The tangible assets are held at a value of £63.4m (2015: £58.7m). The remainder of the balance is made up of goodwill which is amortised over the life of the project.

UPP (Alcuin) Limited, University of York

Historic Senior Debt Service Cover Ratio (DSCR)

	2016 £'000
EBITDA after sinking fund per P&L	**3,989**
Add:	
Sinking fund expenditure	**485**
Interest receivable	**20**
Deduct:	
Sinking fund deposit	**(608)**
Total movement	**(103)**
Total cash available for debt service	**3,886**
Debt service	
Fixed rate debt interest	**1,969**
Fixed rate debt principle repayment	**519**
Indexed linked debt interest	**334**
Total debt service	**2,822**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	**1.05**
ADSCR – lock up	**1.15**
ADSCR – actual	**1.38**
Headroom over default	**923**
Headroom over lock up	**640**

The Historic Senior Debt Service Cover Ratio has been calculated as per the definition in the Common Terms Agreement.

Key metrics

Area	Metric	2016	2015
Site operations	Occupancy	**100%**	100%
Finance	EBITDA*	**£4.5m**	£4.3m
	ADSCR	**1.38**	1.36
Health and safety	Accident frequency rate	**0.08**	0.00
Environment	Tonnes of CO2 emissions	**1,367**	1,367
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA before sinking fund expenditure*

UPP (Alcuin) Limited, University of York

Sinking fund

The sinking fund spend for the year was £485k (2015: £239k), with the movement between years relating to the replacement cycle of the assets. Annual spend is not directly comparable year on year.

Outlook for the new financial year

The company has secured occupancy of 100% for 2016/17 which is above budgeted expectations. Rents for the academic year 2017/18 will be set during Q2 of 2016/17.

University outlook

The University of York is a world class institution and ranked within the top 150 institutions in the world according to The Times Higher Education World University Rankings 2016. The most recent Research Excellence Framework recognised more than 80% of its submitted material judged to be of "world leading" or "internationally excellent" quality and was in the top 10 for the impact of its research. Within the UK, it was ranked 17 in The Sunday Times Good University Guide 2017.

It has seen strong enrolment growth with a compound annual growth rate of 4.4% between 2008/09 and 2014/15 and has a student to bed ratio of 2.2:1. The University remains one of the most popular HE institutions in the UK and is a member of the Russell Group of institutions.

The University continues to deliver new facilities as part of its £750 million campus expansion with the latest developments including an interdisciplinary teaching facility that houses biomedicine programmes and a new building for the Environment Department. The creation of new colleges, teaching and learning space, laboratories, research facilities and a sport village with a velodrome and pool has supported the recent strong growth in the student population.

For information on the University of York's strategy (2014-2020):

http://www.york.ac.uk/about/mission-strategies/universitystrategy2014-2020/

UPP (Broadgate Park) Holdings Limited, University of Nottingham

Profit and loss, year ended 31 August	Note	2016 UK GAAP £'000	2016 Adj £'000	2016 FRS102 £'000	2015 UK GAAP £'000	2015 Adj £'000	2015 FRS102 £'000
Revenue	1.1	**11,472**	**-**	**11,472**	10,859	-	10,859
Cost of sales	1.2	**(3,597)**	**2**	**(3,595)**	(3,558)	4	(3,554)
Overheads	1.3	**(654)**	**-**	**(654)**	(559)	-	(559)
EBITDA before sinking fund		**7,221**	**2**	**7,223**	6,742	4	6,746
Sinking fund		**(585)**	**-**	**(585)**	(406)	-	(406)
EBITDA		**6,636**	**2**	**6,638**	6,336	4	6,340
Depreciation		**(816)**	**-**	**(816)**	(762)	-	(762)
Profit / (loss) before financing costs		**5,820**	**2**	**5,822**	5,574	4	5,578
Interest income		**36**	**40**	**76**	33	43	76
Bond note interest & uplift on Index-linked loan notes	1.4	**(4,402)**	**(139)**	**(4,541)**	(4,307)	(125)	(4,432)
Subordinated debt interest	1.4	**(4,485)**	**906**	**(3,579)**	(4,485)	1,223	(3,262)
Amortisation of debt issue costs	1.5	**(151)**	**151**	**-**	(152)	152	-
Profit / (loss) before tax		**(3,182)**	**960**	**(2,222)**	(3,337)	1,296	(2,040)
Tax		**-**	**-**	**-**	-	-	-
Profit / (loss) for the year		**(3,182)**	**960**	**(2,222)**	(3,337)	1,296	(2,040)

Nottingham

1,120 ROOMS MAY 2003 **ET**
1,109 ROOMS SEPTEMBER 2003 **NB**

ET – Estate Transfer
NB – New Build

UPP (Broadgate Park) Holdings Limited, University of Nottingham

Balance sheet	Note	2016 UK GAAP £'000	2016 Adj £'000	2016 FRS102 £'000	2015 UK GAAP £'000	2015 Adj £'000	2015 FRS102 £'000
Fixed assets	1.6	**93,900**	**-**	**93,900**	99,358	-	99,358
Current assets		**3,132**	**3,180**	**6,312**	2,981	2,225	5,206
Current liabilities, excluding senior debt		**(9,842)**	**8,166**	**(1,676)**	(7,181)	5,710	(1,471)
Senior debt and other long term liabilities							
Fixed rate debt	1.4	**(73,153)**	**2,162**	**(70,991)**	(73,744)	2,273	(71,471)
Index linked debt	1.4	**(18,547)**	**432**	**(18,115)**	(18,250)	460	(17,790)
Subordinated debt	1.4	**(32,039)**	**(8,469)**	**(40,508)**	(32,039)	(6,007)	(38,046)
Debt issue costs	1.5	**2,289**	**(2,289)**	**-**	2,440	(2,440)	-
Derivative financial instruments		**-**	**(1,545)**	**(1,545)**	-	(2,538)	(2,538)
Deferred tax		**-**	**278**	**278**	-	508	508
Net assets / (liabilities)		**(34,260)**	**1,915**	**(32,345)**	(26,435)	191	(26,244)
Share capital		**22,881**	**-**	**22,881**	22,881	-	22,881
Revaluation reserve		**6,538**	**-**	**6,538**	11,272	-	11,272
Profit and loss account		**(63,679)**	**(1,287)**	**(64,966)**	(60,588)	(2,244)	(62,832)
Cash flow hedge reserve		**-**	**3,202**	**3,202**	-	2,435	2,435
Shareholders' funds		**(34,260)**	**1,915**	**(32,345)**	(26,435)	191	(26,244)

Notes

1.1 Turnover has increased to £11.5m (2015: £10.9m) due to rental increases and short term lettings including those in the vacation period.

1.2 Cost of sales has remained constant at £3.6m (2015: £3.6m).

1.3 Overheads increased to £654k (2015: £559k).

1.4 Interest is paid on fixed rate debt, index linked debt and subordinated debt balances.

1.5 Amortisation relates to debt issue costs as a result of the bond issue. These are fully amortised over the life of the bond. Under FRS102 these costs are offset against the carrying value of the debt.

1.6 The tangible assets are held at a value of £93.9m (2015: £99.4m).

UPP (Broadgate Park) Holdings Limited, University of Nottingham

Historic Senior Debt Service Cover Ratio (DSCR)

	2016 £'000s
EBITDA after sinking fund per P&L	**6,636**
Add:	
Sinking fund expenditure	**585**
Interest receivable	**36**
Deduct:	
Sinking fund deposit	**(774)**
Total movement	**(153)**
Total cash available for debt service	**6,483**
Debt service	
Fixed rate debt interest	**3,600**
Fixed rate debt principle repayment	**591**
Indexed linked debt interest	**504**
Total debt service	**4,695**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	**1.05**
ADSCR – lock up	**1.15**
ADSCR – actual	**1.38**
Headroom over default	**1,554**
Headroom over lock up	**1,084**

The Historic Senior Debt Service Cover Ratio has been calculated as per the definition in the Common Terms Agreement.

Key metrics

Area	Metric	2016	2015
Site operations	Occupancy	**99.6%**	97.4%
Finance	EBITDA*	**£7.2m**	£6.7m
	ADSCR	**1.38**	1.32
Health and safety	Accident frequency rate	**0.00**	0.00
Environment	Tonnes of CO2 emissions	**3,349**	3,281
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA before sinking fund expenditure*

UPP (Broadgate Park) Holdings Limited, University of Nottingham

Sinking fund

Sinking fund expenditure for the year was £585k (2015: £406k). The movement between years relates to the replacement cycle of the assets. Levels of annual spend are not directly comparable year on year.

Major works during the year included bedroom, bathroom and kitchen refurbishments, as well power and lighting upgrades.

Outlook for the new financial year

The company has secured occupancy of 97.4% for 2016/17 which is below budgeted expectations, but UPP continues to work with the University to increase occupancy over the remainder of the academic year via short term bookings. Rents for the academic year 2017/18 will be set during Q2 of 2016/17.

University outlook

The University of Nottingham continues to be one of the most popular destinations for students in the UK and has risen five places to be ranked 20 in the UK by The Sunday Times Good University Guide 2017 which represented the biggest rise among the leading group of universities. It was also placed within the top 150 institutions in the world according to The Times Higher Education World University Rankings for 2016. The most recent Research Excellence Framework saw more than 80% of its submitted material judged to be of "world leading" or "internationally excellent" quality, and based on its Research Power score the University was ranked seventh.

The University is a member of the Russell Group of institutions and produces the most sought after graduates in the UK according to employer surveys and was awarded University of the Year for Graduate Employment by The Sunday Times Good University Guide. For the academic year 2014/15, it attracted 49,230 applications - its main scheme application to acceptance ratio was 7.4:1. The University has strong residential demand illustrated by its student to bed ratio of 2.5:1. This is particularly true of the Broadgate Park residences which are located at the West Gate of the University's main Park Campus and provide the only self-catered accommodation available to students.

The University has added sports facilities, research laboratories, teaching space and student accommodation in recent years. It is building an £40 million sports complex and new facilities for synthetic biology and sustainable chemistry. The building programme also includes the extension and refurbishment of the specialist library for engineering and science, which will double in size.

For information on the University of Nottingham's strategy (Global Strategy 2020):

https://www.nottingham.ac.uk/tld/documents/strategypolicy/uon-strategy-2020-jan-2015-publicprint.pdf

UPP (Kent Student Accommodation) Ltd, University of Kent

Profit and loss, year ended 31 August	Note	2016 UK GAAP £'000	2016 Adj £'000	2016 FRS102 £'000	2015 UK GAAP £'000	2015 Adj £'000	2015 FRS102 £'000
Revenue	1.1	**3,503**	**-**	**3,503**	3,352	-	3,352
Cost of sales	1.2	**(1,021)**	**3**	**(1,018)**	(1,017)	(2)	(1,019)
Overheads	1.3	**(227)**	**-**	**(227)**	(184)	-	(184)
EBITDA before sinking fund		**2,255**	**3**	**2,258**	2,151	(2)	2,149
Sinking fund		**(82)**	**-**	**(82)**	(49)	-	(49)
EBITDA		**2,173**	**3**	**2,176**	2,102	(2)	2,100
Depreciation		**(99)**	**-**	**(99)**	(92)	-	(92)
Profit / (loss) before financing costs		**2,074**	**3**	**2,077**	2,010	-	2,008
Interest income		**12**	**15**	**27**	11	15	26
Bond note interest & uplift on Index-linked loan notes	1.4	**(1,327)**	**(47)**	**(1,374)**	(1,309)	(77)	(1,386)
Subordinated debt interest	1.4	**(1,288)**	**279**	**(1,009)**	(1,288)	369	(919)
Amortisation of debt issue costs	1.5	**(73)**	**73**	**-**	(74)	74	-
Fair value movement of swaps		**-**	**285**	**285**	-	604	604
Profit / (loss) before tax		**(602)**	**608**	**6**	(650)	983	333
Tax		**-**	**(66)**	**(66)**	-	(121)	(121)
Profit / (loss) for the year		**(602)**	**542**	**(60)**	(650)	862	212

Kent

544 ROOMS OCTOBER 2007 **NB**

NB – New Build

UPP (Kent Student Accommodation) Ltd, University of Kent

Balance sheet	Note	2016 UK GAAP £'000	2016 Adj £'000	2016 FRS102 £'000	2015 UK GAAP £'000	2015 Adj £'000	2015 FRS102 £'000
Fixed assets	1.6	**34,400**	**-**	**34,400**	32,408	-	32,408
Current assets		**896**	**588**	**1,484**	925	493	1,418
Current liabilities, excluding senior debt		**(2,279)**	**2,111**	**(168)**	(1,602)	1,453	(149)
Senior debt and other long term liabilities							
Fixed rate debt	1.4	**(22,142)**	**650**	**(21,492)**	(22,502)	684	(21,818)
Index linked debt	1.4	**(5,360)**	**194**	**(5,166)**	(5,274)	207	(5,067)
Subordinated debt	1.4	**(9,203)**	**(1,838)**	**(11,041)**	(9,203)	(1,380)	(10,583)
Debt issue costs	1.5	**1,087**	**(1,087)**	**-**	1,160	(1,160)	-
Derivative financial instruments		**-**	**(448)**	**(448)**	-	(733)	(733)
Deferred tax		**-**	**(5,285)**	**(5,285)**	-	(5,468)	(5,468)
Net assets / (liabilities)		**(2,601)**	**(5,115)**	**(7,716)**	(4,088)	(5,904)	(9,992)
Share capital		**1,381**	**-**	**1,381**	1,381	-	1,381
Revaluation reserve		**7,890**	**(5,366)**	**2,524**	5,815	(5,614)	201
Profit and loss account		**(11,872)**	**251**	**(11,621)**	(11,284)	(290)	(11,574)
Shareholders' funds		**(2,601)**	**(5,115)**	**(7,716)**	(4,088)	(5,904)	(9,992)

Notes

1.1 The increase in turnover to £3.5m (2015: £3.4m) is the result of rental indexation and maintaining 100% occupancy.

1.2 Cost of sales has remained constant at £1.0m (2015: £1.0m).

1.3 Overheads have increased to £227k (2015: £184k).

1.4 Interest is paid on fixed rate debt, index linked debt and subordinated debt balances.

1.5 Amortisation relates to debt issue costs as a result of the bond issue. These are fully amortised over the life of the bond. Under FRS102 these costs are offset against the carrying value of the debt.

1.6 Tangible assets are held at a value of £34.4m (2015: £32.4m).

UPP (Kent Student Accommodation) Ltd, University of Kent

Historic Senior Debt Service Cover Ratio (DSCR)

	2016 £'000
EBITDA after sinking fund per P&L	**2,173**
Add:	
Sinking fund expenditure	**82**
Interest receivable	**12**
Deduct:	
Sinking fund deposit	**(36)**
Total movement	**58**
Total cash available for debt service	**2,231**
Debt service	
Fixed rate debt interest	**1,096**
Fixed rate debt principle repayment	**360**
Indexed linked debt interest	**146**
Total debt service	**1,602**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	**1.05**
ADSCR – lock up	**1.15**
ADSCR – actual	**1.39**
Headroom over default	**549**
Headroom over lock up	**389**

The Historic Senior Debt Service Cover Ratio has been calculated as per the definition in the Common Terms Agreement.

Key metrics

Area	Metric	2016	2015
Site operations	Occupancy	**100%**	100%
Finance	EBITDA*	**£2.2m**	£2.2m
	ADSCR	**1.39**	1.34
Health and safety	Accident frequency rate	**2.69**	0.00
Environment	Tonnes of CO2 emissions	**723**	691
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

•EBITDA before sinking fund expenditure

UPP (Kent Student Accommodation) Ltd, University of Kent

Sinking Fund

The sinking fund expenditure for the year was £82k (2015: £49k), the movement between years relates to the variable replacement cycle of the assets. Annual spend is not directly comparable year on year.

Outlook for the new financial year

The company has secured occupancy of 100% for 2016/17 which is above modelled expectations. Rents for the academic year 2017/18 will be set during Q2 of 2016/17.

University outlook

The University of Kent has improved its position in The Sunday Times Good University Guide in recent years and has maintained its ranking of 23 in The Sunday Times Good University Guide 2017. This has been driven by increasing student satisfaction scores, good graduate employment prospects and a falling non-completion rate. The most recent Research Excellence Framework saw the University ranked 30 in the UK based on its Research Power score.

Its campus, built on 300 acres of park land overlooking the historic City of Canterbury, continues to attract a healthy and growing level of academic applications - demonstrating a compound annual growth rate of 5.3% between 2008/09 and 2013/14. In 2015/16, it had a main scheme application to acceptance ratio of 6.6:1.

The Canterbury campus houses over 4,300 students in rooms, flats and houses and residential demand remains strong with a student to bed ratio of 2.3:1. The local housing market is characterised by a lack of private rented supply for students, a restrictive planning environment and only two direct let operators of purpose built student accommodation.

For information on the University of Kent's strategy (2015-20):

http://www.kent.ac.uk/about/plan/index.html

UPP (Nottingham) Limited, Nottingham Trent University

Profit and loss, year ended 31 August	Note	2016 UK GAAP £'000	2016 Adj £'000	2016 FRS102 £'000	2015 UK GAAP £'000	2015 Adj £'000	2015 FRS102 £'000
Revenue	1.1	**13,715**	**-**	**13,715**	13,211	-	13,211
Cost of sales	1.2	**(5,514)**	**6**	**(5,508)**	(5,399)	(1)	(5,400)
Overheads	1.3	**(637)**	**-**	**(637)**	(394)	-	(394)
EBITDA before sinking fund		**7,564**	**6**	**7,570**	7,418	(1)	7,417
Sinking fund		**(950)**	**-**	**(950)**	(856)	-	(856)
EBITDA		**6,614**	**6**	**6,620**	6,562	(1)	6,561
Depreciation		**(798)**	**-**	**(798)**	(743)	-	(743)
Amortisation		**(9)**	**-**	**(9)**	(9)	-	(9)
Profit / (loss) before financing costs		**5,807**	**6**	**5,813**	5,810	(1)	5,809
Interest income		**43**	**39**	**82**	36	33	69
Bond note interest & uplift on Index-linked loan notes	1.4	**(4,719)**	**(153)**	**(4,872)**	(4,607)	(138)	(4,745)
Subordinated debt interest	1.4	**(5,199)**	**1,414**	**(3,785)**	(5,199)	1,731	(3,468)
Pension finance costs	1.4	**(48)**	**-**	**(48)**	4	-	4
Amortisation of debt issue costs	1.5	**(165)**	**165**	**-**	(165)	165	-
Profit / (loss) before tax		**(4,281)**	**1,471**	**(2,810)**	(4,121)	1,790	(2,331)
Tax	1.6	**-**	**-**	**-**	14	-	14
Profit / (loss) for the year		**(4,281)**	**1,471**	**(2,810)**	(4,107)	1,790	(2,317)

Nottingham Trent

2,327 ROOMS APRIL 2002 **ET**
446 ROOMS SEPTEMBER 2003 **NB**

ET – Estate Transfer
NB – New Build

UPP (Nottingham) Limited, Nottingham Trent University

Balance sheet	Note	2016 UK GAAP £'000	2016 Adj £'000	2016 FRS102 £'000	2015 UK GAAP £'000	2015 Adj £'000	2015 FRS102 £'000
Fixed assets	1.7	**97,773**	**-**	**97,773**	101,638	-	101,638
Current assets		**3,487**	**4,612**	**8,099**	3,053	3,929	7,042
Current liabilities, excluding senior debt		**(12,802)**	**7,484**	**(5,318)**	(8,887)	4,726	(4,221)
Senior debt and other long term liabilities							
Fixed rate debt	1.4	**(77,591)**	**2,223**	**(75,368)**	(78,167)	2,344	(75,824)
Index linked debt	1.4	**(20,866)**	**469**	**(20,397)**	(20,532)	502	(20,031)
Subordinated debt	1.4	**(37,137)**	**(7,580)**	**(44,717)**	(37,137)	(5,597)	(42,734)
Debt issue costs	1.5	**2,373**	**(2,373)**	**-**	2,538	(2,538)	-
Pension liability	1.6	**(1,913)**	**(259)**	**(2,172)**	(1,021)	(255)	(1,276)
Derivative financial instruments		**-**	**(1,483)**	**(1,483)**	-	(2,435)	(2,435)
Deferred tax		**-**	**661**	**661**	-	742	742
Net assets / (liabilities)		**(46,676)**	**3,754**	**(42,922)**	(38,515)	1,417	(37,098)
Share capital		**5,597**	**-**	**5,597**	5,597	-	5,597
Revaluation reserve		**7,007**	**-**	**7,007**	10,147	-	10,147
Profit and loss account		**(59,280)**	**359**	**(58,921)**	(54,259)	(1,246)	(55,505)
Cash flow hedge reserve		**-**	**3,395**	**3,395**		2,663	(1,948)
Shareholders' funds		**(46,676)**	**3,754**	**(42,922)**	(38,515)	1,417	(37,098)

Notes

1.1 The increase in turnover to £13.7m (2015: £13.2m) is the result of rental indexation and the company maintaining 100% occupancy.

1.2 Cost of sales has increased to £5.5m (2015: £5.4m).

1.3 Overheads have increased to £637k (2015: £394k).

1.4 Interest is paid on fixed rate debt, index linked debt and subordinated debt balances.

1.5 Amortisation relates to debt issue costs as a result of the bond issue. These are fully amortised over the life of the bond. Under FRS102 these costs are offset against the carrying value of the debt.

1.6 The company operates a defined benefit pension scheme for employees transferred from the University. The long term liability represents the difference between the present value of the future liability and the fair value of the scheme assets, offset by the available deferred tax asset. This is based on an actuarial valuation provided to the AssetCo.

1.7 The tangible assets are at a value of £97.5m (2015: £101.4m). The remainder of the balance is made up of goodwill which is amortised over the life of the project.

UPP (Nottingham) Limited, Nottingham Trent University

Historic Senior Debt Service Cover Ratio (DSCR))

	2016 £'000
EBITDA after sinking fund per P&L	**6,613**
Add:	
Sinking fund expenditure	**950**
Interest receivable	**43**
Deduct:	
Sinking fund deposit	**(1,032)**
Total movement	**(39)**
Total cash available for debt service	**6,574**
Debt service	
Fixed rate debt interest	**3,818**
Fixed rate debt principle repayment	**577**
Index linked debt interest	**567**
Total debt service	**4,962**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	**1.05**
ADSCR – lock up	**1.15**
ADSCR – actual	**1.33**
Headroom over default	**1,365**
Headroom over lock up	**868**

The Historic Senior Debt Service Cover Ratio has been calculated as per the definition in the Common Terms Agreement.

Key metrics

Area	Metric	2016	2015
Site operations	Occupancy	**100%**	100%
Finance	EBITDA*	**£7.6m**	£7.4m
	ADSCR	**1.33**	1.37
Health and safety	Accident frequency rate	**0.54**	0.37
Environment	Tonnes of CO2 emissions	**3,113**	3,481
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA before sinking fund expenditure*

UPP (Nottingham) Limited, Nottingham Trent University

Sinking fund

The sinking fund spend for the year was £950k (2015: £856k).The movement between years relates to the replacement cycle of the assets. Annual spend is not comparable year on year.

Outlook for the new financial year

The company has secured occupancy of 100% for 2016/17 which is above modelled expectations. Rents for the academic year 2017/18 will be set during Q2 of 2016/17.

University outlook

Nottingham Trent University remains one of the top five new universities and is ranked 57 in The Sunday Times Good University Guide 2017.

Even with a competitive private operator market in existence across the City, Nottingham Trent University can still boast a student to bed ratio of 3.1:1. For the academic year 2015/16, the University attracted around 38,775 applications – its main scheme application to acceptance ratio was 6.0:1. It is best known for its leading fashion and other creative arts courses; however, the focus of the University is also on providing valuable employment skills. It is one of the few UK universities that offer every student a work placement opportunity.

The University has invested more than £350 million in redeveloping its three campuses over the last decade, including the Newton and Arkwright buildings and new Students Union on the City Campus; and new Pavilion Building and residences at the Clifton Campus.

For information on Nottingham Trent University's strategy (2015-2020):

http://www.ntu.ac.uk/strategy/

UPP (Oxford Brookes) Limited, Oxford Brookes University

Profit and loss, year ended 31 August	Note	2016 UK GAAP £'000	2016 Adj £'000	2016 FRS102 £'000	2015 UK GAAP £'000	2015 Adj £'000	2015 FRS102 £'000
Revenue	1.1	**4,271**	**-**	**4,271**	4,188	-	4,188
Cost of sales	1.2	**(901)**	**4**	**(897)**	(893)	-	(893)
Overheads	1.3	**(226)**	**-**	**(226)**	(204)	-	(204)
EBITDA before sinking fund		**3,144**	**4**	**3,148**	3,091	-	3,091
Sinking fund		**(212)**	**-**	**(212)**	(134)	-	(134)
EBITDA		**2,932**	**4**	**2,936**	2,957	-	2,957
Depreciation		**(303)**	**-**	**(303)**	(271)	-	(271)
Profit / (loss) before financing costs		**2,629**	**4**	**2,633**	2,686	-	2,686
Interest income		**14**	**14**	**28**	12	11	23
Bond note interest & uplift on Index-linked loan notes	1.4	**(1,857)**	**(65)**	**(1,922)**	(1,819)	(132)	(1,951)
Subordinated debt interest	1.4	**(1,873)**	**611**	**(1,262)**	(1,873)	712	(1,161)
Amortisation of debt issue costs	1.5	**(90)**	**90**	**-**	(91)	91	-
Profit / (loss) before tax		**(1,177)**	**654**	**(523)**	(1,085)	682	(403)
Tax		**-**	**-**	**-**	-	-	-
Profit / (loss) for the year		**(1,177)**	**654**	**(523)**	(1,085)	682	(403)

Oxford Brookes

771 ROOMS SEPTEMBER 2002, 2016 **NB**

NB – New Build

UPP (Oxford Brookes) Limited, Oxford Brookes University

Balance sheet	Note	2016 UK GAAP £'000	2016 Adj £'000	2016 FRS102 £'000	2015 UK GAAP £'000	2015 Adj £'000	2015 FRS102 £'000
Fixed assets	1.6	**43,200**	**-**	**43,200**	40,129	-	40,129
Current assets		**1,347**	**1,201**	**2,548**	1,293	1,328	2,621
Current liabilities, excluding senior debt		**(3,131)**	**2,696**	**(435)**	(1,984)	1,532	(452)
Senior debt and other long term liabilities							
Fixed rate debt	1.4	**(30,180)**	**870**	**(29,310)**	(30,623)	918	(29,705)
Index linked debt	1.4	**(8,346)**	**257**	**(8,089)**	(8,212)	275	(7,937)
Subordinated debt	1.4	**(13,378)**	**(2,015)**	**(15,393)**	(13,378)	(1,607)	(14,985)
Debt issue costs	1.5	**1,295**	**(1,295)**	**-**	1,385	(1,385)	-
Derivative financial instruments		**-**	**(569)**	**(569)**	-	(932)	(932)
Deferred tax		**-**	**(1,117)**	**(1,117)**	-	(720)	(720)
Net assets / (liabilities)		**(9,193)**	**28**	**(9,165)**	(11,390)	(591)	(11,981)
Share capital		**1,206**	**-**	**1,206**	1,206	-	1,206
Revaluation reserve		**12,745**	**(1,220)**	**11,525**	9,442	(906)	8,536
Profit and loss account		**(23,144)**	**(83)**	**(23,227)**	(22,038)	(736)	(22,774)
Cash flow hedge reserve		**-**	**1,331**	**1,331**	-	1,051	1,051
Shareholders' funds		**(9,193)**	**28**	**(9,165)**	(11,390)	(591)	(11,981)

Notes

1.1 The increase in turnover to £4.3m (2015: £4.2m) is the result of indexation and the pass through of increased FM costs to rents and maintaining a nomination of 100% of the rooms from the University.

1.2 Cost of sales increased to £901k (2015: £893k).

1.3 Overheads have increased to £226k (2015: £204k)

1.4 Interest is paid on fixed rate debt, index linked debt and subordinated debt balances.

1.5 Amortisation relates to debt issue costs as a result of the bond issuance. These are fully amortised over the life of the bond. Under FRS102 these costs are offset against the carrying value of the debt.

1.6 The tangible assets are held at a value of £43.2m (2015: £40.1m). During the year 20 new rooms ('the Gatehouse Project') were completed.

UPP (Oxford Brookes) Limited, Oxford Brookes University

Historic Senior Debt Service Cover Ratio (DSCR)

	2016 £'000
EBITDA after sinking fund per P&L	**2,932**
Add:	
Sinking fund expenditure	**212**
Interest receivable	**14**
Deduct:	
Sinking fund deposit	**(157)**
Total movement	**69**
Total cash available for debt service	**3,001**
Debt service	
Fixed rate debt interest	**1,496**
Fixed rate debt principle repayment	**443**
Index linked debt interest	**227**
Total debt service	**2,166**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	**1.05**
ADSCR – lock up	**1.15**
ADSCR – actual	**1.39**
Headroom over default	**725**
Headroom over lock up	**509**

The Historic Senior Debt Service Cover Ratio has been calculated as per the definition in the Common Terms Agreement.

Key metrics

Area	Metric	2016	2015
Site operations	Occupancy	**100%**	100%
Finance	EBITDA*	**£3.1m**	£3.1m
	ADSCR	**1.38**	1.40
Health and safety	Accident frequency rate	**0.71**	0.00
Environment	Tonnes of CO2 emissions	**949**	897
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA before sinking fund expenditure*

UPP (Oxford Brookes) Limited, Oxford Brookes University

Sinking Fund

Sinking fund expenditure for the year was £212k (2015: £134k). The movement between years relates to the replacement cycle of the assets. Annual spend is not directly comparable year on year.

Outlook for the new financial year

The company has secured occupancy of 100% for 2016/17 which is in line with modelled expectations. Rents for 2017/18 will be set in October 2017 as part of the controlled rent.

University outlook

Oxford Brookes University remains one of the most popular new universities in the UK. The Sunday Times Good University Guide ranked it 69 overall for 2017. For the academic year 2015/16, the University attracted around 27,420 applications – its main scheme application to acceptance ratio was 6.6:1.

Being one of the key UK HE destinations, the City Council have placed strict controls on the number of students each university is permitted to house in the private rented sector within Oxford. Providing sufficient purpose built accommodation to facilitate this, Oxford Brookes continues to present a healthy student to bed ratio of 1.7:1.

Over recent years, the University has made significant investment in its physical infrastructure with the development of the award winning £132 million John Henry Brookes Building at the Headington Campus which opened in February 2014. The University is spending £13 million a year on refurbishment and some additional buildings on its Headington and Harcourt Hill campuses.

For more information on Oxford Brookes University's strategy (2015-20):

www.brookes.ac.uk/about-brookes/strategy-2020/our-strategy-for-2020

UPP (Plymouth Three) Limited, Plymouth University

Profit and loss, year ended 31 August	Note	2016 UK GAAP £'000	2016 Adj £'000	2016 FRS102 £'000	2015 UK GAAP £'000	2015 Adj £'000	2015 FRS102 £'000
Revenue	1.1	**8,569**	**-**	**8,569**	8,390	-	8,390
Cost of sales	1.2	**(2,561)**	**1**	**(2,560)**	(2,446)	(8)	(2,454)
Overheads	1.3	**(391)**	**-**	**(391)**	(311)	-	(311)
EBITDA before sinking fund		**5,617**	**1**	**5,618**	5,633	(8)	5,625
Sinking fund		**(588)**	**-**	**(588)**	(599)	-	(599)
EBITDA		**5,029**	**1**	**5,030**	5,034	(8)	5,026
Depreciation		**(276)**	**-**	**(276)**	(257)	-	(257)
Amortisation		**(38)**	**-**	**(38)**	(37)	-	(37)
Profit / (loss) before financing costs		**4,715**	**1**	**4,716**	4,740	(8)	4,732
Interest income		**28**	**38**	**66**	29	30	59
Bond note interest & uplift on Index-linked loan notes	1.4	**(3,333)**	**(110)**	**(3,443)**	(3,262)	(100)	(3,362)
Subordinated debt interest	1.4	**(3,717)**	**1,013**	**(2,704)**	(3,717)	1,238	(2,479)
Amortisation of debt issue costs	1.5	**(126)**	**126**	**-**	(127)	127	-
Fair value movement of swaps		**-**	**697**	**697**	-	1,493	1,493
Deferred tax		**-**	**-**	**-**	-	-	-
Profit / (loss) before tax		**(2,433)**	**1,765**	**(668)**	(2,337)	2,780	443
Tax		**-**	**(161)**	**(161)**	-	(299)	(299)
Profit / (loss) for the year		**(2,433)**	**1,604**	**(829)**	(2,337)	2,481	144

Plymouth

PHASE 1-3: 1,276 ROOMS 1998-2004 **ET**, **NB**
PHASE 4: 488 ROOMS DECEMBER 2006 **ET**, **NB**

ET – Estate Transfer
NB – New Build

UPP (Plymouth Three) Limited, Plymouth University

Balance sheet	Note	2016 UK GAAP £'000	2016 Adj £'000	2016 FRS102 £'000	2015 UK GAAP £'000	2015 Adj £'000	2015 FRS102 £'000
Fixed assets	1.6	**88,867**	**-**	**88,867**	84,718	-	84,718
Current assets		**2,389**	**2,411**	**4,800**	2,257	2,168	4,425
Current liabilities, excluding senior debt		**(7,292)**	**6,656**	**(636)**	(4,824)	4,277	(547)
Senior debt and other long term liabilities							
Fixed rate debt	1.4	**(54,861)**	**1,585**	**(53,276)**	(55,438)	1,670	(53,768)
Index linked debt	1.4	**(14,560)**	**361**	**(14,199)**	(14,326)	386	(13,940)
Subordinated debt	1.4	**(26,551)**	**(5,737)**	**(32,288)**	(26,551)	(4,167)	(30,718)
Debt issue costs	1.5	**1,845**	**(1,845)**	**-**	1,972	(1,972)	-
Derivative financial instruments		**-**	**(1,083)**	**(1,083)**	-	(1,781)	(1,781)
Deferred tax		**-**	**(4,120)**	**(4,120)**	-	(3,926)	(3,926)
Net assets / (liabilities)		**(10,163)**	**(1,772)**	**(11,935)**	(12,193)	(3,344)	(15,537)
Share capital		**2,033**	**-**	**2,033**	2,033	-	2,033
Revaluation reserve		**25,594**	**(4,314)**	**21,280**	21,201	(4,282)	16,919
Profit and loss account		**(37,790)**	**2,542**	**(35,248)**	(35,427)	938	(34,489)
Shareholders' funds		**(10,163)**	**(1,772)**	**(11,935)**	(12,193)	(3,344)	(15,537)

Notes

1.1 The increase in turnover to £8.6m (2015: £8.4m) is the result of rental indexation and maintaining 100% occupancy.

1.2 Cost of sales has increased to £2.6m (2015: £2.4m).

1.3 Overheads have increased to £391k (2015: £311k), due to payment for impression plans

1.4 Interest is paid on fixed rate debt, index linked debt and subordinated debt balances.

1.5 Amortisation relates to debt issue costs as a result of the bond issue. These are fully amortised over the life of the bond. Under FRS102 these costs are offset against the carrying value of the debt.

1.6 The tangible assets are held at a value of £87.3m (2015: £83.1m). The remainder of the balance is made up of goodwill which is amortised over the life of the project.

UPP (Plymouth Three) Limited, Plymouth University

Historic Senior Debt Service Cover Ratio (DSCR)

	2016 £'000
EBITDA after sinking fund per P&L	**5,029**
Add:	
Sinking fund expenditure	**588**
Interest receivable	**28**
Deduct:	
Sinking fund deposit	**(640)**
Total movement	**(24)**
Total cash available for debt service	**5,005**
Debt service	
Fixed rate debt interest	**2,703**
Fixed rate debt principle repayment	**577**
Index linked debt interest	**396**
Total debt service	**3,676**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	**1.05**
ADSCR – lock up	**1.15**
ADSCR – actual	**1.36**
Headroom over default	**1,145**
Headroom over lock up	**778**

Historic Senior Debt Service Cover Ratio has been calculated as per the definition in the Common Terms Agreement.

Key metrics

Area	Metric	2016	2015
Site operations	Occupancy	**100%**	100%
Finance	EBITDA*	**£5.6m**	£5.6m
	ADSCR	**1.36**	1.40
Health and safety	Accident frequency rate	**0.97**	1.09
Environment	Tonnes of CO2 emissions	**2,022**	2,047
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA before sinking fund expenditure*

UPP (Plymouth Three) Limited, Plymouth University

Sinking fund

The sinking fund expenditure for the year was £588k (2015: £599k). The movement between years relates to the replacement cycle of the assets. Levels of annual spend are comparable year on year.

Outlook for the new financial year

The company has secured occupancy of 100% for 2016/17 which is above modelled expectations. Rents for the academic year 2017/18 will be set during Q2 of 2016/17.

University outlook

Plymouth University was ranked 59 in The Times Higher Education's Global 2016 rankings for institutions under 50 years old. It was also ranked 80 by The Sunday Times Good University Guide 2017.

The University has both national and international appeal with a main scheme application to acceptance ratio of 5.2:1 for 2015/16. It has exceptionally strong residential demand characteristics with a student to bed ratio of 4.9:1.

It plays a central role in the economy of the south west and was the first university to be awarded Regional Growth Fund money to promote the expansion and development of small businesses. The University is the largest provider of nursing, midwifery and health professional training across the region and is the only post-92 institution with its own medical school which was opened for the academic year 2013/14.

For Plymouth University's latest strategy (2020):

https://www.plymouth.ac.uk/your-university/about-us/strategy-2020

UPP (Exeter) Limited, University of Exeter

Profit and loss, year ended 31 August	Note	2016 UK GAAP £'000	2016 Adj £'000	2016 FRS102 £'000	2015 UK GAAP £'000	2015 Adj £'000	2015 FRS102 £'000
Revenue	1.1	**13,672**	**-**	**13,672**	13,358	-	13,358
Cost of sales	1.2	**(3,815)**	**(4)**	**(3,819)**	(3,773)	5	(3,768)
Overheads	1.3	**(446)**	**-**	**(446)**	(447)	-	(447)
EBITDA before sinking fund		**9,411**	**(4)**	**9,407**	9,138	5	9,143
Sinking fund		**(896)**	**-**	**(896)**	(437)	-	(437)
EBITDA		**8,515**	**(4)**	**8,511**	8,701	5	8,706
Depreciation		**(493)**	**-**	**(493)**	(453)	-	(453)
Profit / (loss) before financing costs		**8,022**	**(4)**	**8,018**	8,248	5	8,253
Interest income		**31**	**32**	**63**	27	20	47
Bank debt interest	1.4	**-**	**-**	**-**	(1,857)	-	(1,857)
Bond note interest & uplift on Index-linked loan notes	1.4	**(3,333)**	**(186)**	**(3,519)**	(1,472)	(192)	(1,664)
Subordinated debt interest	1.4	**(2,983)**	**138**	**(2,845)**	(2,528)	303	(2,225)
Other interest	1.5	**-**	**-**	**-**	-	(1,222)	(1,222)
Interest provision write back	1.4	**-**	**-**	**-**	2,505	-	2,505
Termination of hedging arrangements	1.4	**-**	**-**	**-**	(45,015)	-	(45,015)
Amortisation of debt issue costs	1.6	**(186)**	**186**	**-**	(192)	192	-
Profit / (loss) before tax		**1,551**	**166**	**1,717**	(40,284)	(894)	(41,178)
Tax	1.6	**-**	**-**	**-**	638	-	638
Profit / (loss) for the year		**1,551**	**166**	**1,717**	(39,646)	894	(40,540)

Exeter

2,569 ROOMS 2009-2012 ET, NB

ET – Estate Transfer
NB – New Build

UPP (Exeter) Limited, University of Exeter

Balance sheet	Note	2016 UK GAAP £'000	2016 Adj £'000	2016 FRS102 £'000	2015 UK GAAP £'000	2015 Adj £'000	2015 FRS102 £'000
Fixed assets	1.7	**134,900**	**-**	**134,900**	132,900	-	132,900
Current assets		**5,983**	**1,950**	**7,933**	5,668	972	6,640
Current liabilities, excluding senior debt		**(1,043)**	**(13)**	**(1,056)**	(490)	(8)	(498)
Senior debt and other long term liabilities							
Index linked debt	1.4	**(143,233)**	**6,141**	**(137,092)**	(145,702)	6,327	(139,375)
Subordinated debt	1.4	**(21,309)**	**(2,679)**	**(23,988)**	(21,309)	(1,871)	(23,180)
Debt issue costs	1.6	**6,141**	**(6,141)**	**-**	6,328	(6,328)	-
Deferred tax		**-**	**(7,427)**	**(7,427)**	-	(8,073)	(8,073)
Net assets / (liabilities)		**(18,561)**	**(8,169)**	**(26,730)**	(22,605)	(8,981)	(31,586)
Share capital		**650**	**-**	**650**	650	-	650
Revaluation reserve		**23,033**	**(7,427)**	**15,606**	20,617	(8,073)	12,544
Profit and loss account		**(42,244)**	**(742)**	**(42,986)**	(43,872)	(908)	(44,780)
Shareholders' funds		**(18,561)**	**(8,169)**	**(26,730)**	(22,605)	(8,981)	(31,586)

Notes

1.1 The increase in turnover to £13.7m (2015: £13.4m) is the result of rental indexation and maintaining 100% occupancy.

1.2 Cost of sales has remained constant at £3.8m (2015: £3.8m).

1.3 Overheads have remained constant at £446k (2015: £447k).

1.4 Interest is paid index linked debt and subordinated debt balances.

1.5 Other interest relates to fair value adjustment under FRS 102 on initial recognition of the debt service reserve loan balance.

1.6 Amortisation relates to debt issue costs as a result of the bond issue. These are fully amortised over the life of the bond. Under FRS102 these costs are offset against the carrying value of the debt.

1.7 The tangible assets are held at the value of £134.9m (2015: £132.9m).

UPP (Exeter) Limited, University of Exeter

Historic Senior Debt Service Cover Ratio (DSCR)

	2016 £'000
EBITDA after sinking fund per P&L	**8,515**
Add:	
Sinking fund expenditure	**896**
Interest receivable	**31**
Deduct:	
Sinking fund deposit	**(1,025)**
Total movement	**(98)**
Total cash available for debt service	**8,417**
Debt service	
Fixed rate debt interest	**-**
Index linked debt principle repayment	**4,282**
Index linked debt interest	**1,520**
Total debt service	**5,802**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	**1.05**
ADSCR – lock up	**1.15**
ADSCR – actual	**1.45**
Headroom over default	**2,325**
Headroom over lock up	**1,744**

Historic Senior Debt Service Cover Ratio has been calculated as per the definition in the Common Terms Agreement.

Key metrics

Area	Metric	2016	2015
Site operations	Occupancy	**100%**	100%
Finance	EBITDA*	**£9.4m**	£9.1m
	ADSCR	**1.45**	1.51
Health and safety	Accident frequency rate	**0.68**	0.00
Environment	Tonnes of CO2 emissions	**2,505**	2,206
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA before sinking fund expenditure*

UPP (Exeter) Limited, University of Exeter

Sinking fund

The sinking fund expenditure for the year was £896k (2015: £437k). The movement between years relates to the replacement cycle of the assets. Levels of annual spend are comparable year on year.

Outlook for the new financial year

The company has secured occupancy of 100% for 2016/17 which is above modelled expectations. Rents for the academic year 2017/18 will be set during Q2 of 2016/17.

University outlook

The University of Exeter is one of the most popular universities in the UK. It was ranked 9 in The Sunday Times Good University Guide 2017 and is within the top 100 institutions in the world for the first time, according to The Times Higher Education World University Rankings 2016. It is a member of the Russell Group of institutions further reinforcing its world class reputation.

The University has seen strong enrolment growth with a compound annual growth rate of 5.1% between 2008/09 and 2014/15, when it has 19,370 full time students enrolled. For 2015/16, it had an application to acceptance ratio of 7.2:1. It experiences a high residential demand and has a student to bed ratio of 2.9:1.

The University has been one of the leading beneficiaries of a more competitive HE sector and underpinning this has been an investment of more than £400 million over the last five years, in teaching, research, social and residential facilities at its Streatham Campus.

For information on the University of Exeter's strategy (2015):

http://www.exeter.ac.uk/media/universityofexeter/webteam/shared/contentimages/strategicplan/Strategic_Plan_2015.pdf

Wentworth College, University of York, where UPP provides accommodation for 1,043 students.

UPP Bond 1 Holdings Limited

Non-statutory consolidated financial statements for the year ended 31 August 2016

APPENDIX 2

POSITIONS	NAMES
Directors	J Benkel
	R Bienfait
	S O'Shea
	SFM Directors Limited
–	–
Secretary	J Benkel
–	–
Auditor	Grant Thornton UK LLP
	Grant Thornton House
	202 Silbury Boulevard
	Central Milton Keynes
	Buckinghamshire
	MK9 1LW
–	–
Registered office	40 Gracechurch Street
	London
	EC3V 0BT

Plymouth University where UPP provides over 1,750 students with accommodation.

Group Directors' report for the year ended 31 August 2016

The directors present their non-statutory consolidated financial statements for the year ended 31 August 2016.

Principal activity of the business

The Group's principal activity is of a holding Company for its subsidiary undertakings. The subsidiary undertakings principal activity is the operation of student accommodation and the provision of related facilities management services for seven AssetCos; consisting of 11,693 rooms (2015: 11,673) achieving 99.9% occupancy for the 2015/16 financial year.

Financial risk management objectives and policies

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

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.

Dividend

The directors do not propose the payment of a dividend (2015: £Nil).

Directors and their interests

The directors holding office during the year ended 31 August 2016 and subsequently are:

G Behr	(Resigned 10/05/2016)
R Bienfait	(Appointed 23/11/2016)
J Benkel	
S O'Shea	
SFM Directors Limited	

At 31 August 2016 none of the directors had any beneficial interests in the shares of the Company or in any of the Group companies.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report, the Strategic 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 laws), 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 and profit or loss of the Company and Group for that year.

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

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.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's and group's website, www.upp-ltd.com/investors. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors

The auditors, Grant Thornton UK LLP, have expressed their willingness to continue in office as auditors. Pursuant to Section 487 of the Companies Act 2006, Grant Thornton UK LLP was duly appointed by the shareholder of the Company and the Group and shall, subject to any resolution to the contrary, be deemed to be re-appointed as auditor for the next financial year.

On behalf of the Board

R Bienfait
Director
12 December 2016

UPP's scheme at the University of Kent provides 544 rooms, a lecture theatre and seminar rooms.

Group Strategic report for the year ended 31 August 2016

Results and review of the business

The Group incorporated wholly owned subsidiaries UPP Bond 1 Issuer plc and UPP Bond 1 Limited on 16 October 2012. The Group commenced trading on 5 March 2013 when it acquired the entire issued share capital in UPP (Alcuin) Limited, UPP (Broadgate Park) Holdings Limited, UPP (Kent Student Accommodation) Limited, UPP (Nottingham) Limited, UPP (Oxford Brookes) Limited and UPP (Plymouth Three) Limited. On 9 December 2014 UPP Bond 1 Limited acquired the entire issued share capital in UPP (Exeter) Limited.

The principal activity of these subsidiary undertakings is the operation and management of 11,693 student accommodation rooms (2015: 11,673) owned by the companies listed above. During the year an additional 20 rooms were completed at UPP (Oxford Brookes) Limited.

Both the level of business 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.

During the prior year, at the AssetCo at the University of Exeter, a latent defect in the newly built accommodation was identified relating to the external panel detailing around the buildings. This latent defect does not affect the operation of the accommodation which continues to be fully occupied at modelled rents. UPP (Exeter) Limited, along with its advisors, have been working with the contractor which built the accommodation to develop a programme of rectification works. It is the intention of UPP (Exeter) Limited to ensure that its rights under the original construction contract are robustly applied. These place liability for latent defects firmly with the Contractor. The company has engaged with the University of Exeter who are supportive of the proposed approach.

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 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.

The Group's loss for the year attributable to shareholders and reported in the financial statements is £9,458,000 (2015: £5,046,000).

Key performance indicators

The Group's principal activity is the provision of student accommodation, through seven of its subsidiary undertakings.

The following are considered by the directors to be indicators of average performance of these subsidiary undertakings that are not necessarily evident from the financial statements:

	2015/16	2014/15
Average Applications : Acceptance ratio	**5.69:1**	5.79:1

The indicators above are directly related to the performance of the relevant university partners of these subsidiary undertakings and any changes in these statistics may potentially affect the performance of that company.

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

	2015/16	2014/15
Average occupancy across the facilities	**99.9%**	99.7%

The target occupancy levels across the facilities is 98-99%, as such the directors are satisfied that the movements noted above are within tolerable limits.

Financial risk management objectives and policies

The Group uses various financial instruments including loans, derivative financial instruments, 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 Group's operations. All of the Group's financial instruments are of sterling denomination and the Group does not trade in financial instruments or derivatives.

The existence of these financial instruments exposes the Group 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 group finances its operations through a mixture of equity, related party borrowings and fixed rate and index-linked secured senior notes. Through the issue of fixed rate notes the group has mitigated its exposure to interest rate fluctuations on that portion of its borrowings. The index-linked notes have a real fixed rate that is linked to RPI (see below).

Inflation rate risk

The group funds its financing activities through the provision of student accommodation and rental income received on this accommodation. Growth in rental income is linked to the movement in RPI and the group manages the exposure to this index through a mix of inflation linked debt and the use of RPI swaps to hedge a portion of the fixed rate debt servicing costs.

Liquidity risk

The Group 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 19 to the financial statements.

Principal risk and uncertainties

Demand risk

The Group 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.

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Portfolio risk

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

On behalf of the Board

R Bienfait
Director
12 December 2016

Independent auditor's report to the members of UPP Bond 1 Holdings Limited

We have audited the non-statutory consolidated financial statements of UPP Bond 1 Holdings Limited for the year ended 31 August 2016 which comprise the Group income statement, Group statement of comprehensive income, Group and Company statement of changes in equity, Group and Company statement of financial position, Group statement of cash flows and the related notes. The financial reporting framework that has been applied in the preparation of these non-statutory financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 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 the terms of our engagement. 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 Statement of Directors' Responsibilities, 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 (APB's) Ethical Standards for Auditors.

Scope of the Non-Statutory audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of; whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements give a true and fair view of the state of the Group and company's affairs as at 31 August 2016 and of its loss for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice.

Grant Thornton UK LLP

Statutory Auditor Central Milton Keynes

Group income statement for the year ended 31 August 2016

	Notes	**Year ended 31 August 2016**	Year ended 31 August 2015
		£'000	£'000
Turnover	5	**61,309**	55,673
Cost of sales		**(18,718)**	(17,430)
Gross profit		**42,591**	38,243
Operating expenses		**(14,258)**	(10,792)
Operating profit	7	**28,333**	27,451
Interest receivable & similar income	10	**185**	169
Interest payable & similar charges	11	**(37,737)**	(32,255)
Loss on ordinary activities before taxation		**(9,219)**	(4,635)
Tax charge on loss on ordinary activities	12	**(239)**	(411)
Loss for the financial year		**(9,458)**	(5,046)
Loss for the year attributable to:			
Owners of the parent		**(9,458)**	(5,046)

The above results all relate to continuing operations.

Group statement of comprehensive income for the year ended 31 August 2016

	Year ended 31 August 2016	Year ended 31 August 2015
	£'000	£'000
Loss for the financial year	**(9,458)**	(5,046)
Fair value movements on RPI swaps	**2,636**	6,059
Deferred tax on fair value of RPI swaps	**(595)**	(1,212)
Deferred tax on revaluation of principal asset	**220**	288
Gain/(loss) on revaluation of principal asset	**9,571**	(446)
Re-measurement (loss)/gain recognised on defined benefit pension scheme	**(822)**	19
Movement on deferred tax relating to pension liability	**147**	6
Total other comprehensive income	**11,157**	4,714
Total comprehensive income for the period	**1,699**	(332)
Total comprehensive income attributable to:		
Owners of the parent	**1,699**	(332)

Group statement of changes in equity for the year ended 31 August 2016

Group

Attributable to owners of the parent

	Share capital	Revaluation reserve	Cash flow hedge reserve	Other reserve	Profit & loss account	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 September 2014	36,849	4,850	2,764	(21,462)	(31,289)	(8,288)
Shares issued in period	18,721	-	-	-	-	18,721
Loss for the financial period	-	-	-	-	(5,046)	(5,046)
Other comprehensive income	-	(158)	4,847	-	26	4,715
Balance at 31 August 2015	**55,570**	**4,692**	**7,611**	**(21,462)**	**(36,309)**	**10,102**
At 1 September 2015	55,570	4,692	7,611	(21,462)	(36,309)	10,102
Loss for the financial period	-	-	-	-	(9,458)	(9,458)
Other comprehensive income	-	9,791	2,041	-	(676)	11,156
Balance at 31 August 2016	**55,570**	**14,483**	**9,652**	**(21,462)**	**(46,443)**	**11,800**

Company statement of changes in equity for the year ended 31 August 2016

Company

Attributable to owners of the parent

	Share capital	Profit & loss account	Total equity
	£'000	£'000	£'000
At 1 September 2014	36,849	3	36,852
Shares issued in period	18,721	-	18,721
Profit for the financial period	-	2	2
Balance at 31 August 2015	**55,570**	**5**	**55,575**
At 1 September 2015	55,570	5	55,575
Profit for the financial period	-	3	3
Balance at 31 August 2016	**55,570**	**8**	**55,578**

Group statement of financial position as at 31 August 2016

	Notes	31 August 2016 £'000	31 August 2015 £'000
Fixed assets			
Intangible assets	13	**133,064**	137,607
Tangible assets	14	**554,643**	548,008
		687,707	685,615
Current assets			
Debtors: amounts falling due within one year	16	**558**	424
Debtors: amounts falling due after one year	17	**1,019**	1,859
Cash at bank and in hand		**42,936**	39,251
		44,513	41,534
Creditors: amounts falling due within one year	18	**(18,261)**	(15,207)
Net current assets		**26,252**	26,327
Total assets less current liabilities		**713,959**	711,942
Creditors: amounts falling due after more than one year	19	**(678,551)**	(678,769)
Provisions for liabilities	20	**(21,436)**	(21,795)
Net assets excluding pension liability		**13,972**	11,378
Defined benefit pension liability	24	**(2,172)**	(1,276)
Net assets		**11,800**	10,102
Share capital and reserves			
Called up share capital	21	**55,570**	55,570
Revaluation reserve	22	**14,483**	4,692
Cash flow hedge reserve	22	**9,652**	7,611
Other reserve	22	**(21,462)**	(21,462)
Profit and loss account		**(46,443)**	(36,309)
		11,800	10,102

The financial statements were approved by the board on 12 December 2016 and were signed on its behalf by:

R Bienfait

Director

12 December 2016

Registered No: 08253967

Company statement of financial position as at 31 August 2016

	Notes	31 August 2016 £'000	31 August 2015 £'000
Fixed assets			
Investments	15	**55,570**	55,570
		55,570	55,570
Current assets			
Debtors: amounts falling due after one year	17	**176,237**	168,432
		176,237	168,432
Total assets less current liabilities		**231,807**	224,002
Creditors: amounts falling due after more than one year	19	**(176,229)**	(168,427)
Net assets		**55,578**	55,575
Share capital and reserves			
Called up share capital	21	**55,570**	55,570
Profit and loss account		**8**	5
		55,578	55,575

The financial statements were approved by the board on 05 December 2016 and were signed on its behalf by:

R Bienfait
Director
12 December 2016
Registered No: 08253967

Group statement of cash flows for the year ended 31 August 2016

	Notes	Year ended 31 August 2016 £'000	Year ended 31 August 2015 £'000
Net cash inflow from operating activities	23(a)	**37,899**	32,888
Investing activities			
Interest received		**163**	169
Interest paid		**(27,027)**	(18,078)
Hedging termination payments		**-**	(45,014)
Costs associated with issue of debt		**-**	(6,519)
Cash balances acquired with subsidiary undertakings		**-**	8,445
Net cash flow from investing activities		**(26,864)**	(60,997)
Financing activities			
Cash outflow from repayment of senior bank debt		**-**	(102,313)
Cash outflow from repayment of fixed rate debt		**(3,067)**	(2,560)
Cash outflow from repayment of index-linked debt		**(4,283)**	(4,341)
Cash outflow from repayment of subordinated debt		**-**	(17,407)
Cash inflow from increase in index-linked debt		**-**	149,700
Cash inflow from increase in subordinated debt		**-**	21,309
Net cash flow from financing activities		**(7,350)**	44,388
Increase in cash and cash equivalents		**3,685**	16,279
Cash and cash equivalents at 1 September 2015		**39,251**	22,972
Cash and cash equivalents at 31 August 2016	23(b)	**42,936**	39,251

Notes to the non-statutory consolidated financial statements for the year ended 31 August 2016

1. Company information

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

2. Basis of preparation

These annual 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 except for the modification to a fair value basis for all derivative instruments and revaluation of fixed assets as specified in the accounting policies below. The Group has chosen to adopt Section 11 and 12 of FRS 102 in respect of financial instruments as available under Section 11 of FRS 102.

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 and were 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. All of the Group's principal assets meet the definition of service concession arrangements under Section 34.

The Group 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 profit for the comparative period are explained in note 28.

The Company has taken advantage of the disclosure exemption allowed under FRS 102 not to comply with Section 7 Statement of Cash Flows and it has not presented its own Statement of Cash Flows in these financial statements.

The financial statements are presented in Sterling (£) which is the Group'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 Group management to exercise judgement in applying the Group's accounting policies (see note 3).

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 non-statutory consolidated financial statements consolidate the financial statements of UPP Bond 1 Holdings Limited and its subsidiaries prepared to 31 August each year using the acquisition method from the date control passes to the Group.

The directors consider the acquisition of subsidiary undertakings by way of a share for share exchange and cash purchase of minorities from the parent company on 5 March 2013 as a series of transactions and not individual transactions.

On this basis, the directors have concluded that acquisition accounting must be applied as overall the series of transactions do not qualify for merger accounting and have prepared these financial statements accordingly.

Where the company has used merger relief or Group reconstruction relief to account for an investment in a subsidiary the difference between the fair value of the equity issues and the value of the equity issued after applying merger relief or Group reconstruction relief is reinstated as another reserve on consolidation.

No statement of comprehensive income is presented for UPP Bond 1 Holdings Limited as permitted by section 408 of the Companies Act 2006. The profit dealt with in the company for the financial year was £3,000 (2015: £2,000).

3. Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to exercise judgement in applying the Group'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 Group 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 Group 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.

Valuation of RPI swaps

UPP Bond 1 Issuer Plc, one of the Group companies, entered into derivative financial instruments, being RPI swaps, to manage the Group's exposure to RPI.

Derivatives are initially recognised at fair value at the date a derivative is entered into and are subsequently re-measured to their fair value at each reporting date. The fair values of RPI swaps are based on market 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 the 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.

Goodwill useful economic life

The Group establishes a reliable estimate of the useful economic life of goodwill arising on business combinations. Goodwill attributed to subsidiary undertakings is amortised on a straight line basis over the remaining lease period on the principal asset held by each subsidiary. This period of amortisation represents the period over which each subsidiary undertaking acquired will continue to generate operating cash flows. For further details refer to note 13.

Impairment of non-financial assets

The Group assesses at each reporting date whether an asset may be impaired. If any such indication exists the Group estimates recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group 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, including goodwill, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

Defined benefit pension scheme

The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of high quality corporate bonds in the respective currency, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates.

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

Presentation of the principal asset

Rent receivable is generated from the Group'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 Group 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 Group, due to the Group taking the key demand risk, and therefore the assets are treated as tangible fixed assets.

Classification of index-linked financial instruments

The Group'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 condition in paragraph 11.9(a) and (aA) is met and the Group's index-linked financial instruments are classified as basic and carried at amortised cost.

Hedge accounting for inflation swaps

The Group has chosen to apply hedge accounting for all hedging instruments which are in a qualifying hedging relationship under FRS 102 Section 12. 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.

Credit risk

To mitigate the risk of inflation movements impacting on the Group's ability to service the fixed rate secured senior notes UPP Bond 1 Issuer Plc, a company within the Group, has entered into RPI swaps with external counterparties that rank ahead of payments to the subordinated debt holders.

There is a cross collateralisation agreement in place allowing the pooling of each of the bond participants' surplus cash (after operating expenses and relevant on-loan debt service), which can be used to support any underperforming bond participants.

A key assumption used in the valuation of the onward RPI swaps to fellow Group undertakings is credit risk. Based on the above terms, management consider that the aggregate credit risk of the underlying participants in the bond approximates to the credit risk of the Company bond and therefore the RPI swaps to fellow Group undertakings have been fair valued on this basis. Management regularly model and monitor the credit risk of UPP Bond 1 Issuer plc and that of the AssetCos in the Group to ensure they do not materially differ. Details of the amounts included in the financial statements are disclosed in note 19.

4. Principal accounting policies

(a) Tangible fixed assets

Tangible fixed assets are stated at cost or 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.
- IT equipment – straight line over five years

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 company's actual weighted cost of capital and depreciation combined will give an approximately constant charge to revenue.

The Group 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 Group 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.

(b) Turnover

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

(c) Intangible assets

Goodwill arising on acquisition of subsidiary undertakings is the difference between the fair value of consideration paid and the fair value of the net assets acquired from the date that control passes.

Goodwill attributed to the subsidiary undertakings is amortised on a straight line basis over the remaining lease period on the principal asset held by each subsidiary. This period of amortisation is greater than 20 years but represents the period over which each subsidiary undertaking acquired will continue to generate operating cash flows.

(d) Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

(e) 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.

(f) Cash and cash equivalents

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

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

(g) Interest bearing loans and borrowings

Fixed rate senior secured notes, index-linked senior secured notes and subordinated loan notes are initially measured at transaction price, net of transaction costs. They are then subsequently measured at amortised cost using 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 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.

(h) Creditors

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

(i) Derivative instruments

Derivatives, including inflation swaps, are not basic financial instruments.

To mitigate its exposure to changes in inflation, the Group has entered into inflation-linked swaps ('RPI swaps') with external counterparties. All derivative instruments are initially measured at fair value on the date the contract is entered into and subsequently remeasured to fair value at each reporting date. The gain or loss on remeasurement 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.

(j) Hedge accounting

The Group applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. The Group 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 Group's exposure to changes in RPI. The Group'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 income statement.

The gain or loss recognised in other comprehensive income is reclassified to income statement when the hedge relationship ends at the contract termination date. 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 Group has elected to adopt hedge accounting for all its swaps which meet the qualifying criteria for hedge accounting under Section 12 of FRS 102.

(k) 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.

(l) 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.

(m) Taxation

(i) Current tax

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

(ii) Deferred tax

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets that arise from trading operations of the Group 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.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary have been recognised, and will be assessed for tax in a future period, except where:

- the Group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

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 Group 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 is recognised on the carrying value of any derivative instruments. Any deferred tax asset movements are recognised in other comprehensive income, where hedge accounting is applied for the underlying derivative instrument or in the income statement where hedge accounting is not applied.

Deferred tax is calculated on a non-discounted basis using the tax rates and laws 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.

(n) Related party transactions

The Group 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.

(o) Defined contribution pension scheme

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Group income statement when they fall due. Amounts not paid are shown in accruals as a liability in the Group statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

(p) Defined benefit pension plan

The Group operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Group statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the Group statement of financial position date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 're-measurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- the increase in net pension benefit liability arising from employee service during the period; and
- the cost of plan introductions, benefit changes, curtailments and settlements

(q) Defined contribution pension scheme

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in income statement as a 'finance expense'.

(r) Interest income

Interest income is recognised in the Group income statement using the effective interest method.

5. Turnover

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

	2016	2015
	£'000	£'000
Provision of student accommodation	**61,309**	55,673

All turnover arose within the United Kingdom.

6. Directors' remuneration

The immediate subsidiary undertaking, UPP Bond 1 Limited, paid fees of £11,000 (2015: £18,000) to Structured Finance Management Limited in respect of services performed in connection with the management of the affairs of the Group for the year ended 31 August 2016. An amount of £3,000 (2015: £4,000) related to the services provided to the company during the year.

No other directors of the Group received payment for services performed in relation to the management of the Group.

7. Operating profit

The operating profit is stated after charging:

	Year ended 31 August 2016	Year ended 31 August 2015
	£'000	£'000
Depreciation	**2,936**	2,594
Amortisation of goodwill	**4,543**	3,276
Auditor's remuneration	**171**	169

8. Auditors' remuneration

	Year ended 31 August 2016	Year ended 31 August 2015
	£'000	£'000
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	**4**	4
Fees payable to the Group's auditor and its associates for the audit of the subsidiaries' annual financial statements	**112**	118
Taxation compliance services	**55**	47
	167	165

9. Employees

Staff costs were as follows:

	Year ended 31 August 2016	Year ended 31 August 2015
	£'000	£'000
Wages and salaries	**5,319**	4,967
Social security costs	**371**	361
Pension costs	**254**	263
	5,944	5,591

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

	2016	2015
	No.	No.
Site managers	**11**	11
Administration, maintenance and cleaning	**288**	288
	299	299

10. Interest receivable and similar income

	Year ended 31 August 2016	Year ended 31 August 2015
	£'000	£'000
Bank interest receivable	**185**	169

11. Interest payable and similar charges

	Year ended 31 August 2016	Year ended 31 August 2015
	£'000	£'000
Financial liabilities measured at amortised cost		
Fixed rate senior secured notes	**15,148**	15,262
Index-linked senior secured notes	**7,118**	4,809
Unsecured loan notes	**16,454**	14,281
	38,720	34,352
Financial liabilities measured at fair value		
Fair value movement on RPI swaps	**(983)**	(2,097)
	37,737	32,255

12. Tax on loss on ordinary activities

	Year ended 31 August 2016	Year ended 31 August 2015
	£'000	£'000
a) Analysis of tax charge for the year		
Current tax on income for the year	**-**	-
Deferred tax:		
Current year	**196**	401
Rate difference	**31**	19
Current year – defined pension scheme relief	**(15)**	(9)
Rate difference – defined pension scheme relief	**27**	-
Total deferred tax	**239**	411
Total tax charge on losses on ordinary activities	**239**	411

(b) Factors affecting total tax charge for the year

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

	Year ended 31 August 2016	Year ended 31 August 2015
	£'000	£'000
Loss on ordinary activities before tax	**(9,219)**	(4,635)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015: 21%)	**(1,843)**	(973)
Effects of:		
Disallowable expenses	**5,017**	3,442
Rate change	**58**	-
Non-taxable income	**(3,642)**	(2,216)
Movement in deferred tax not recognised	**649**	158
Total tax charge for the year (note 12a)	**239**	411

(c) Deferred tax

The deferred tax included in the balance sheet is as follows:

	31 August 2016	31 August 2015
	£'000	£'000
	Group	Group
Included in debtors (note 17)	(1,019)	(1,859)
Included in provisions for liabilities	21,436	21,795
	20,417	19,936

Deferred tax

	31 August 2016	31 August 2015
	£'000	£'000
	Group	Group
The deferred tax liability consists of:		
Accelerated capital allowances	7,181	8,180
Derivative financial instruments	(1,019)	(1,859)
Property revaluations	21,827	22,050
Losses to be relieved against future trading profits	(7,181)	(8,180)
Defined benefit pension scheme	(391)	(255)
Total deferred tax liability	20,417	19,936

Deferred tax liability

	31 August 2016	31 August 2015
	£'000	£'000
	Group	Group
At 1 September	19,936	18,607
Charged to income statement	239	411
Movement in other comprehensive income	242	918
At 31 August	20,417	19,936

(d) 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 the corporation tax rate from the current 20% rate to 19% from 1 April 2017 and then to 18% from 1 April 2020.

13. Intangible fixed assets

	Goodwill
	£'000
Cost	
At 1 September 2015 and at 31 August 2016	**145,035**
Amortisation	
At 1 September 2015	(7,428)
Charge for the period	(4,543)
At 31 August 2016	**(11,971)**
Net book value	
At 31 August 2016	**133,064**
At 31 August 2015	137,607

Goodwill arose on the acquisition of UPP (Alcuin) Limited, UPP (Broadgate Park) Holdings Limited, UPP (Kent Student Accommodation) Limited, UPP (Nottingham) Limited, UPP (Oxford Brookes) Limited, UPP (Plymouth Three) Limited and UPP (Exeter) Limited by UPP Bond 1 Limited, a subsidiary undertaking, and is the difference between the consideration given and the fair value of the net assets acquired.

Goodwill is amortised on a straight line basis over the remaining lease period on the principal asset held by each of the subsidiaries which expire between 2048 and 2058. This period of amortisation is greater than 20 years but represents the period over which the subsidiary undertaking acquired will continue to generate operating cash flows.

14. Tangible fixed assets

	Assets for use in operating leases	IT Equipment	Total Tangible fixed assets
	Group	Group	Group
	£'000	£'000	£'000
Cost or valuation			
At 1 September 2015	550,200	71	550,271
Revaluation	4,400	-	4,400
At 31 August 2016	**554,600**	**71**	**554,671**
Depreciation			
At 1 September 2015	(2,249)	(14)	(2,263)
Charge during the year	(2,922)	(14)	(2,936)
Revaluation	5,171	-	5,171
At 31 August 2016	**-**	**(28)**	**(28)**
Net book value			
At 31 August 2016	**554,600**	**43**	**554,643**
At 31 August 2015	547,951	**57**	548,008

The historic cost of tangible assets held at valuation is as follows:

At 31 August 2016	**541,174**
At 31 August 2015	544,110

Fixed assets include finance costs up to the date of completion of £16,771,000 (2015: £16,771,000)

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 £554,600,000.

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
Discount rates	8.40% - 9.25%
Occupancy rates	98% - 99%
Long term annual rental growth	3%

15. Investments

	Interest in subsidiary undertakings
	£'000
Company	
At 1 September 2015 and 31 August 2016	**55,570**

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.

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.

16. Debtors: amounts falling due within one year

	31 August 2016	31 August 2016	31 August 2015	31 August 2016
	£'000	£'000	£'000	£'000
	Group	Company	Group	Company
Trade debtors	110	-	121	-
VAT receivable	17	-	32	-
Amounts owed to related parties	47	-	40	-
Prepayments and accrued income	384	-	231	-
	558	-	424	-

17. Debtors: amounts falling due after one year

	31 August 2016	31 August 2016	31 August 2015	31 August 2015
	£'000	£'000	£'000	£'000
	Group	Company	Group	Company
Amounts owed by subsidiary companies	-	176,237	-	168,432
Deferred tax asset on fair value of RPI swaps	1,019	-	1,859	-
	1,019	176,237	1,859	168,432

Amounts owed by subsidiary companies relate to the unsecured loan notes with UPP Bond 1 Limited. These loan notes bear interest at 13.75% and are repayable by 2057. Payment of interest is subject to the Group passing lock up tests and availability of cash reserves.

18. Creditors: amounts falling due within one year

	31 August 2016	31 August 2016	31 August 2015	31 August 2015
	£'000	£'000	£'000	£'000
	Group	Company	Group	Company
Senior secured notes	7,592	-	6,667	-
Trade creditors	505	-	277	-
Amounts owed to related parties	5,283	-	4,617	-
Accruals and deferred income	4,881	-	3,646	-
	18,261	-	15,207	-

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

	31 August 2016	31 August 2016	31 August 2015	31 August 2015
	£'000	£'000	£'000	£'000
	Group	Company	Group	Company
Fixed rate senior secured notes	289,212	-	291,816	-
Index-linked senior secured notes	215,042	-	215,897	-
Unsecured loan notes	176,230	176,229	168,427	168,427
Derivative financial instruments	5,659	-	9,296	-
	686,143	176,229	685,436	168,427
Less: included in creditors amounts falling due within one year	(7,592)	-	(6,667)	-
	678,551	176,229	678,769	168,427
Maturity of debt				
Repayable within one year or on demand	7,592	-	6,667	-
Repayable in more than one year but less than two years	9,242	-	7,778	-
Repayable in more than two years but less than five years	34,801	-	31,789	-
Repayable in more than five years	634,508	176,229	639,202	168,427
	686,143	176,229	685,436	168,427
Less: included in creditors amounts falling due within one year	(7,592)	-	(6,667)	-
	678,551	176,229	678,769	168,427

Senior secured notes

On 5 March 2013 one of the Group's subsidiary undertakings, UPP Bond 1 Issuer plc, issued £307,100,000 of fully amortising fixed rate senior secured notes and £75,000,000 of fully amortising RPI index-linked senior secured notes, listed on the Irish Stock Exchange. The proceeds of this issuance were on-lent on the same terms and conditions to six other subsidiary undertakings to enable them to repay their previous bank facilities and associated costs

The fixed rate senior secured notes are fully amortising by 2040 and bear interest at 4.9023%, with repayments commencing on 30 August 2013.

The index-linked senior secured notes are fully amortising by 2047 with a real interest rate of 2.7291% increasing semi-annually by RPI. The notional amount of these notes at issuance was £75,000,000 and repayments are scheduled to commence in August 2038.

On the same day the Group entered into derivative financial instruments, being RPI swaps. This is to manage the exposure to RPI movements on the underlying portion of revenue streams generated by the Group used to repay the fixed rate senior secured notes.

On 9 December 2014 UPP Bond 1 Issuer plc, issued £149,700,000 of fully amortising RPI index-linked senior secured notes, listed on the Irish Stock Exchange. The proceeds of this issuance were on-lent on the same terms and conditions to UPP (Exeter) Limited to enable the company to repay their previous bank facilities and associated costs.

The index-linked senior secured notes are fully amortising by 2049 with a real interest rate of 1.037% increasing semi-annually by RPI. The notional amount of these notes at issuance was £149,700,000 with repayments commencing in February 2015.

The senior notes 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 Group by way of fixed and floating charges.

Unsecured loan notes

UPP Group Limited has provided unsecured loan notes of £146,669,000 (£21,308,000 issued on 9 December 2014) to the Group. 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.

Derivative financial instruments

	Cash flow hedge reserve	Profit & loss account	Total
	£'000	£'000	£'000
Fair value of RPI SWAPs at 1 September 2015	(9,514)	18,810	9,296
Fair value movement in the year	(2,636)	(1,001)	(3,637)
Fair value of RPI SWAPs at 31 August 2016	**(12,150)**	**17,809**	**5,659**
Deferred tax liability/(asset) on fair value of RPI SWAPs at 1 September 2015	1,903	(3,762)	(1,859)
Movement in the year	595	245	840
Deferred tax liability/(asset) on fair value of RPI SWAPs at 31 August 2016	**2,498**	**(3,517)**	**(1,019)**
Fair value at 31 August 2016, net of deferred tax	**(9,652)**	**14,292**	**4,640**
Fair value at 1 September 2015, net of deferred tax	(7,611)	15,048	7,437

20. Provisions for liabilities

Deferred tax	31 August 2016	31 August 2015
	£'000	£'000
	Group	Group
The deferred tax liability consists of:		
Accelerated capital allowances	**7,181**	8,180
Property revaluations	**21,827**	22,050
Losses to be relieved against future trading profits	**(7,181)**	(8,180)
Defined benefit pension scheme	**(391)**	(255)
Total deferred tax liability	**21,436**	21,795

21. Called up share capital

	31 August 2016	31 August 2015
	£'000	£'000
Issued, allotted, called up and fully paid		
55,570,408 Ordinary shares of £1 each	**55,570**	55,570

On 15 October 2012 the company issued 1 ordinary share of £1 each at par. On 16 January 2013 the company issued 49,999 ordinary shares of £1 each at par for cash consideration.

On 5 March 2013 the company issued 32,884,298 ordinary shares of £1 each at par in exchange for the issued share capital in six subsidiary undertakings owned by UPP Group Limited. On the same day the company also issued 3,914,429 ordinary shares of £1 each at par for cash consideration.

On 9 December 2014 the company issued 18,721,682 ordinary shares of £1 each at par in exchange for the issued share capital in UPP (Exeter) Limited owned by UPP Group Limited.

22. Reserves

Revaluation reserve

The reserve is used to record the surplus or deficit arising on valuation of the principal asset of the Group 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.

Cash flow hedge reserve

Other reserves comprise of cash flow hedge reserve which includes the fair value movements on the derivatives financial instruments and the deferred tax associated with these.

Other reserve

Other reserve relates to deferred tax liability on fair value adjustments arising on business combinations prior to transition to FRS 102 on 1 September 2014.

Profit and loss account

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

23. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities:

	Year ended 31 August 2016	Year ended 31 August 2015
	£'000	£'000
Operating profit	**28,333**	27,451
Depreciation	**2,936**	2,594
Goodwill amortisation	**4,543**	3,276
Pension costs	**26**	84
Decrease in debtors due within one year	**133**	6
Increase/(decrease) in creditors due within one year	**1,928**	(523)
Net cash inflow from operating activities	**37,899**	32,888

(b) Cash and cash equivalents comprise of the following:

	At 31 August 2016	At 31 August 2015
	£'000	£'000
Cash at bank and in hand	**28,519**	25,280
Short term deposits	**14,417**	13,971
Cash and cash equivalents	**42,936**	39,251

24. Pension commitments

Defined contribution scheme

The Group operates a defined contribution retirement benefit scheme for all qualifying employees. The total cost charged to income statement of £201,000 (2015: £198,000) represents a predetermined amount of the employee's salary paid into the scheme. As at 31 August 2016 £Nil (2015: £Nil) contributions remained outstanding.

Defined benefit scheme

Retirement benefits for 56 Group employees are provided by a defined benefit scheme which is funded by contributions by the employee and the Group. Payments are made to Nottinghamshire County Council Pension Fund ("NCCPF"). This is an independently administered scheme and contracted out of the State Earnings Related Pension Scheme.

Contributions are set every three years as a result of the actuarial valuation, the latest being carried out at 31 March 2016 setting out contributions for the period from 1 April 2017 to 31 March 2020.

The material assumptions used by the Actuary at 31 August 2016 were:

	2016	2015
Rate of inflation	3.1%	3.4%
Rate of increase in salaries	4.0%	4.3%
Rate of increase in pensions	2.2%	2.5%
Discount rate for liabilities	2.1%	3.8%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates.
The assumed life expectations on retirement at age of 65 are:

	31 August 2016	31 August 2015
	Years	Years
Retiring today		
Males	**22.1**	22.1
Females	**24.4**	25.2
Retiring in 20 years		
Males	**25.3**	24.2
Females	**27.7**	27.6

Amounts recognised in the income statement are as follows:

	31 August 2016	31 August 2015
	£'000	£'000
Service cost	**79**	107
Net interest on the defined liability	**47**	46
Administrative expenses	**1**	1
	127	154

Amount taken to other comprehensive is as follows:

	31 August 2016	31 August 2015
	£'000	£'000
Return of scheme assets in excess of interest	**267**	(51)
Change in financial assumptions	**(1,089)**	70
Re-measurement of the net assets / (defined liability)	**(822)**	19

The amount included in the statement of financial position arising from the Company's obligations in respect of its defined benefit scheme is as follows:

	31 August 2016	31 August 2015
	£'000	£'000
Present value of the defined benefit obligation	**(4,970)**	(3,818)
Fair value of scheme assets	**2,798**	2,542
Net defined benefit liability	**(2,172)**	(1,276)

Defined benefit obligation reconciliation is as follows:

	31 August 2016	31 August 2015
	£'000	£'000
At 1 September	**3,818**	3,688
Current service cost	**79**	107
Interest cost	**142**	141
Change in financial assumptions	**1,089**	(70)
Estimated benefits paid net of transfers in	**(174)**	(70)
Contributions by scheme participants	**16**	22
At 31 August	**4,970**	3,818

Reconciliation of fair value of the scheme assets is as follows:

	31 August 2016	31 August 2015
	£'000	£'000
At 1 September	**2,542**	2,482
Interest on assets	**95**	95
Return on assets less interest	**267**	(51)
Employer contributions	**53**	65
Employee contributions	**12**	22
Administration expenses	**(1)**	(1)
Benefits paid	**(174)**	(70)
At 31 August	**2,798**	2,542

The actual return on scheme assets was £362,000 (2015: £44,000).

The Company expects to contribute £53,000 to its Defined Benefit Pension Scheme in 2017.

The estimated asset allocation of the scheme as at 31 August 2016 is as follows:

	31 August 2016		31 August 2015	
	%	£'000	%	£'000
Equities	69	1,926	71	1,808
Government bonds	4	105	3	68
Other bonds	7	190	7	176
Property	12	338	13	319
Cash	4	119	3	88
Other	5	120	3	83
Total fair value of scheme assets (bid value)	100	2,798	100	2,542
Present value of scheme liabilities		4,970		3,818
Net deficit		2,172		1,276

25. Financial risk management

The use of financial instruments is managed under policies and procedures approved by the Board. These are designed to reduce the financial risks faced by the Group, which relate to interest, inflation and liquidity risks as well as demand and portfolio risk which arise in the normal course of the Group's business.

Interest rate risk

Through the issue of fixed rate loan notes the Group has mitigated its exposure to interest rate fluctuations on that portion of its borrowings. The index-linked loan notes have a real fixed rate that is linked to RPI (see below).

Inflation rate risk

The Group funds its financing activities through the provision of student accommodation and rental income received on this accommodation. Growth in rental income is linked to the movement in RPI and the Group manages the exposure to this index through a mix of inflation-linked debt and the use of RPI swaps to hedge a portion of the fixed rate debt servicing costs.

To mitigate the impact of inflation movements on future rental income and the Group's ability to service the fixed rate tranche of the bond debt UPP Bond 1 Issuer Plc, a fellow Group undertaking, has entered into RPI swaps with external counterparties all initially entered into on 5 March 2013, details of which are as follows:

External hedge arrangements

- a 27 year RPI swap with Royal Bank of Canada commencing in February 2014 and finishing in February 2040
- a 27 year RPI swap with Mitsubishi UFJ Securities International plc commencing in February 2014 and finishing in February 2040

The notional amounts swapped for each year have been determined with reference to a percentage of the fixed rate bond servicing costs, and split equally over the hedge counterparties. On each of these swap arrangements the external hedge counterparty pays or receives a fixed amount and the company pays or receives a floating amount.

These instruments are mirrored with matching derivative instruments on–lent to six AssetCos. This is to manage the exposure of the Group to RPI movements from loan receipts from AssetCos where revenue streams are sensitive to inflation rate risk.

Hedge arrangements with AssetCos

- a 25 year RPI swap with UPP (Alcuin) Limited commencing in February 2015 and finishing in August 2040
- a 27 year RPI swap with UPP (Broadgate Park) Holdings Limited commencing in February 2015 and finishing in February 2042
- a 27 year RPI swap with UPP (Kent Student Accommodation) Limited commencing in February 2015 and finishing in February 2042
- a 27 year RPI swap with UPP (Nottingham) Limited commencing in February 2015 and finishing in February 2042
- a 26 year RPI swap with UPP (Oxford Brookes) Limited commencing in February 2014 and finishing in August 2039
- a 27 year RPI swap with UPP (Plymouth Three) Limited commencing in February 2015 and finishing in February 2042

The notional amounts swapped for each year have been determined with reference to a percentage of the debt servicing costs of the fixed rate tranche of the relevant AssetCo on-loan agreement with UPP Bond 1 Issuer Plc.

RPI swaps are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

Due to limitations on the application of hedge accounting, volatility has been introduced into the income statement as market value movements are not fully offset by movements in the underlying hedged item within each period and/or hedging items do not meet the qualifying criteria of being separately identifiable and reliably measurable. We note, however, that these limitations within Section 12 do not impact the Group's cash flow position. The reasons for entering into RPI swaps remain commercially sound that is they are intended to be held to maturity in order to reduce volatility in the Group's cash flows.

Liquidity risk

The Group 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 maturity of borrowings is set out in note 19 to the financial statements.

Terms and debt repayment schedule:

	Currency	Effective interest rate (%)	Year of maturity	**Book value**
				2016 £'000
Fixed rate senior secured notes	£	4.9023%	2040	**289,212**
Index-linked senior secured notes (issued 2013)	£	2.9105%	2047	**77,950**
Index-linked senior secured notes (issued 2014)	£	1.0520%	2049	**137,092**
Unsecured loan notes (issued 2013)	£	9.3700%	2056	**150,550**
Unsecured loan notes (issued 2014)	£	11.3800%	2051	**25,680**
				680,484

Demand risk

The Group is subjected to risks arising from occupancy voids and lack of 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 Group are in the student market and reduced student numbers could impact upon financial performance. The Group seeks to mitigate this risk by building excellent long term relationships with its university partners and ensuring up to date in depth market analysis is completed each year to enable the Group to review its strategic position.

26. Financial instruments

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

	Carrying amount At 31 August 2016	Carrying amount At 31 August 2015
	£'000	£'000
Financial liabilities		
Financial liabilities measured at amortised cost:		
Fixed rate senior secured noted	**289,212**	291,816
Index-linked senior secured notes	**215,042**	215,897
Unsecured loan notes	**176,230**	168,427
Trade creditors	**505**	277
Other related party loans	**5,283**	4,617
Total financial liabilities measured at amortised cost	**686,272**	681,034
Financial liabilities measured at fair value		
Derivative financial liabilities	**5,659**	9,296

27. 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.

28. Transition to FRS 102

The Group and 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

	Group	Company
	£'000	£'000
Equity shareholder funds as previously stated	**18,935**	37,316
Recognition of RPI swaps	**(17,452)**	-
Deferred tax asset on fair value of RPI swaps	**3,490**	-
Deferred tax liability on revaluation of property	**(22,338)**	-
Amortised cost of financial liabilities	**9,152**	(464)
Holiday accrual	**(75)**	-
Equity shareholder funds under FRS 102	**(8,288)**	36,852

Reconciliation of equity at 31 August 2015

	Group	Company
	£'000	£'000
Equity shareholder funds as previously stated	**25,703**	56,389
Recognition of RPI swaps	**(9,296)**	-
Deferred tax asset on fair value of RPI swaps	**1,859**	-
Deferred tax liability on revaluation of property	**(22,050)**	-
Amortised cost of financial liabilities	**13,962**	(814)
Holiday accrual	**(76)**	-
Equity shareholder funds under FRS 102	**10,102**	55,575

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

	Group	Company
	£'000	£'000
Total (loss)/profit under UK GAAP	**(11,474)**	352
Recognition of RPI swaps	**71**	-
Deferred tax asset on fair value of RPI swaps	**2,097**	-
Amortised cost of financial liabilities	**4,318**	(350)
Holiday accrual	**(1)**	-
Total loss year ended 31 August 2015 under FRS 102	**(4,989)**	2

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

Derivative financial instruments

The Group 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 £17,452,000 have been recognised in the statement of financial position at the date of transition, 1 September 2014. At 31 August 2015, the fair values of the financial liabilities were £9,296,000.

In accordance with the accounting policy in note 4(j), the difference between the fair values of the derivative financial instruments has been recognised in profit and loss for the period for those RPI swaps where hedge accounting is not adopted or in other comprehensive income where a policy of hedge accounting is adopted.

Holiday pay accrual

Prior to the adoption of FRS 102, the Group 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 £75,000 at 1 September 2014 has been made to reflect this. The provision at 31 August 2015 had increased to £76,000 and the increase of £1,000 has been recognised in the income statement.

Deferred tax

Under FRS 102, deferred tax is recognised on a timing difference plus approach, whereas previous UK GAAP required a timing difference approach. Consequently deferred tax has been recognised on all fair value re-measurements and on all fair value adjustments arising on business combinations (other than goodwill). There are no adjustments required on business combinations arising prior to transition.

Consequently an additional provision of £22,338,000 has been recognised on 1 September 2014 with respect to tangible assets revaluations.

The provision as at 31 August 2015 has been reduced to £22,050,000; with the decrease charged to other comprehensive income and accumulated in the revaluation reserve.

A deferred tax asset of £3,490,000 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 £1,859,000.

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 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 Group long term debt instruments as at 1 September 2014:

- Senior secured notes – a increase of the liability by £14,000 on 1 September 2014 with a decrease of £57,000 in the year ended August 2015
- Unsecured loan notes – a decrease of the liability by £9,166,000 on 1 September 2014 with a decrease of £13,905,000 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:

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 and were 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.

Business combinations

The Group has elected not to apply Section 19 Business Combinations and Goodwill to business combinations that were affected before the date of transition to FRS 102. No adjustment has been made to the carrying value of goodwill and intangible assets subsumed within goodwill have not been separately recognised.

Investments in subsidiaries

The Group 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.

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 12.19.

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University of York, where UPP provides great homes and study spaces for more than 1,043 students on campus.

Notes