UPP Bond 1 Limited Investor Report

For the year ended 31 August 2014

This Investor Report is being published by UPP Bond 1 Limited ("The Group Agent")
On behalf of UPP Bond 1 Holdings Limited ("HoldCo"), UPP Bond 1 Issuer Plc ("Issuer"), 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 ("The AssetCos") (together the "Obligors") pursuant to the Common Terms Agreement ("CTA").

Basis of Preparation
This Investor Report is being published by UPP Bond 1 Limited ("The Group Agent") *pursuant to the terms of Schedule 9 Part 1 of the Common Terms Agreement ('CTA'). Unless otherwise stated, this Investor Report comments on historic performance of the Group for the year ended 31 August 2014. Included within this Investor Report is the non–statutory consolidated audited Financial Statements of the Group as specified in Schedule 9 Part 1 of the CTA. Defined terms used in this document have the same meanings as set out in the Master Definitions Schedule of the CTA.*

Important Note Regarding Confidentiality
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Forward Looking Statements
This Investor Report contains forward looking statements that reflect the current judgment of the management of the Obligors regarding conditions that it expects to exist in the future. Forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the future and, accordingly, are not guarantees of future performance. Management's assumptions rely on its operational analysis and expectations for the operating performance of each of Obligor's assets based on their historical operating performance and management expectations as described herein. Factors beyond management's control could cause events to differ from such assumptions and actual results to vary materially from the expectations discussed herein. Investors are cautioned that the assumptions and forecast information included herein are not fact and should not be relied upon as being necessarily indicative of future results and are cautioned not to place undue reliance on such assumptions and forecast information. It should also be noted that the information in this Investor Report has not been reviewed by the Obligors' auditors.

Note on Higher Education Sector & University Information
This document includes information derived from third party reports or publicly available information. This information has not been independently verified and no representation is being made as to the accuracy fairness and completeness. Notwithstanding, the third party sources of information generally state that the information are derived from reliable sources.

Investor report for the year ended 31 August 2014

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 2014.

The date of this Investor Report is 16 December 2014. 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.

General overview

1.0

UPP Bond 1 Holdings Limited

UPP Bond 1 Holdings Limited announces its results for the year ended 31 August 2014

Audited financial highlights for the year ended 31 August 2014

£'000	2013/14	2012/13 (unaudited, pro - forma)	Change %
Turnover	44,222	43,455	1.8%
Gross profit	29,987	29,961	0.1%
EBITDA*	27,891	28,033	(0.5)%
EBITDA margin*	63.0%	64.5%	- 150 bps

**EBITDA before sinking fund expenditure*

Business highlights

- Occupancy of 100.0% (2013: 99.5%)
- Turnover up by 1.8%, reflecting RPI increases offset by targeted incentives offered to returning undergraduate and postgraduate students to secure occupancy earlier in the lettings cycle, as well as a full year of upside sharing payments to university partners
- Operating expenses up 8.7% (2013: down 8.5%) due to one off costs and a full year of costs associated with a public bond
- Operating cash flow of £25.7m (2013: £26.5m)
- Both Historic and Projected Annual Debt Service Coverage Ratios are above lock up triggers

Post year end

- Strong demand has continued into 2014/15 with occupancy of 99.4% as at date of publication with five of the six AssetCos achieving 100% occupancy
- Room rental rate up 3.1%.
- Accession of UPP (Exeter) Ltd into the ring fenced portfolio together with the issuance of £149.7m index linked secured notes.

Sean O'Shea, Chief Executive Officer

"I am delighted with the results for 2013/14 which once again demonstrates both increased turnover and sector leading occupancy across the AssetCos. Student demand remains robust with acceptances for the 2014/15 academic year up 4% with 500,000 new students receiving academic offers. These results underline the strength of UPP's bespoke, long term partnership approach and the stable cash flows it generates for investors.

UPP continues to pursue its strategy for growth with a pipeline of opportunities which include existing and new partners – providing state of the art facilities designed for the very best student experiences."

Enquiries

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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 and/or development with 14 partner universities, of which at 31 August 2014 9,104 are rooms operated by the AssetCos.

UPP Group is a private Company, 60% of which is owned by PGGM Vermogensbeheer BV, the Dutch pension funds manager and the remaining 40% by the People's Bank of China.

The key features of UPP Group's cash generative business model, based on bespoke partnerships with universities, including the AssetCos in the Bond Group as at 31 August 2014:

- 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 and was set up to be the intermediate holding Company for the six AssetCos.

This bond issuance at 31 August 2014 comprised two tranches:

- £307.1m 4.9023% Amortising Fixed Rate Bond due 2040
- £75m 2.7921% Amortising Index Linked Bond due 2047.

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

- Repay existing senior bank facilities owed by the six 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.

Details of the issuance after the balance sheet date are provided in Section 5.

Interest and principal repayments are due on 28 February and August each year.

Notes issued under the Programme on 5 March 2013 benefit from security granted by the AssetCos specified below, in respect of six student accommodation concessions granted by six 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

As part of the bond transaction, the AssetCos were subject to an internal group re-organisation to bring them under the ownership of the newly incorporated intermediate parent company UPP Bond 1 Holdings Limited. The consolidated financial results for that entity are provided in this report for the year from 1st September 2013 to 31 August 2014, with comparatives provided from the bond issuance date of 5 March 2013 through to 31 August 2013.

As such, the comparative results for 2013 represent a part year of trading results. Unaudited pro forma results for the six AssetCos for the entire year ended 31 August 2013 are provided where relevant in order to aid analysis of these results.

Clifton Hall,
Nottingham Trent University.

Higher education sector & business developments

2.0

2.1 The higher education sector

According to UNESCO global higher education (HE) continues to grow, with student numbers surging as institutions around the world vie for the best students in an ever more competitive market. The number of foreign students enrolled outside their country of citizenship has also continued to increase, more than doubling over the last decade to 4.3million [1]. OECD data identifies the scale of this growth - between 1995 and 2011 university entry rates rose by more than 20 percentage points across OECD countries from 39% to 60%. This growth has been driven by increasing demand for higher education and structural changes in educational systems. This trend looks set to continue with the number of 25-34 year-olds with a higher education degree across OECD and G20 countries projected to increase from 129million in 2010 to 204million by 2020 [2].

The UK HE sector continues to benefit from these dynamics and remains a leading global brand. It also represents a key element of both the national and local economies, generating an estimated £73.1billion in direct and secondary outputs each year. The UK holds a 13% market share of global HE, making it second only to the US in terms of global quality and the number one HE destination in Europe [3]. The sector is second in the world for research quality and is highly efficient in doing so - producing more articles and citations per pound of university research funding than other leading nations. Second in the world for university-business collaboration and as a global destination for PhD students, the UK HE sector achieves this with a smaller proportion of GDP invested in higher education and research, than the OECD average [4].

There are currently 29 UK institutions in the top 200 of the Times Higher Education World University Rankings for 2014/15 and 11 within the top 100.

The UK sector has seen strong rates of historic growth, with full time student enrolments increasing by 39.0% between the academic years 2000/01 to 2012/13 – the equivalent of an extra 472,000 students per annum. Data from the Higher Education Statistics Agency ("HESA") identifies that the full-time United Kingdom student population grew to 1.68 million for 2012/13. This represents the equivalent of a compound annual growth rate of 2.8 % since 2000/01 and 4.7 % since 1980.

2.2 Academic demand

Domestic

UK higher education has continued to experience healthy rates of growth in applicant numbers and enrolments for the academic terms following the introduction of the increased £9,000 tuition fee cap in 2012/13. The current administration has continued with its "high grades policy" (previously "core and margin") which has increased the level of competition between institutions for students. It remains the case that students who achieve GCSE A' level grades of ABB or above fall outside of HEFCE Student Number Controls (SNC), allowing universities to recruit as many of these students as they wish. The flexibility for institutions to exceed their SNC target by up to 3% without incurring penalties remains in place. As part of the Autumn Statement 2013, the current administration has also signalled its intention to remove the cap on student numbers entirely. Whilst this is conditional upon the outcome of the 2015 General Election, it has been estimated that this could make available an extra 60,000 student places each academic year.

The table to the right provides a year on year comparison of total applicant numbers, by domicile, (as of 30 June 2014) for the academic years 2010-2014. The data identifies that domestic applicant numbers for the academic year 2014/15 were up more than 3% overall with Northern Ireland the only country showing no growth. Applicant numbers from the EU (excluding UK) also saw significant growth of 5% or more than 2,000 extra students.

1. *UNESCO Institute for Statistics - Global Flow of Tertiary-Level Students*
2. *OECD (2013) "Education at a Glance 2013 - OECD indicators"*
3. *Universities UK (2014) "The Impact Of Universities On The UK Economy"; April, ISBN: 978-1-84036-304-3*
4. *UK HE International Unit (2013) "International Higher Education in Facts and Figures"*

Annual UCAS Applicant Data by Domicile (30 June 2014)*

App. Domicile	2010	2011	2012	2013	2014	%> 2013
England	473,400	476,770	429,100	**441,790**	456,920	3%
N. Ireland	19,410	20,030	19,150	**20,290**	20,300	0%
Scotland	43,150	43,390	42,490	**42,930**	43,910	2%
Wales	23,610	23,920	23,240	**22,660**	23,450	3%
Other EU	44,980	47,560	41,480	**43,290**	45,380	5%
Non EU	54,050	56,470	61,260	**64,940**	69,060	6%
Total	658,560	668,150	616,700	**635,910**	659,030	4%

UK HE International Unit (2013) "International Higher Education in Facts and Figures"

***NB** – *this data is not directly comparable to the End of Cycle Applicant Data 2013 utilised in last year's report. Applicant numbers for preceding years have been adjusted on the basis of actual institutional returns. Directly comparable data (i.e. UCAS End of Cycle Analysis Report 2014) is scheduled to be published by UCAS on 18th December 2014.*

UCAS data published on 23 September 2014, identified the position with respect to acceptances recorded one month following A' level results. UK and EU domiciled acceptances were up by 4% or approximately 17,000 students compared to the same time during the 2013 cycle. Acceptances for the academic term 2014/15 are 13% more than 2012/13 - the first year of the £9,000 tuition fee cap regime - and 1% lower than 2011/12 which saw a national spike in applications to universities.

UK and EU domiciled acceptances for entry in 2013/14 at institutions subject to the HEFCE student number control arrangements ('SNC courses') numbered 344,240. This represents an increase of 9,820(+3%) compared to acceptances for the 2013-14 entry year. Of this total 116,890 (34%) were recorded as holding entry qualifications of 'ABB+'.

International

The UK HE sector continues to attract students from around the globe and this has manifested itself in a student population from the EU and beyond of circa 435,000 studying at publicly-funded HE institutions [5]. Applicant numbers have also continued to increase, with UCAS 30 June 2014 data identifying a 5% increase in applicants from the EU (excluding UK) and a 6% increase from students outside of the EU. Each year approximately 115,000 new undergraduate students from outside the UK apply via UCAS.

Over the last five academic years applicant numbers have experienced healthy levels of growth with students from Australasia increasing by more than 70% and those from the Far East increasing by more than 40%. Students from China continue to represent the most significant proportion of total international applicants with 12,095 new undergraduate students applying for places at United Kingdom institutions in 2013/14. This represents growth of 36.1 % since 2008/09 or an extra 3,205 applicants each year. Students from Ireland have increased by 10.9 % or 600 extra applicants each year over the same period. Applicant numbers from Hong Kong and Malaysia have grown by 89.1% and 68.7% respectively, since 2008/09.

Academic Demand Indicators for 2014/15

Data for those applying for 2015/16 entry for subjects with a deadline of 15 October (including Medicine, Dentistry, Veterinary courses and all courses at the universities of Oxford and Cambridge) were published on 23 October 2014. This identified a modest decrease in applicant numbers of 3%, or circa 1,800 students, compared to the same point in the 2014/15 cycle. Data for those applying for 2015/16 entry for subjects with a deadline of 15 October also indicates that applicants from the EU (excluding UK) were up by 2%, whilst overseas numbers were up by 1%.

[5] *HM Government (2013) – "International Education – Global Growth and Prosperity: An Accompanying Analytical Narrative" Department for Business, Innovation and Skills, Crown Copyright.*

2.3 AssetCo demand

Demand for student residential accommodation at universities in the UPP Bond 1 portfolio remains strong. In the financial year 2013/14 levels of occupancy were extremely robust with occupancy of 100%. For the academic year 2014/15, occupancy is still ahead of modelled expectations at 99.4% across the portfolio. Five of the six AssetCos have secured 100% occupancy for 2014/15. At time of publication, the AssetCo at the University of Nottingham had secured occupancy of 97.4%, with the reduction due to the cautious recruitment of international students by the University in light of changes to visa regulations. Performance for the individual AssetCos composing 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 2013/14	Occupancy 2014/15
UPP (Alcuin) Limited	100%	100%
UPP (Broadgate Park) Holdings Limited	100%	97.4%
UPP (Kent Student Accommodation) Limited	100%	100%
UPP (Nottingham) Limited	100%	100%
UPP(Oxford Brookes) Limited	100%	100%
UPP (Plymouth Three) Limited	100%	100%

2.4 Market demand for student accommodation as an asset class

Since Q4 2013 the market for student residential accommodation has remained buoyant. The direct-let market has witnessed a significant increase in the level of secondary acquisitions, with a number of large portfolios coming to market. Investor appetite remains strong with international funders and operators continuing to deploy significant levels of capital.

During the year key market developments have included;

- Increasing evidence of accommodation shortages at those institutions which continue to grow as a result of 30,000 extra funded undergraduate places and the HEFCE “high grades” policy. As universities compete in an open market for new students who achieve grades ABB+, increased enrolment has placed pressure on supply at a number of universities in the Russell Group and at institutions previously in the 1994 Group. Given the importance of residential accommodation in marketing to students more generally, a number of institutions have stepped up their search for good quality accommodation.
- Notable acquisitions and investments during the year have included :
  - Greystar purchasing circa 6,500 rooms from the Opal ‘Athena’ portfolio and 1,100 rooms from the Unite-OCB JV portfolio
  - Avenue Capital acquiring circa 1,800 rooms from the Opal portfolio
  - Campus Living Villages securing approximately 4,500 rooms from the Opal portfolio
  - Sanctuary Students acquiring the Cosmopolitan HA portfolio of 4,700 rooms
  - The O’Flynn Group (parent company of Victoria Hall) acquired by Blackstone
  - The Pure Student Living and the Knightsbridge Westbourne portfolios have also come to market in Q4 2014.

Financial highlights

For the year ended 31 August 2014

3.0

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

- Occupancy for 2014 at 100.0% (2013: 99.5%)
- Turnover increased 1.8% to £44.2m
- EBITDA before sinking fund of £27.9m (2013: £28.0m)
- Operating expenses up 8.7% due to costs associated with a public bond and other one off costs
- Property assets independently revalued during the year, showing net increase of £1.6m to £417.3m
- Healthy cash balance of £23.0m made up largely of liquidity reserve accounts and short term working capital requirements
- Payments to subordinated debt loan notes amounted to £6.62m.

For the year ended 31 August 2014, the Bond portfolio performed in line with modelled expectations. The historic ADSCR for the period was 1.30 compared to a lock up ADSCR of 1.15.

As in 2013, 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 100%, performance for the year was marginally better than budgeted, with strong operating cash generation of £25.7m.

In line with the Group's accounting policy, the AssetCos are subject to periodic revaluations by an Independent Chartered Surveyor. The net impact of these revaluations was to increase leasehold assets by £1.6m to £417.3m.

The group made a loss for the year of £15.8m (2013: £7.8m). Of this loss, £16.92m (2013: £8.30m) is attributable to interest on subordinated debt, of which only £6.62m (2013: £1.96m) was paid on 29 August 2014. This result is in line with modelled projections where the coupon on the subordinated debt is paid over the life of the concession.

Consolidated audited profit and loss results for the six AssetCos are presented below for the financial year ended 31 August 2014, with unaudited pro forma comparative results for 2013. All six AssetCos have been operational for at least seven years and therefore comparative results can be provided. These results for 2014 and 2013 include the costs associated with a part year of UPP Bond 1 Limited, UPP Bond 1 Holdings Limited and UPP Bond 1 Issuer Plc.

3.1 AssetCo Consolidated audited profit and loss account for year ended 31 August 2014

	Year ended 31 August 2014	Unaudited pro forma year ended 31 August 2013	Movement %
Unaudited	**£'000**	**£'000**	
Turnover	**44,222**	**43,455**	1.8%
Cost of sales	**14,235**	**13,494**	5.5%
Gross profit	**29,987**	**29,961**	0.1%
Gross profit margin	**67.8%**	**68.9%**	
Operating expenses	**2,096**	**1,928**	8.7%
EBITDA before sinking fund expenditure	**27,891**	**28,033**	(0.5%)
EBITDA margin	**63.0%**	**64.5%**	
Sinking Fund expenditure	**2,270**	**2,580**	(12.0%)
EBITDA	**25,621**	**25,453**	0.7%

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 where applicable; commercial and vacation income derived from other activities at each AssetCo; returning undergraduate and postgraduate discount incentives; 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 2014 occupancy was 100% (2013: 99.5%) showing the strength of demand for the AssetCos. The growth in turnover was 1.8% (2013: 3.8%) which was driven by occupancy and by RPI linked rental income. This growth was partially offset by targeted incentives offered to returning students and postgraduates at the Nottingham AssetCos to secure occupancy earlier in the lettings cycle and therefore greater security of income. Together with the impact of a full year of above modelled upside sharing payments made to university partners, this has reduced turnover growth to 1.8%.

Cost of sales, which is made up of facilities management costs, staff costs and utilities, increased by 5.5% (2013: 6.5%) during the year. Facilities Management and staff costs increased during the year due to contractual increases linked to September 2012 RPI. Internet access costs increased due to upgrades and enhanced services to students which were modelled at the outset of bond issuance. Utility costs reduced marginally due to the milder winter in 2013.

Overheads have increased by 8.7% due to the first full year of bond governance costs and a number of one off cost variations including the periodic professional valuation of the leasehold assets. As a consequence the EBITDA margin before sinking fund expenditure has dropped compared to the prior year at 63.0% (2013: 64.5%).

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, they are 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 document.

3.2 Forecast financial highlights for the year ended 31 August 2015 for the existing 6 AssetCos

- Occupancy for the year currently standing at 99.4% with potential further sales of rooms to occur.
- Revenue set to increase by 3.1%, in line with RPI.
- Projected ADSCR ratio of 1.32 compared to lock up ratio of 1.15

AssetCo occupancy is secured at 99.4% at the start of the academic year with five of the six AssetCos achieving 100%. This demonstrates the strengths of both market conditions and the UPP business model. More detail on the developments in the HE sector is provided in Section 2 of this report.

As in 2013/14, to secure high occupancy the two AssetCos based in Nottingham have targeted particular student groups with incentives to ensure applications to the accommodation much earlier in the lettings cycle and therefore create additional security of income. The cost of this incentive programme was £372k, to secure additional year-on-year gross revenues of £4.2m.

With occupancy nearly confirmed for 2014/15, rental receipts from students net of contractual university fees are expected to be c. £46.4m (2014: £45.0m), an increase of 3.1% on 2014.

The projected ADSCR outcome for the year is expected to be 1.32, in line with modelled expectations. 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. Any negative variance from utilities incurred during the year ended 31 August 2014 will be included in the rent setting calculations for the following year.

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 year, 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, £2.3m (2013:£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.

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 2014 are:

4.1 Historic AssetCo DSCR

UPP (Alcuin) Limited	1.33
UPP (Broadgate Park) Limited	1.29
UPP (Kent Student Accommodation) Limited	1.30
UPP (Nottingham) Limited	1.21
UPP (Oxford Brookes) Limited	1.34
UPP (Plymouth Three) Limited	1.39

4.2 Projected AssetCo DSCR

UPP (Alcuin) Limited	1.31
UPP (Broadgate Park) Limited	1.29
UPP (Kent Student Accommodation) Limited	1.32
UPP (Nottingham) Limited	1.35
UPP (Oxford Brookes) Limited	1.34
UPP (Plymouth Three) Limited	1.33

4.3 Historic senior DSCR 1.30

4.4 Projected senior DSCR 1.32

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 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 incur over the life of the arrangement. Changes in fair value of these arrangements are not currently 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 under the current basis will require all companies to account for the fair value of derivatives.

The consolidated financial statements for UPP Bond 1 Holdings Limited are currently prepared under UK GAAP and the Group is exempt from the requirement to adopt FRS 25 and FRS 26. The company and its AssetCo subsidiaries are not required to account under new UK GAAP (FRS 102 framework) until the year ending 31 August 2016 at the earliest. Until such time as new UK GAAP is required to be adopted, the fair value of the RPI swaps will not be accounted for in these financial statements.

Based on independent valuations undertaken as at the 29 August 2014, the credit adjusted market valuation of these swaps was £17.5m (liability).

6.0 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 £6,617,340 (2013: £1,963,668) was distributed to UPP Group Limited on 29 August 2014. A Compliance Certificate was provided demonstrating compliance.

7.0 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

Eddie Kealey
Regional Director, UPP Central Region

It comes down to added value, and where we score is the partnership with the university first and foremost.

Post balance sheet events

5.0

Post balance sheet events

On Tuesday 9th December 2014, the group acquired UPP (Exeter) Ltd from UPP Group Ltd. On the same day, UPP Bond 1 Issuer Plc issued £149.7m of index linked secured notes, listed on the Irish Stock Exchange. These funds were on-lent to UPP (Exeter) Ltd to enable that company to repay its bank facilities and associated costs.

UPP (Exeter) Ltd operates 2,569 rooms on behalf of the University of Exeter. The AssetCo has been operating since 2009 and was fully operational at its current number of rooms from the 2012/13 academic year. It has a record of strong demand as it has been fully occupied since the beginning of operations, including academic year 2014/15. The University of Exeter is one of the most popular universities in the UK. It was named University of the Year by the Sunday Times in 2013 and is ranked 7th in the 2015 Sunday Times Good University Guide. Exeter is within the top 150 institutions globally and in August 2012, it accepted an invitation to join the Russell Group of institutions, further reinforcing this reputation.

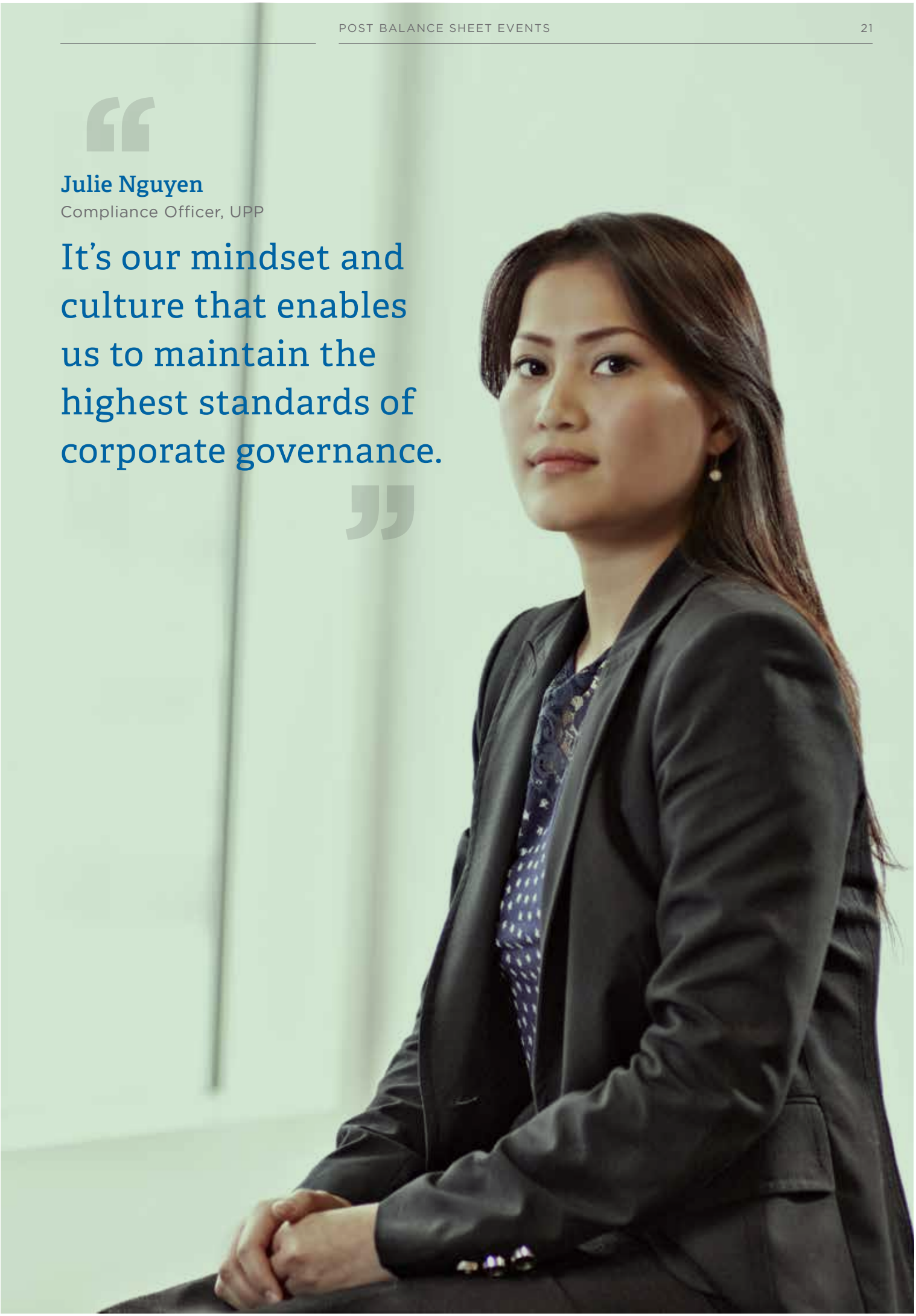
In 2012/13, the University enrolled a total of 17,555 full time students and has witnessed strong rates of enrolment growth since 2007/08 at 6.6% per annum (CAGR); the equivalent of an extra 5,000 students per year. Exeter has a much larger proportion of full time students and therefore residential demand, than the national average with 89% of students enrolled in this mode compared to 65% nationally.

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.

The new AssetCo passed all the acceding asset tests for entry into the Bond Programme included associated ratings and ADSCR tests. The pro forma Projected ADSCR for the company for the year to August 2015, calculated as if the company was part for the portfolio from 1st September 2014, is expected to be 1.34, in line with the existing AssetCos.

Julie Nguyen
Compliance Officer, UPP

It's our mindset and culture that enables us to maintain the highest standards of corporate governance.



Liz Pearce
Reception Administration Manager

We can help with problems, big or small. It's amazing how five minutes and a chat over a cup of tea can often work wonders.

Monitoring Adviser addendum

Review of Annual Investor Report

A. Background

UPP Bond 1 Issuer PLC (the "Issuer") has prepared its annual Investor Report for the year ended 31 August 2014 in relation to the Programme. Bishopsfield Capital Partners Limited ("Bishopsfield"), 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 Direction Matters and ISC Recommendation Matters decided during the year to which the Annual Investor Report relates (see Paragraph D 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).

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 ongoing undertaking of the Monitoring Adviser Services, Bishopsfield agrees the matters stated in the Issuer's Annual Investor Report.

Two Distributions were paid during the year (one during September 2013 – related to the financial year ended 31 August 2013 - and one during August 2014 - related to the financial year ended 31 August 2014). The related Compliance Certificates were provided after the date of the relevant Distribution. We note however that these Compliance Certificates stated that no Lock-Up Event had occurred that was continuing (as at the relevant Interest Payment Date).

On 1 December 2014 the Issuer announced its intention to raise approximately £152 million of Additional Indebtedness in relation to the proposed accession of UPP (Exeter) Limited as an Acceding AssetCo to the Issuer's Programme. UPP (Exeter) Ltd operates 2,569 student accommodation rooms for the University of Exeter. Bishopsfield has confirmed to the Issuer Security Trustee that the Issuer meets the requisite Additional Indebtedness Conditions.

We note that monitoring was conducted under normal conditions throughout the year to 31 August 2014 (the Transaction Documents would require Bishopsfield to provide certain escalated monitoring should certain triggers be breached).

C. Change of monitoring adviser

On 23 December 2013, the Issuer announced that Trifinium Advisers (UK) Limited ("Trifinium") had transferred all rights and obligations under the MSA to Bishopsfield as part of a transfer of Trifinium's monitoring adviser business to Bishopsfield.

Bishopsfield is incorporated with limited liability in England and Wales pursuant to the Companies Act 2006 with registered number 7276948. Bishopsfield is authorised and regulated by the Financial Conduct Authority. Bishopsfield is an independent structured and corporate financial advisory firm providing advice to corporations, institutional investors and financial institutions. Bishopsfield provides transaction structuring and on-going monitoring services facilitating the involvement of institutional investors in infrastructure and other complex debt transactions.

D. MA proposal requests received

The Monitoring Adviser considered one MA Proposal Request during the year to 31 August 2014.

The Issuer sought consent on 4 June 2014 to vary the terms of the Underlease dated 3 October 2003 between UPP (Oxford Brookes) Ltd and Oxford Brookes University. The purpose of the variation was to allow for the installation of wifi across the student accommodation owned by UPP (Oxford Brookes) Ltd following a strategy initiated by Oxford Brookes University to improve the quality of the student experience and to provide seamless internet capability and access across the entire campus.

Bishopsfield confirmed the categorisation of the MA Proposal Request as an MA Direction Matter and recommended to the Issuer Security Trustee that it approves the variation on behalf of the Issuer Secured Creditors on the basis that it:

- improves the student experience making UPP (Oxford Brookes) Ltd's accommodation more attractive from a sustainable demand perspective; and
- generates additional returns to UPP (Oxford Brookes) Ltd, marginally improving the Historic and Projected DCSR (as evidenced on a pro-forma basis).

A copy of the Bishopsfield recommendation letter is available for review at the Issuer's website.
Subsequent to the reporting period one MA Proposal Request has been received (dated 19 November 2014) seeking consent to make certain amendments to the Common Terms Agreement dated 5 March 2013 (the CTA Amendments) and the Tax Deed of Covenant (the Tax Amendments). 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:

- (in the case of the proposed Tax Amendments as described to Bishopsfield by the Issuer) to facilitate any future accession of further AssetCos (subject to the requirements and processes set out in the Transaction Documents), to reflect the legal steps to be taken in connection with the accession of an Acceding AssetCo, and to ensure that an Acceding AssetCo provides warranties and undertakings in relation to its tax affairs and future conduct equivalent to those given by the Original AssetCos on and following the Initial Issue Date; and
- (in the case of the proposed CTA Amendments) to harmonise and correct drafting inconsistencies in the mechanics for an Acceding AssetCo to accede to the Common Documents, whilst not increasing the intended scope of the terms contemplated for Acceding AssetCos.

E. Monitoring services performed

1. REGULAR UPDATES

1.1. Management meetings

On 17 February 2014, Bishopsfield met with the management team of the UPP Group to review and discuss the financial and business performance of each AssetCo and the Group. Matters discussed included:

- the market environment for student accommodation and UPP's relative performance. Management discussed the pro-active approach taken by UPP to reduce void risk, enhance student experience and to promote efficient running of the facilities.
- the need to respond to regulatory changes affecting the reporting of derivative transactions. We note that the Issuer Security Trustee was requested to waive certain Issuer Covenant breaches in September 2014 resulting from the implementation of EMIR allowing the Issuer to comply with the EMIR Requirements. Details of this waiver are available on the Issuer's website.

On 12 November 2014, Bishopsfield met with the management team of the UPP Group to review and discuss the financial and business performance of each AssetCo and the Group. Matters discussed included the market environment for student accommodation and UPP's relative performance. Management discussed the impact of competition within the sector, differentiation of business models and general sector uncertainty created through potential changes in power at Westminster and the impact this may have on policy.

1.2. FM Provider

FM services are provided by UPP Residential Services Limited (the "FM Provider" or "URSL"). URSL has provided the information that Bishopsfield has requested in a timely manner; the information related primarily to the Property Visit conducted during September 2014, the MA Proposal Request received and certain questions / clarifications arising during the Operating Budget review.

1.3. Property Visits

BCP conducted a Site Visit at Plymouth University during September 2014. 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 both UPP regional and local staff at Plymouth University; the properties appeared to be being managed consistent with our expectations and with relevant UPP Group standards. We examined the condition of the property in conjunction with the comments made in the WSP Report and the Life Cycle Report. The accommodation is located in several buildings comprising six halls of residence, all located on, or in very close proximity to, the main University campus.

No major capital expenditure (exceeding £500,000) is planned; 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 discussed two ongoing party wall award discussions related to the property; these are being managed by the AssetCo and ParentCo management.

2. CASH MANAGEMENT AND OPERATING BUDGET

2.1. Collections

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

During this review, we noted that, in both of the Cash Management Reports submitted relating to the financial year ended 30 August 2014, Distributions were made. In both instances the necessary Compliance Certificate had not been received prior to the Distribution being paid (as required under the Transaction Documents); we noted from the Compliance Certificates subsequently provided that no Lock-Up Event had occurred that was continuing (as at the relevant Interest Payment Date). We have reminded the Issuer of its obligations in this regard.

Aside from the matter highlighted, and 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 2014 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.

For enquiries related to the Monitoring Adviser Addendum please contact the Monitoring Adviser Team at ***monitoringadviser@bishopsfieldcapital.com***

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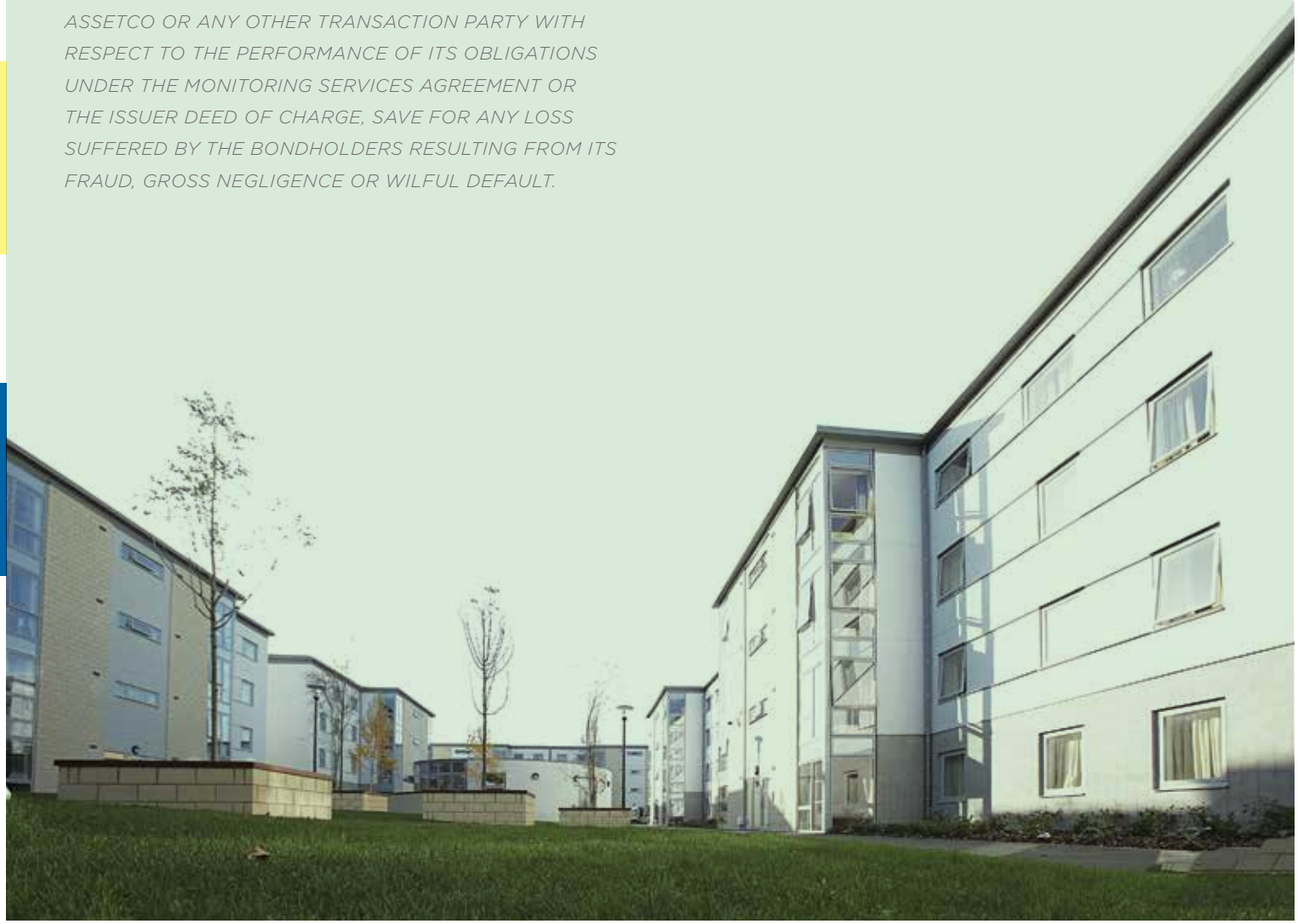


AssetCo summaries

APPENDIX 1

Appendix 1.1 UPP (Alcuin) Limited, University of York

Profit and loss, year ended 31 August	Note	2014 £000's	2013 £000's
Revenue	1.1	**5,693**	**5,492**
Cost of sales	1.2	(1,289)	(1,257)
Overheads	1.3	(268)	(251)
EBITDA before sinking fund		4,136	3,984
Sinking fund		(312)	(482)
EBITDA		3,824	3,502
Depreciation		(109)	(131)
Amortisation		(94)	(94)
Profit / (loss) before financing costs		**3,621**	**3,277**
Interest income		18	-
Bank debt interest	1.4	-	(1,647)
Bond note interest & uplift on Index-linked loan notes	1.4	(2,655)	(1,306)
Subordinated debt interest	1.4	(1,384)	(679)
Interest provision write back	1.4	-	2,006
Termination of hedging arrangements	1.4	-	(18,093)
Amortisation of debt issue costs	1.5	(122)	(61)
Profit / (loss) before tax		**(522)**	**(16,503)**
Tax		-	575
Profit / (loss) for the year		**(522)**	**(15,928)**

York

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

ET – Estate Transfer
NB – New Build

Balance sheet		**2014**	2013
	Note	**£000's**	£000's
Fixed Assets	1.6	62,855	60,649
Current assets		2,656	3,367
Current liabilities, excluding senior debt		(1,072)	(1,119)
Senior debt and other long term liabilities			
Fixed rate debt	1.4	(40,857)	(41,629)
Index linked debt	1.4	(11,988)	(11,682)
Subordinated debt	1.4	(9,885)	(9,885)
Debt issue costs	1.5	1,623	1,866
Net assets / (liabilities)		**3,453**	**1,567**
Share capital		440	440
Revaluation reserve		21,242	18,870
Profit and loss account		(18,229)	(17,743)
Shareholders' funds		**3,453**	**1,567**

Notes

1.1 The increase in turnover to £5.7m (2013: £5.5m), an increase of 3.7%, 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 (2013: £1.3m).

1.3 Overheads have increased to £268k (2013: £251k).

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.

1.6 The tangible assets are held at the professional valuation carried out in the year of £58.8m (2013: £56.5m). The remainder of the balance is made up of goodwill which is amortised over the life of the project.

Historic Senior Debt Service Cover Ratio (DSCR)

	2014 £000's
EBITDA after sinking fund per P&L	**3,824**
Add:	
Sinking fund expenditure	312
Interest receivable	18
Deduct:	
Sinking fund deposit	(2)
Total movement	**328**
Total cash available for debt service	**4,152**
Debt service	
Fixed rate debt interest	2,029
Fixed rate debt principle repayment	773
Indexed linked debt interest	325
Total debt service	**3,127**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	1.05
ADSCR – lock up	1.15
ADSCR – actual	1.33
Headroom over default	867
Headroom over lock up	554

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

Key metrics

Area	Metric	2014	2013
Site operations	Occupancy	**100%**	100%
Finance	EBITDA*	**£4.1m**	£4m
	ADSCR	**1.33**	1.25
Health and safety	Accident frequency rate	**0.00**	0.00
Environment	Tonnes of CO2 emissions	**1,386**	1,470
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA before sinking fund expenditure*

Sinking fund

The sinking fund spend for the year was £312k (2013: £482k), with the movement between years relating to the replacement cycle of the assets. Annual spend is not directly comparable year on year. Major works during the year included the replacement of flooring, kitchen refurbishments, as well as a variety of bedroom, bathroom fixtures and fittings.

Outlook for the new financial year

The company has secured occupancy of 100% for 2014/15 which is above budgeted expectations. Rents for the academic year 2015/16 will be set during Q2 of 2014/15.

University outlook

The University continues to experience strong demand for academic places with more than six students applying for every available place. This popularity underpins robust residential demand. The University of York is a world class institution and was ranked 16 in the Sunday Times Good University Guide for 2015.The University was amongst the top ten of institutions in the most recent Research Assessment Exercise with more than 60% of submitted material judged to be of "world leading" quality. York has seen strong enrolment growth over the last five years with a compound annual growth rate of 6.3% and a students to bed ratio of 2.3:1. It remains one of the most popular HE institutions in the UK.

The University continues to deliver new facilities as part of its £750m campus expansion - with twenty new buildings on the original Heslington West campus delivered since 2000, as well as the first and second phases of Heslington East now completed. This has included the provision of new colleges such as Langwith and Constantine, new Chemistry laboratories, the expansion and refurbishment of the library, new Law and Management Schools and the £9m York Sports Village which includes a 25m swimming pool, an outdoor 3G football pitch and a 1km cycle track.

The latest institutional strategy plan can be found at the following URL

www.york.ac.uk/about/mission-strategies

UPP (Broadgate Park) Holdings Limited, University of Nottingham

Profit and loss, year ended 31 August	Note	2014 £000's	2013 £000's
Revenue	1.1	**10,442**	**10,719**
Cost of sales	1.2	(3,378)	(3,378)
Overheads	1.3	(573)	(620)
EBITDA before sinking fund		6,491	6,721
Sinking fund		(550)	(551)
EBITDA		5,941	6,170
Depreciation		(716)	(672)
Profit / (loss) before financing costs		5,225	5,498
Interest income		28	124
Bank debt interest	14	-	(2,616)
Bond note interest & uplift on Index-linked loan notes	1.4	(4,578)	(2,242)
Subordinated debt interest	1.4	(4,485)	(2,200)
Interest provision write back	1.4	-	4,056
Termination of hedging arrangements	1.4	-	**(38,636)**
Amortisation of debt issue costs	1.5	(153)	(74)
Profit / (loss) before tax		**(3,963)**	**(36,090)**
Tax		-	300
Profit / (loss) for the year		**(3,963)**	**(35,790)**

Nottingham

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

ET – Estate Transfer
NB – New Build

Balance sheet		2014	2013
	Note	£000's	£000's
Fixed Assets	1.6	100,120	101,400
Current assets		2,979	3,229
Current liabilities, excluding senior debt		(4,434)	(1,573)
Senior debt and other long term liabilities			
Fixed rate debt	1.4	(74.249)	(74,726)
Index linked debt	1.4	(18,067)	(17,607)
Subordinated debt	1.4	(32,039)	(32,039)
Debt issue costs	1.5	2,592	2,745
Net assets / (liabilities)		**(23,098)**	**(18,571)**
Share capital		22,881	22,881
Revaluation reserve		11,359	12,007
Profit and loss account		(57,338)	(53,459)
Shareholders' funds		**(23,098)**	**(18,571)**

Notes

1.1 The decrease in turnover to £10.4m (2013: £10.7m) is the result of returner incentives being introduced to ensure 100% occupancy.

1.2 Cost of sales has remained constant at £3.4m (2013: £3.4m).

1.3 Overheads decreased to £573k (2013: £620k).

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.

1.6 The tangible assets are held at the professional valuation for the year of £100.1m (2013: £101.4m).

Historic Senior Debt Service Cover Ratio (DSCR)

	2014 £000's
EBITDA after sinking fund per P&L	5,941
Add:	
Sinking fund expenditure	550
Interest receivable	28
Deduct:	
Sinking fund deposit	(576)
Total movement	2
Total cash available for debt service	5,943
Debt service	
Fixed rate debt interest	**3,651**
Fixed rate debt principle repayment	477
Indexed linked debt interest	490
Total debt service	4,618
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	1.05
ADSCR – lock up	1.15
ADSCR – actual	1.29
Headroom over default	1,093
Headroom over lock up	631

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

Key metrics

Area	Metric	2013/14	2012/13
Site operations	Occupancy	100%	98%
Finance	EBITDA*	£6.5m	£6.7m
	ADSCR	1.29	1.51
Health and safety	Accident frequency rate	0.00	0.00
Environment	Tonnes of CO2 emissions	3,341	3,278
FM performance	Performance deductions	None	None
	Availability deductions	None	None

**EBITDA before sinking fund expenditure*

Sinking fund

The sinking fund spend for the year was £550k (2013: £551k), with the movement between years relating to the replacement cycle of the assets. Annual spend is not directly comparable year on year. Major works during the year included bedroom and kitchen refurbishments, as well as fire alarm upgrades and replacing internal doors.

Outlook for the new financial year

The company has secured occupancy of 97.4% for 2014/15 which is below budgeted expectations mainly as a result of a fall in International postgraduate students, but UPP continues to work with the University to increase occupancy over the remainder of the academic year. Rents for the academic year 2015/16 will be set during Q2 of 2014/15.

University outlook

Ranked 22 by the Sunday Times Good University Guide, Nottingham continues to be one of the most popular destinations for students in the UK. The University attracted 51,000 more applications for the academic year 2013/14 - more than seven students for each academic place on offer. The number of applications received annually has increased by approximately 25% since 2008/09 and the University has proved successful in the recruitment of ABB+ students under HEFCE's "high grades" policy. This is driven by the reputation of this Russell Group institution, which currently produces the most sought after graduates in the UK according to surveys of employers.

Based on the most recent data, the University has a students to bed ratio of 2.8:1 demonstrating strong residential demand and 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 latest institutional strategy plan can be found at the following URL:

http://www.nottingham.ac.uk/about/documents/universityofnottinghamstrategicplan2010-15.pdf

UPP (Kent Student Accommodation) Ltd, University of Kent

Profit and loss, year ended 31 August	Note	2014 £000's	2013 £000's
Revenue	1.1	**3,233**	**3,134**
Cost of sales	1.2	(1,002)	(936)
Overheads	1.3	(239)	(143)
EBITDA before sinking fund		**1,992**	**2,055**
Sinking fund		(33)	(92)
EBITDA		**1,959**	**1,963**
Depreciation		(80)	(154)
Profit / (loss) before financing costs		**1,879**	**1,809**
Interest income		9	17
Bank debt interest	1.4	-	(706)
Bond note interest & uplift on Index-linked loan notes	1.4	(1,399)	(686)
Subordinated debt interest	1.4	(1,288)	(632)
Interest provision write back	1.4	-	1,050
Termination of hedging arrangements	1.4	-	(9,641)
Amortisation of debt issue costs	1.5	(75)	(37)
Profit / (loss) before tax		**(874)**	**(8,826)**
Tax		-	-
Profit / (loss) for the year		**(874)**	**(8,826)**

Kent

544 ROOMS OCTOBER 2007 **NB**

NB – New Build

Balance sheet		2014	2013
	Note	£000's	£000's
Fixed Assets	1.6	32,500	30,780
Current assets		904	1,625
Current liabilities, excluding senior debt		(813)	(676)
Senior debt and other long term liabilities			
Fixed rate debt	1.4	(22,837)	(23,110)
Index linked debt	1.4	(5,222)	(5,088)
Subordinated debt	1.4	(9,203)	(9,203)
Debt issue costs	1.5	1,234	1,309
Net assets / (liabilities)		**(3,437)**	**(4,363)**
Share capital		1,381	1,381
Revaluation reserve		5,830	4,021
Profit and loss account		(10,648)	(9,765)
Shareholders' funds		**(3,437)**	**(4,363)**

Notes

1.1 The increase in turnover to £3.2m (2013: £3.1m) is the result of rental indexation and maintaining 100% occupancy.

1.2 Cost of sales has increased to £1,002k (2013: £936k) on the basis of increasing utility unit rates. The increase in utility costs will be passed through to rents as part of the rent setting process for the academic term 2015/16.

1.3 Overheads have increased to £239k (2013: £143k) due to one off summer decoration works.

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.

1.6 Tangible assets are held at the professional valuation for the year of £32.5m (2013: £30.8m).

Historic Senior Debt Service Cover Ratio (DSCR)

	2014 £000's
EBITDA after sinking fund per P&L	**1,959**
Add:	
Sinking fund expenditure	33
Interest receivable	9
Deduct:	
Sinking fund deposit	-
Total movement	**42**
Total cash available for debt service	**2,001**
Debt service	
Fixed rate debt interest	1,127
Fixed rate debt principle repayment	273
Indexed linked debt interest	142
Total debt service	**1,542**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	1.05
ADSCR – lock up	1.15
ADSCR – actual	1.30
Headroom over default	383
Headroom over lock up	229

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

Key metrics

Area	Metric	2013/14	2012/13
Site operations	Occupancy	100%	100%
Finance	EBITDA*	£2.0m	£2.0m
	ADSCR	1.30	1.48
Health and safety	Accident frequency rate	0.00	0.00
Environment	Tonnes of CO2 emissions	705	747
FM performance	Performance deductions	None	None
	Availability deductions	None	None

•EBITDA before sinking fund expenditure

Sinking Fund

The sinking fund spend for the year was £33k (2013: £92k), with the movement between years relating to the replacement cycle of the assets. Annual spend is not directly comparable year on year. Major works during the year included refurbishments of kitchens, fixtures and fittings, as well as mechanical plant works.

Outlook for the new financial year

The company has secured occupancy of 100% for 2014/15 which is above modelled expectations. Rents for the academic year 2015/16 will be set during Q2 of 2014/15

University outlook

The University of Kent has been improving its position in the Sunday Times Good University Guide in recent years - up to 30 in the 2015 rankings - driven by increasing student satisfaction scores, good graduate employment prospects and a falling non-completion rate. 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 7.1% over the last five years. The most recent Research Assessment Exercise ranked Kent 24 in the UK for its world-leading research. The University was in the top ten for overall student satisfaction in the National Student Survey 2013, being in a select group to score 90% or above

The Canterbury campus houses over 4,300 students in rooms, flats and houses and residential demand remains strong with a students to bed ratio of 2.6:1. The local housing market is characterised by a lack of private rented supply for students, a restrictive planning environment and only one direct let operator of 350 rooms which has become operational for the academic term 2014/15.

The latest institutional strategy plan can be found at the following URL:

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

UPP (Nottingham) Limited, Nottingham Trent University

Profit and loss, year ended 31 August	Note	2014 £000's	2013 £000's
Revenue	1.1	**12,757**	**12,430**
Cost of sales	1.2	(5,265)	(4,772)
Overheads	1.3	(442)	(361)
EBITDA before sinking fund		**7,050**	**7,297**
Sinking fund		(506)	(898)
EBITDA		**6,544**	**6,399**
Depreciation		(716)	(656)
Amortisation		(9)	(8)
Profit / (loss) before financing costs		**5,819**	**5,735**
Interest income		34	(80)
Bank debt interest	1.4	-	(2,792)
Bond note interest & uplift on Index-linked loan notes	1.4	(4,932)	(2,410)
Subordinated debt interest	1.4	(5,199)	(2,550)
Interest provision write back	1.4	-	3,736
Pension finance costs	1.4	(25)	(23)
Termination of hedging arrangements	1.4	-	(32,579)
Amortisation of debt issue costs	1.5	(167)	(83)
Profit / (loss) before tax		**(4,470)**	**(31,046)**
Tax	1.6	24	2
Profit / (loss) for the year		**(4,446)**	**(31,044)**

Nottingham Trent

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

ET – Estate Transfer
NB – New Build

Balance sheet	Note	2014 £000's	2013 £000's
Fixed Assets	1.7	102,390	106,499
Current assets		2,909	4,699
Current liabilities, excluding senior debt		(5,341)	(3,316)
Senior debt and other long term liabilities			
Fixed rate debt	1.4	(78,604)	(79,425)
Index linked debt	1.4	(20,326)	(19,807)
Subordinated debt	1.4	(37,137)	(37,137)
Debt issue costs	1.5	2,703	2,870
Pension liability	1.6	(965)	(878)
Net assets / (liabilities)		**(34,376)**	**(26,495)**
Share capital		5,597	5,597
Revaluation reserve		10,224	13,703
Profit and loss account		(50,197)	(45,795)
Shareholders' funds		**(34,376)**	**(26,495)**

Notes

1.1 The increase in turnover to £12.8m (2013: £12.4m) is the result of rental indexation and the company maintaining 100% occupancy.

1.2 Cost of sales has increased to £5.3m (2013: £4.8m) on the basis of modelled increased internet access costs for continued enhancements to the WiFi network.

1.3 Overheads have increased to £442k (2013: £361k) due to additional one-off health and safety costs incurred during the year.

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.

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 held at the professional valuation for the year of £102.1m (2013: £106.2m). The reduction in value from a property perspective is due to an increase in operating costs and the shortening lease length of the AssetCo which results in a lower discount rate. The remainder of the balance is made up of goodwill that is amortised over the life of the project.

Historic Senior Debt Service Cover Ratio (DSCR))

	2014 £000's
EBITDA after sinking fund per P&L	**6,544**
Add:	
Sinking fund expenditure	506
Interest receivable	34
Deduct:	
Sinking fund deposit	(733)
Total movement	(193)
Total cash available for debt service	**6,351**
Debt service	
Fixed rate debt interest	3,873
Fixed rate debt principle repayment	816
Indexed linked debt interest	552
Total debt service	**5,241**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	1.05
ADSCR – lock up	1.15
ADSCR – actual	1.21
Headroom over default	848
Headroom over lock up	324

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

Key metrics

Area	Metric	2013/14	2012/13
Site operations	Occupancy	100%	100%
Finance	EBITDA*	£7.1m	£7.3m
	ADSCR	1.21	1.65
Health and safety	Accident frequency rate	0.00	0.47
Environment	Tonnes of CO2 emissions	3,764	3,583
FM performance	Performance deductions	None	None
	Availability deductions	None	None

**EBITDA before sinking fund expenditure*

Sinking fund

The sinking fund spend for the year was £506k (2013: £898k), with the movement between years relating to the replacement cycle of the assets. Annual spend is not directly comparable year on year. Major works during the year included the replacement of the fire alarms and refurbishment of various bedroom, bathroom and kitchen fixtures and fittings.

Outlook for the new financial year

The company has secured occupancy of 100% for 2014/15 which is above modelled expectations. Rents for the academic year 2014/15 will be set during Q2 of 2014/15.

University outlook

NTU remains one of the top five new universities and has seen its Sunday Times Good University Guide position improve by 26 places over the last two years to 52. This improvement has been achieved as a result of strong National Student Survey results over the last 12 months. The University has witnessed healthy rates of application growth with circa 6,000 more students applying each year, than was the case in 2008/09. Even with a competitive private operator market in existence across the city, NTU can still boast a students to bed ratio of 3.6:1 and an academic applications to places ratio of 5.1:1. It is best known for its leading fashion and other creative arts courses; however, the focus of NTU 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 £350m 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. UPP operate all of the University's accommodation within Nottingham and benefits from a preferential marketing agreement which further underpins the record of 100% occupancy at this AssetCo.

The latest institutional strategy plan can be found at the following URL:

http://www.ntu.ac.uk/about_ntu/document_uploads/102081.pdf

UPP (Oxford Brookes) Limited, Oxford Brookes University

Profit and loss, year ended 31st August	Note	2014 £000's	2013 £000's
Revenue	1.1	**3,997**	**3,848**
Cost of sales	1.2	(854)	(793)
Overheads	1.3	(218)	(154)
EBITDA before sinking fund		**2,925**	**2,901**
Sinking fund		(221)	(217)
EBITDA		**2,704**	**2,684**
Depreciation		(254)	(204)
Profit / (loss) before financing costs		**2,450**	**2,480**
Interest income		13	(3)
Bank debt interest	1.4	-	(990)
Bond note interest & uplift on Index-linked loan notes	1.4	(1,955)	(961)
Subordinated debt interest	1.4	(1,872)	(918)
Interest provision write back	1.4	-	929
Termination of hedging arrangements	1.4	-	(15,314)
Amortisation of debt issue costs	1.5	(92)	(46)
Profit / (loss) before tax		**(1,456)**	**(14,823)**
Tax		-	386
Profit / (loss) for the year		**(1,456)**	**(14,437)**

Oxford Brookes

751 ROOMS SEPTEMBER 2002 **NB**

NB – New Build

Balance sheet		2014	2013
	Note	£000's	£000's
Fixed Assets	1.6	40,400	38,800
Current assets		1,222	2,617
Current liabilities, excluding senior debt		(967)	(1,053)
Senior debt and other long term liabilities			
Fixed rate debt	1.4	(30,928)	(31,333)
Index linked debt	1.4	(8,130)	(7,923)
Subordinated debt	1.4	(13,378)	(13,378)
Debt issue costs	1.5	1,476	1,567
Net assets / (liabilities)		**(10,305)**	**(10,703)**
Share capital		1,206	1,206
Revaluation reserve		9,496	7,692
Profit and loss account		(21,007)	(19,601)
Shareholders' funds		**(10,305)**	**(10,703)**

Notes

1.1 The increase in turnover to £4.0m (2013: £3.8m) 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 £854k (2013: £793k) on the basis of the increase of FM costs as described in note 1.1.

1.3 Overheads have increased to £218k (2013: £154k)

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.

1.6 The tangible assets are held at the professional valuation for the year of £40.4m (2013: £38.8m).

Historic Senior Debt Service Cover Ratio (DSCR)

	2014 £000's
EBITDA after sinking fund per P&L	**2,704**
Add:	
Sinking fund expenditure	221
Interest receivable	13
Deduct:	**-**
Sinking fund deposit	(43)
Total movement	**191**
Total cash available for debt service	**2,895**
Debt service	
Fixed rate debt interest	1,531
Fixed rate debt principle repayment	406
Indexed linked debt interest	221
Total debt service	**2,158**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	1.05
ADSCR – lock up	1.15
ADSCR – actual	1.34
Headroom over default	629
Headroom over lock up	413

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

Key metrics

Area	Metric	2013/14	2012/13
Site operations	Occupancy	100%	100%
Finance	EBITDA*	£2.9m	£2.9m
	ADSCR	1.34	1.27
Health and safety	Accident frequency rate	0.00	0.00
Environment	Tonnes of CO2 emissions	917	958
FM performance	Performance deductions	None	None
	Availability deductions	None	None

**EBITDA before sinking fund expenditure*

Sinking Fund

The sinking fund spend for the year was £221k (2013: £217k), with the movement between years relating to the replacement cycle of the assets. Annual spend is not directly comparable year on year. Major works during the year included the on-going replacement and refurbishment of kitchens across the estate as well as an upgrade of the fire alarm system.

Outlook for the new financial year

The company has secured occupancy of 100% for 2014/15 which is in line with modelled expectations. Rents for 2015/16 will be set in October 2015 as part of the controlled rent.

University outlook

Oxford Brookes University remains one of the top five most popular new universities in the UK. The Sunday Times Good University Guide ranked it 49 overall for 2015 a further improvement on the previous academic year. The University has experienced an above average growth in applications for study - up more than 30% since the academic term 2008/09 - in real terms an extra 6,500 applications each year by 2012/13.

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. Providing sufficient purpose built accommodation to facilitate this, Oxford Brookes continues to present a healthy student to bed ratio of 1.8:1. UPP have a close relationship with the University and support it in continually improving its marketing and allocation processes. Student satisfaction at Oxford Brookes continues to outperform the sector average according to latest figures from the National Student Survey (NSS).

The University has made significant investment in its physical Infrastructure over the last 24 months with the development of the award winning £132m John Henry Brookes Building (JHBB) at the Headington Campus which opened in February 2014.

The latest institutional strategy plan can be found at the following URL:

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

UPP (Plymouth Three) Limited, Plymouth University

Profit and loss, year ended 31st August	Note	2014 £000's	2013 £000's
Revenue	1.1	**8,100**	**7,832**
Cost of sales	1.2	(2,447)	(2,358)
Overheads	1.3	(317)	(346)
EBITDA before sinking fund		**5,336**	**5,128**
Sinking fund		(647)	(340)
EBITDA		**4,689**	**4,788**
Depreciation		(234)	(241)
Amortisation		(37)	(37)
Profit / (loss) before financing costs		**4,418**	**4,510**
Interest income		23	38
Bank debt interest	1.4	-	(1,733)
Bond note interest & uplift on Index-linked loan notes	1.4	(3,485)	(1,700)
Subordinated debt	1.4	(3,717)	(1,823)
Interest provision write back	1.4	-	1,971
Termination of hedging arrangements	1.4	-	(26,877)
Amortisation of debt issue costs	1.5	(128)	(63)
Profit / (loss) before tax		**(2,889)**	**(25,677)**
Tax		-	706
Profit / (loss) for the year		**(2,889)**	**(24,971)**

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

Balance sheet		2014	2013
	Note	£000's	£000's
Fixed Assets	1.6	85,013	83,730
Current assets		218	2,592
Current liabilities, excluding senior debt		(557)	(531)
Senior debt and other long term liabilities			
Fixed rate debt	1.4	(55,892)	(56,165)
Index linked debt	1.4	(14,183)	(13,821)
Subordinated debt	1.4	(26,552)	(26,551)
Debt issue costs	1.5	2,099	2,227
Net assets / (liabilities)		**(9,854)**	**(8,519)**
Share capital		2,034	2,034
Revaluation reserve		21,267	19,769
Profit and loss account		(33,155)	(30,322)
Shareholders' funds		**(9,854)**	**(8,519)**

Notes

1.1 The increase in turnover to £8.1m (2013: £7.8m) is the result of rental indexation and maintaining 100% occupancy.

1.2 Cost of sales has remained constant at £2.4m (2013: £2.4m).

1.3 Overheads have decreased to £317k (2013: £346k).

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.

1.6 The tangible assets are held at the professional valuation for the year of £83.4m (2013: £82.0m). The remainder of the balance is made up of goodwill which is amortised over the life of the project.

Historic Senior Debt Service Cover Ratio (DSCR)

	2014 £000's
EBITDA after sinking fund per P&L	**4,689**
Add:	
Sinking fund expenditure	647
Interest receivable	23
Deduct:	
Sinking fund deposit	(630)
Total movement	**40**
Total cash available for debt service	**4,729**
Debt service	
Fixed rate debt interest	2,747
Fixed rate debt principle repayment	273
Indexed linked debt interest	385
Total debt service	**3,405**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	1.05
ADSCR – lock up	1.15
ADSCR – actual	1.39
Headroom over default	1,154
Headroom over lock up	813

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

Key metrics

Area	Metric	2013/14	2012/13
Site operations	Occupancy	100%	100%
Finance	EBITDA*	£5.3m	£5.1m
	ADSCR	1.39	1.48
Health and safety	Accident frequency rate	0.00	0.00
Environment	Tonnes of CO2 emissions	2,047	2,030
FM performance	Performance deductions	None	None
	Availability deductions	None	None

*EBITDA before sinking fund expenditure

Sinking fund

The sinking fund spend for the year was £647k (2013: £340k), with the movement between years relating to the replacement cycle of the assets. Annual spend is not directly comparable year on year. Major works during the year included the replacement of bedroom, bathroom and kitchen fixtures and fittings and an upgrade to the fire alarm systems.

Outlook for the new financial year

The company has secured occupancy of 100% for 2014/15 which is above modelled expectations. Rents for the academic year 2015/16 will be set during Q2 of 2014/15

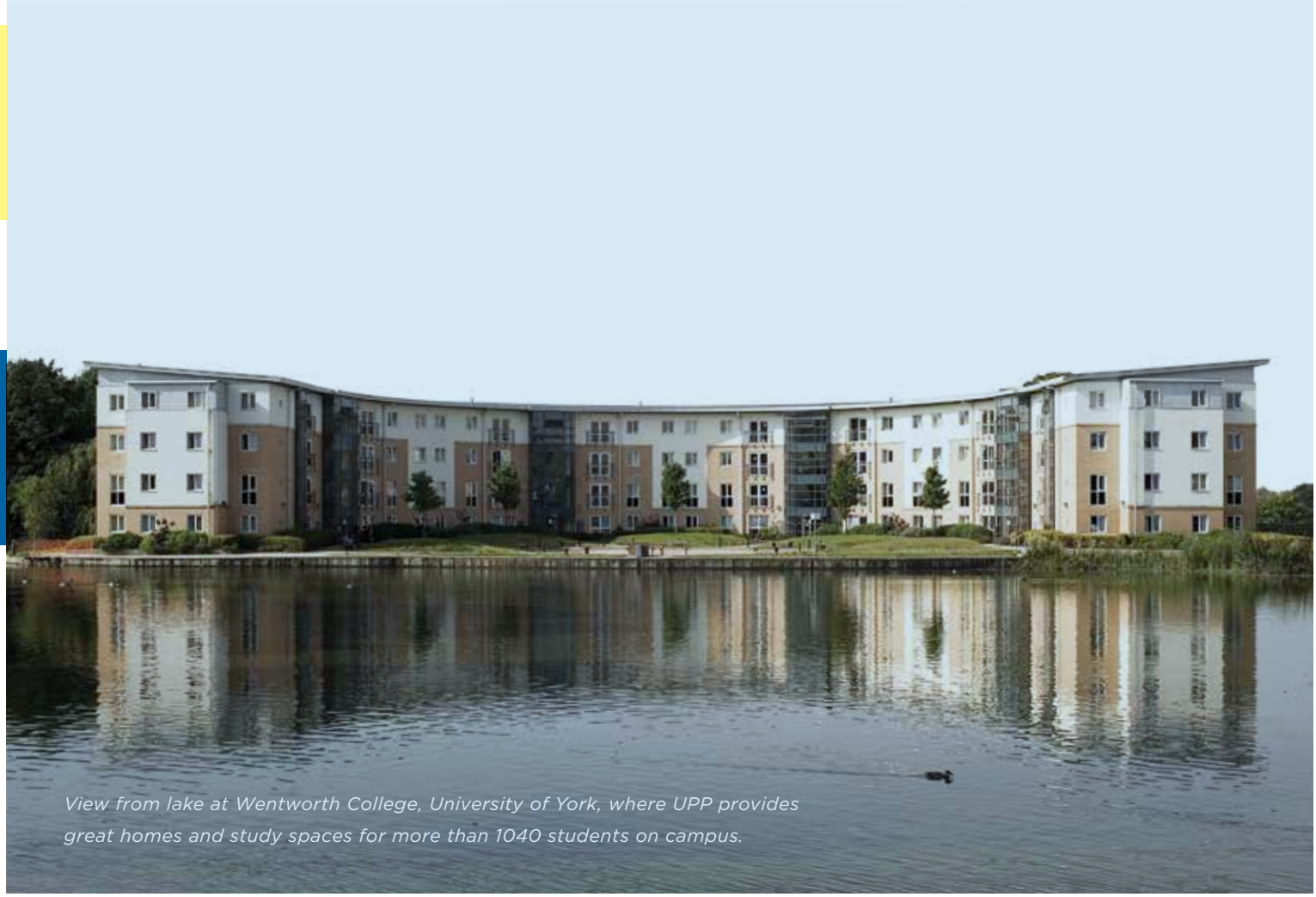
University outlook

The University has continued to improve its position in the Times Higher Education's Global rankings for institutions under fifty years old - this year achieving 42nd position. Plymouth 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.

The University has both national and international appeal with 4.4 applications received for every academic place on offer. Whilst the University was ranked 80 by the Sunday Times Good University Guide for 2015, the exceptionally strong residential demand characteristics at the University (a students to bed ratio of 4.6:1) ensure 100% occupancy. The University is still able to offer residential accommodation to only 60% of its new students, with second and third year students having to seek accommodation with landlords or other private providers across the City.

The latest institutional strategy plan can be found at the following URL:

https://www5.plymouth.ac.uk/uploads/production/document/path/1/1667/PLYMOUTH_UNIVERSITY_STRATEGY_2020.pdf



View from lake at Wentworth College, University of York, where UPP provides great homes and study spaces for more than 1040 students on campus.

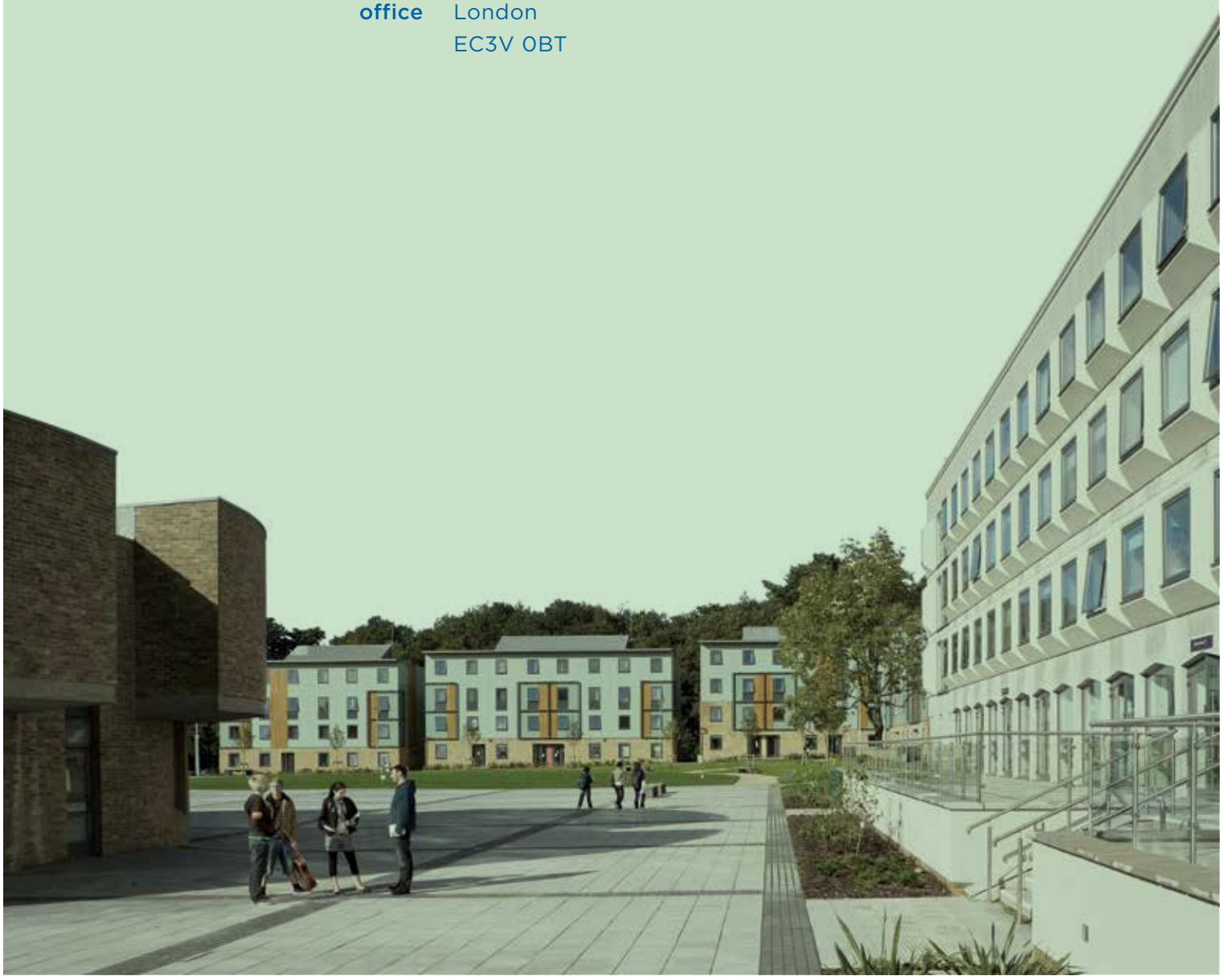
UPP Bond 1 Holdings Limited

Non-statutory consolidated financial statements for the year ended 31 August 2014

APPENDIX 2

Lancaster University's award winning Eco Residences, home to 4,347 students during term time.

POSITIONS	NAMES
Directors	G Behr
	J Benkel
	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



Directors' report for the year ended 31 August 2014

The directors present their non-statutory consolidated financial statements for the year ended 31 August 2014.

Principal activity of the business

The group's principal activity is of a holding company for its subsidiary undertakings.

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 which follows.

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.

Directors and their interests

The directors holding office during the year ended 31 August 2014 and subsequently are:

G Behr
J Benkel
S O'Shea
SFM Directors Limited

At 31 August 2014 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). 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 for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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.

Auditor

A proposal will be made to re-appoint Grant Thornton UK LLP as auditor in accordance with section 485 of the Company Act 2006.

On behalf of the Board

Gabriel Behr
Director
12 December 2014

Strategic report for the year ended 31 August 2014

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. The comparative results included within these financial statements cover the period from this date to 31 August 2013.

The group's principal activity is the operation of 9,104 student accommodation rooms owned by the companies listed above.

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.

The group's loss for the period attributable to shareholders and reported in the financial statements is £15,797,000 (2013: £7,808,000).

Results and review of the business

The group's principal activity is the provision of student accommodation, through six 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:

	2013/14	2012/13
Average Applications : Acceptance ratio	**5.71:1**	6.06:1

The indicators above are directly related to 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 six companies.

	2013/14	2012/13
Average occupancy across the facilities	**100%**	99.5%

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, 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.

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 16 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.

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 university partners and ensuring up to date in depth market analysis is completed each year to enable the company to review its strategic position.

On behalf of the Board

Gabriel Behr
Director
12 December 2014

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 2014 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and the company balance sheets, the consolidated cash flow statement 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).

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 2014 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

Consolidated profit and loss

	Notes	Year ended 31 August 2014 £'000	Period ended 31 August 2013 £'000
Turnover	2	**44,222**	22,321
Cost of sales		**(14,235)**	(6,936)
Gross profit		**29,987**	15,385
Operating expenses		**(9,243)**	(5,237)
Operating profit	6	**20,744**	10,148
Interest receivable & similar income	7	**124**	33
Interest payable & similar charges	8	**(36,689)**	(17,991)
Loss on ordinary activities before taxation		**(15,821)**	(7,810)
Tax credit on loss on ordinary activities	9	**24**	2
Loss for the financial year / period	19 (a)	**(15,797)**	(7,808)

The above results all relate to continuing operations.

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

Consolidated statement of total recognised gains and losses for the year ended 31 August 2014

	Notes	Year ended 31 August 2014 £'000	Period ended 31 August 2013 £'000
Loss for the financial year / period	19(a)	**(15,797)**	(7,808)
Revaluation of principal asset	19(a)	**3,667**	2,058
Actuarial (loss) / gain relating to pension scheme	20	**(49)**	48
Deferred tax attributable to actuarial (loss) / gain	20	**(2)**	(32)
Total recognised gains and losses relating to the year / period		**(12,181)**	(5,734)

Consolidated balance sheet as at 31 August 2014

	Notes	31 August 2014 £'000	31 August 2013 £'000
Fixed assets			
Intangible assets	10	**97,815**	100,584
Tangible assets	11	**417,300**	415,740
		515,115	516,324
Current assets			
Debtors: amounts falling due within one year	13	**430**	541
Cash at bank and in hand		**22,972**	25,755
		23,402	26,296
Creditors: amounts falling due within one year	15	**(25,647)**	(17,815)
Net current (liabilities) / assets		**(2,245)**	8,481
Total assets less current liabilities		**512,870**	524,805
Creditors: amounts falling due after more than one year	16	**(492,971)**	(492,812)
Provisions for liabilities and charges	17	-	-
Net assets excluding pension liability		**19,899**	31,993
Pension liability	20	**(965)**	(878)
		18,934	31,115
Share capital and reserves			
Called up share capital	18	**36,849**	36,849
Revaluation reserve	19(a)	**5,725**	2,058
Profit and loss account	19(a)	**(23,640)**	(7,792)
		18,934	31,115

The financial statements were approved by the board on 12 December 2014 and were signed on its behalf by:

Gabriel Behr
Director

Company balance sheet as at 31 August 2014

	Notes	31 August 2014 £'000	31 August 2013 £'000
Fixed assets			
Investments	12	**36,849**	36,849
		36,849	36,849
Current assets			
Debtors: amounts falling due within one year	13	**17,109**	8,453
Debtors: amounts falling due after one year	14	**125,361**	125,361
		142,470	133,814
Creditors: amounts falling due within one year	15	**(16,642)**	(8,300)
Net current assets		**125,828**	125,514
Total assets less current liabilities		**162,677**	162,363
Creditors: amounts falling due after more than one year	16	**(125,361)**	(125,361)
Provisions for liabilities and charges	17	**-**	-
		37,316	37,002
Share capital and reserves			
Called up share capital	18	**36,849**	36,849
Profit and loss account	19(b)	**467**	153
		37,316	37,002

The financial statements were approved by the board on 12 December 2014 and were signed on its behalf by:

Gabriel Behr
Director

Registered No: 08253967

Consolidated statement of cash flows for the year ended 31 August 2014

	Notes	Year ended 31 August 2014 £'000	Period ended 31 August 2013 £'000
Net cash flow from operating activities	21(a)	**25,705**	5,952
Returns on investments and servicing of finance			
Interest received		**124**	33
Interest paid		**(25,595)**	(8,759)
Hedging termination payments		**-**	(141,141)
Costs associated with issue of debt		**-**	(12,949)
Net cash flow from returns on investments and servicing of finance		**(25,471)**	(162,816)
Acquisitions and disposals			
Cash balances acquired with subsidiary undertakings		**-**	29,683
Acquisition of Minority interests		**-**	(700)
Net cash flow from acquisitions and disposals		**-**	28,983
Net cash flow before financing		**234**	(127,881)
Financing			
Cash outflow from repayment of senior debt		**(3,017)**	(330,113)
Cash outflow from repayment of subordinated debt		**-**	(26,966)
Cash inflow from increase in senior secured notes		**-**	381,389
Cash inflow from increase in subordinated debt		**-**	125,361
Cash inflow from issue of shares		**-**	3,965
Net cash flow from financing		**(3,017)**	153,636
Increase in cash during year	21(c)	**(2,783)**	25,755

Notes to the non-statutory consolidated financial statements for the year ended 31 August 2014

1. Principal accounting policies

(a) Basis of accounting

The non-statutory consolidated financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed assets, and in accordance with applicable accounting standards.

The financial information included in these non-statutory consolidated financial statements do not constitute the Company's statutory accounts for the year ended 31 August 2014 but is derived from the statutory accounts of the entity and its subsidiary undertakings for the year ended 31 August 2014. Statutory accounts for the individual entity will be delivered to the Registrar of Companies in due course. The auditor has reported on those accounts; its report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and (iii) did not contain a statement under section 498(2) or section 498(3) of the Companies Act 2006.

(b) 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.

(c) 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 profit and loss account 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 £314,000 (2013: £153,000).

d) Intangible assets

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 is greater than 20 years but represents the period over which each subsidiary undertaking acquired will continue to generate operating cash flows.

(e) Presentation of principal asset

Rent receivable is generated from the group's interests in university accommodation.

Each year the group reviews 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 and therefore the assets are treated as a tangible fixed assets.

(f) 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

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 surplus or deficit on the book value of the historical asset is transferred to the 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.

(g) Investments

Fixed asset investments are carried at cost less any provision for impairment in value. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for group reconstruction relief, cost is measured by reference to the net asset value of the shares issued, and the premium is accounted for accordingly.

(h) Impairment reviews

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

(i) Income recognition

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

(j) Debt issue costs

The debt issue costs incurred have been offset against the related debt and will be charged to finance costs at a constant rate on the carrying value of the debt. If it becomes clear that the related debt will be redeemed early then the charge to finance costs will be accelerated. Where there is an early repayment clause within the debt instrument, costs incurred are amortised to the profit and loss account to the earliest opportunity the debt could be repaid.

(k) RPI swaps

RPI swaps are used to hedge the group's exposure to movements in inflation. The fair value of these financial instruments, which may be assets or liabilities to the group, are not recognised in these financial statements as the group is exempt from adopting FRS 26 and has not voluntarily chosen to adopt.

Should the group terminate the RPI swaps earlier than they mature, the group may become liable to pay penalties.

(l) Taxation

(i) Current tax

The charge for current taxation for the period is based on the result for the period, adjusted for disallowable items.

(ii) Deferred tax

Full provision has been made for deferred taxation in respect of timing differences that have originated, but not

reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future by the balance sheet date except that:

- Provision is made for gains on disposal of assets that have been rolled over into replacement assets only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned.
- Provision is not made for the remittance of a subsidiary, associate or joint venture's earnings that would cause tax to be payable where no commitment has been made to the remittance of the earnings.
- Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which the timing differences reverse, based on the tax rates enacted at the balance sheet date. Group relief is only accounted for to the extent that a formal policy is in place at the year / 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.

(m) 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 8 not to disclose related party transactions which are eliminated on consolidation.

(n) Defined contribution pension scheme

Contributions to employees' personal pension arrangements during the period are charged to the profit and loss account as incurred. For eligible employees, contributions are made to employees' personal pension schemes, based on a predetermined percentage of individuals' salaries.

(o) Defined benefit pension scheme

The group makes contributions to the Nottinghamshire County Council Pension Fund ("NCCPF") in respect of 56 employees at UPP (Nottingham) Limited.

The amounts charged to the operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The assets of the NCCPF are measured using closing market values. The liabilities are measured using the projected unit method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

2. Turnover

Turnover represents income, on the basis of accounting policy 1(i), excluding VAT, attributed to the provision of student accommodation.

3. Directors' remuneration

The immediate subsidiary undertaking, UPP Bond 1 Limited, paid fees of £11,000 (2013: £5,000) 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 2014. An amount of £3,000 (2013: £1,000) 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.

4. Auditor remuneration

	Year ended 31 August 2014	Period ended 31 August 2013
	£'000	£'000
Fees payable to the Company's auditor for the audit of the company's annual accounts	9	8
Fees payable to the Company's auditor and its associates for other services:		
Audit of the company's subsidiaries	117	71
Tax services	32	28
	158	107

The fees relating to the audit of the company have been borne by its subsidiary undertaking, UPP Bond 1 Limited, and included in the results of that company for the year.

5. Employee information

The average number of persons employed by the group during the period was as follows:

	Year ended 31 August 2014	Period ended 31 August 2013
	Number	Number
Site managers (full time)	11	10
Administration, maintenance and cleaning (full and part time)	244	232
	255	242

The employment costs of all employees included above were:

	Year ended 31 August 2014	Period ended 31 August 2013
	£'000	£'000
Wages and salaries	4,119	2,003
Social security costs	312	152
Other pension costs	210	67
	4,641	2,222

6. Operating profit

The operating profit is stated after charging:

	Year ended 31 August 2014	Period ended 31 August 2013
	£'000	£'000
Depreciation	**2,107**	1,074
Amortisation of goodwill	**2,769**	1,383

7. Interest receivable and similar income

	Year ended 31 August 2014	Period ended 31 August 2013
	£'000	£'000
Bank interest	**124**	33

8. Interest payable and similar charges

	Year ended 31 August 2014	Period ended 31 August 2013
	£'000	£'000
Interest payable on senior secured notes	**17,074**	8,377
Indexation of index-linked senior secured notes	**1,929**	927
Subordinated loan interest	**16,924**	8,300
Pension finance costs (note 20)	**25**	23
Amortisation of debt issue costs	**737**	364
	36,689	17,991

9. Tax on loss on ordinary activities

	Year ended 31 August 2013	Period ended 31 August 2013
	£'000	£'000
a) Analysis of credit for the period		
Current tax on income for the period (note 9b)	-	-
Deferred tax:		
Current period – defined pension scheme relief	(13)	(13)
Rate difference – defined pension scheme relief	(11)	11
Total deferred tax	(24)	(2)
Tax credit on loss on ordinary activities		
	(24)	(2)

(b) Factors affecting current tax credit for the period

The tax assessed for the period is lower (2013: lower) than the standard rate of corporation tax in the UK 21% (2013: 23%). The differences are explained below:

	Year ended 31 August 2014	Period ended 31 August 2013
	£'000	£'000
Loss on ordinary activities before tax	(15,821)	(7,810)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2013: 23%)	(3,507)	(1,797)
Effects of:		
Disallowable expenses	3,874	3,390
Capital allowances in excess of depreciation	(47)	(1)
Defined benefit pension relief	13	13
Non-taxable income	(2,091)	(1,984)
Unutilised tax losses	1,758	379
Current tax credit for the year / period (note 9a)	-	-

(c) Factors that may affect future tax charges

A deferred tax asset of £25,763,000 (2013: £24,112,000) in respect of available tax losses has not been recognised at 31 August 2014. This is due to there being no persuasive and reliable evidence available at this time of suitable profits to offset these losses.

10. Intangible fixed assets

	Positive Goodwill
	£'000
Cost	
At 1 September 2013 and at 31 August 2014	**101,967**
Amortisation	
At 1 September 2013	(1,383)
Charge for the year	(2,769)
At 31 August 2014	**(4,152)**
Net book value	
At 31 August 2014	**97,815**
At 31 August 2013	100,584

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 and UPP (Plymouth Three) 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.

11. Tangible fixed assets

	Assets for use in operating leases
	£'000
Cost or valuation	
At 1 September 2013	**415,740**
Additions	-
Revaluation	1,560
At 31 August 2014	**417,300**
Depreciation	
At 1 September 2013	-
Charge during the year	(2,107)
Revaluation	2,107
At 31 August 2014	-
Net book value	
At 31 August 2014	**417,300**
At 31 August 2013	415,740

Assets used in operating leases were independently valued by Jones Lange LaSalle ("JLL"), Chartered Surveyors, on an existing use basis at 31 August 2014. JLL have confirmed that the value of the assets as at that date was £417,300,000.

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 2014.

If assets used in operating leases had not been revalued they would have been included at the following amounts:

	Assets for use in operating leases
	31 August 2014
	£'000
Cost	**414,756**
Depreciation	(3,182)
Net book value	**411,574**

12. Investments

	Interest in subsidiary undertakings
	£'000
Company	
At 1 September 2013, and at 31 August 2014	**36,849**

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 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.

13. Debtors: amounts falling due within one year

	31 August 2014	31 August 2014	31 August 2013	31 August 2013
	£'000	£'000	£'000	£'000
	Group	Company	Group	Company
Trade debtors	**229**	**-**	178	-
VAT receivable	**43**	**-**	37	-
Amounts owed by subsidiary companies	**-**	**17,109**	-	8,453
Prepayments and accrued income	**158**	**-**	326	-
	430	**17,109**	541	8,453

14. Debtors: amounts falling due after one year

	31 August 2014	31 August 2014	31 August 2013	31 August 2013
	£'000	£'000	£'000	£'000
	Group	Company	Group	Company
Amounts owed by subsidiary companies	-	125,361	-	125,361

15. Creditors: amounts falling due within one year

	31 August 2014	31 August 2014	31 August 2013	31 August 2013
	£'000	£'000	£'000	£'000
	Group	Company	Group	Company
Fixed rate senior secured notes	1,830	-	2,280	-
Trade creditors	96	-	189	-
Amounts owed to related parties	3,904	-	3,954	-
Amounts owed to immediate parent company	16,642	16,642	8,300	8,300
VAT payable	4	-	5	-
Accruals and deferred income	3,171	-	3,087	-
	25,647	16,642	17,815	8,300

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

	31 August 2014	31 August 2014	31 August 2013	31 August 2013
	£'000	£'000	£'000	£'000
	Group	Company	Group	Company
Fixed rate senior secured notes	303,372	-	306,389	-
Index-linked senior secured notes	77,916	-	75,927	-
Unsecured loan notes	125,361	125,361	125,361	125,361
Less: unamortised debt issue costs	(11,848)	-	(12,585)	-
	494,801	125,361	495,092	125,361
Less: included in creditors amounts falling due within one year	(1,830)	-	(2,280)	-
	492,971	125,361	492,812	125,361
Maturity of debt				
Repayable within one year or on demand	2,560	-	2,280	-
Repayable in more than one year but less than two years	3,067	-	2,560	-
Repayable in more than two years but less than five years	14,684	-	11,651	-
Repayable in more than five years	486,338	125,361	491,186	125,361
Less: unamortised debt issue costs	(11,848)	-	(12,585)	-
Less: included in creditors amounts falling due within one year	(1,830)	-	(2,280)	-
	492,971	125,361	492,812	125,361

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.

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.

UPP Group Limited provided unsecured loan notes of £125,361,000 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.

17. Provisions for liabilities

Deferred tax liability	**31 August 2014**	**31 August 2014**	31 August 2013	31 August 2013
	£'000	**£'000**	£'000	£'000
	Group	**Company**	Group	Company
At 1 September 2013	**-**	**-**	-	-
Charged to profit and loss account	-	-	-	-
At 31 August 2014	**-**	**-**	-	-

Deferred tax	**31 August 2014**	**31 August 2014**	31 August 2013	31 August 2013
	£'000	**£'000**	£'000	£'000
	Group	**Company**	Group	Company
The deferred tax liability consists of:				
Accelerated capital allowances	**5,518**	**-**	5,459	-
Other timing differences	**(5,518)**	**-**	(5,459)	-
Total deferred tax liability	**-**	**-**	-	-

18. Called up share capital

	31 August 2014	31 August 2013
	£'000	£'000
Issued, allotted, called up and fully paid		
36,848,727 Ordinary shares of £1 each	**36,849**	36,849

19. Reconciliation of shareholders' funds and movement on reserves

(a) Group

	Share capital	Revaluation reserve	Profit & loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000
At 1 September 2013	36,849	2,058	(7,792)	31,115
Share capital issued	-	-	-	-
Loss for the year	-	-	(15,797)	(15,797)
Actuarial loss on pension scheme	-	-	49	49
Deferred tax on actuarial loss	-	-	(2)	(2)
Revaluation	-	3,667	-	3,667
At 31 August 2014	**36,849**	**5,725**	**(23,640)**	**18,934**

(b) Company

	Share capital	Profit & loss account	Total shareholders' funds
	£'000	£'000	£'000
At 1 September 2013	36,849	153	37,002
Profit for the year	-	314	314
At 31 August 2014	**36,849**	**467**	**37,316**

20. Retirement benefit schemes

Defined contribution scheme

Five of the group's subsidiary undertakings operate defined contribution retirement benefit schemes for all qualifying employees. The total cost charged to the profit and loss account of £115,000 (2013: £42,000) represents a pre-determined amount of the employee's salary paid into the scheme. As at 31 August 2014 £Nil contributions remained outstanding.

Defined benefit scheme

One of the group's subsidiary undertakings, UPP (Nottingham) Limited provides retirement benefits for 57 employees through provision of 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.

The NCCPF is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuary and during this account period were equal to 14.9%. A valuation by the Fund's actuary was carried out at 31 March 2013

The material assumptions used by the Actuary at 31 August 2014 were:

	31 August 2014	31 August 2013
Rate of inflation	**3.4%**	3.6%
Rate of increase in salaries	**4.4%**	5.0%
Rate of increase in pensions	**2.6%**	2.8%
Discount rate for liabilities	**3.8%**	4.6%

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 2014	31 August 2013
Retiring today		
Males	**22.0**	18.7
Females	**25.1**	22.8
Retiring in 20 years		
Males	**24.1**	20.7
Females	**27.4**	24.6

Amounts recognised in the operating profit in respect of the defined benefit scheme are as follows:

	31 August 2014	31 August 2013
	£'000	£'000
Current service cost	95	91
Past service cost	-	-
	95	91

Amounts recognised in the interest payable and other charges in respect of the defined benefit scheme are as follows:

	31 August 2014	31 August 2013
	£'000	£'000
Interest cost	**162**	126
Expected return on scheme assets	**(137)**	(103)
	25	23

Amounts recognised in the statement of total recognised gains and losses are as follows:

	31 August 2014	31 August 2013
	£'000	£'000
Actual return less expected return on pension scheme assets	**114**	189
Experience gains	**221**	-
Changes in assumptions underlying the present value of scheme liabilities	**(384)**	(141)
	(49)	48

The actual return on scheme assets was £295,000.

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit scheme is as follows:

	31 August 2014	31 August 2013
	£'000	£'000
Present value of defined benefit obligations	**(3,688)**	(3,506)
Fair value of scheme assets	**2,482**	2,409
	(1,206)	(1,097)
Past service cost not yet recognised in balance sheet	**-**	-
Deficit	**(1,206)**	(1,097)
Related deferred tax asset	**241**	219
Net liability recognised	**(965)**	(878)

Defined benefit obligation reconciliation is as follows:

	31 August 2014	31 August 2013
	£'000	£'000
At 1 September	**3,506**	-
On acquisition of subsidiary undertaking	**-**	3,219
Current service cost	**95**	91
Interest cost	**162**	126
Actuarial loss	**(30)**	141
Estimated benefits paid net of transfers in	**(66)**	(92)
Contributions by scheme participants	**21**	21
At 31 August	**3,688**	3,506

Movements in the present value of defined benefit obligations were are follows:

	31 August 2014	31 August 2013
	£'000	£'000
At 1 September	**1,097**	-
On acquisition of subsidiary undertaking	**-**	1,087
Current service cost	**95**	91
Contributions	**(60)**	(56)
Interest cost	**25**	23
Actuarial gain	**49**	(48)
At 31 August	**1,206**	1,097

Movements in the fair value of the scheme assets were as follows:

	31 August 2014	31 August 2013
	£,000	£,000
At 1 September	**2,409**	-
On acquisition of subsidiary undertaking	**-**	2,132
Expected return on scheme assets	**137**	103
Actuarial gains and losses	**(79)**	189
Employer contributions	**60**	56
Employee contributions	**21**	21
Benefits paid	**(66)**	(92)
At 31 August	**2,482**	2,409

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows:

	2014		2013	
	Long term rate of return expected at 31 August	**Value at 31 August**	Long term rate of return expected at 31 August	Value at 31 August
	%	**£,000**	%	£,000
Equities	**72**	**1,787**	71	1,711
Government bonds	**6**	**142**	9	217
Other bonds	**7**	**170**	4	96
Property	**11**	**279**	12	289
Cash	**4**	**104**	2	48
Other	**-**	**-**	2	48
Total market value of assets	**100**	**2,482**	100	2,409

The estimated amounts of contributions expected to be paid to the scheme during the 2015 financial year is £60,000 (2014: £51,000).

The most recent triennial valuation of the group's pension scheme for funding purposes was performed in March 2013. The group will monitor funding levels annually and the funding schedule will be reviewed between the Group and the directors every three years, based on actuarial valuations. The next triennial valuation is due to be completed at 31 August 2016. The Group considers that the contribution rates agreed with the directors are sufficient to eliminate the current deficit over the agreed period.

21. Notes to the statement of cash flows

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

	Year ended 31 August 2014	Period ended 31 August 2013
	£'000	£'000
Operating profit	**20,744**	10,148
Depreciation	**2,107**	1,074
Goodwill amortisation	**2,769**	1,383
Pension liability costs	**36**	35
Decrease in debtors due within one year	**111**	829
Decrease in creditors due within one year	**(62)**	(7,517)
Net cash inflow from operating activities	**25,705**	5,952

(b) Analysis of changes in net debt

	At 1 September 2013	Cash flow	Other changes	**At 31 August 2014**
	£'000	£'000	£'000	**£'000**
Cash at bank and in hand	**25,755**	(2,783)	-	**22,972**
Debt due within one year	**(2,280)**	3,017	(2,567)	**(1,830)**
Debt due after one year	**(492,812)**	-	(159)	**(492,971)**
	(469,337)	234	(2,726)	**(471,829)**

(c) Reconciliation of net cash flow to movement in net debt

	Year ended 31 August 2014	Period ended 31 August 2013
	£'000	£'000
(Decrease) / increase in cash	**(2,783)**	25,755
Cash inflow from increase in loans	**-**	(149,671)
Movement in net debt resulting from cash flows	**(2,783)**	(123,916)
Indexation uplift on index-linked loans	**(1,989)**	(927)
Loans acquired with subsidiary undertakings	**-**	(357,079)
New debt issue costs incurred	**-**	12,949
Repayment of fixed interest loan	**3,017**	-

Amortisation of debt issue costs	**(737)**	(364)
Movement in net debt	**(2,492)**	(469,337)
Net debt at 1 September	**(469,337)**	-
Net debt at 31 August	**(471,829)**	(469,337)

22. 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 was controlled by a 60% stake held by PGGM Vermogensbeheer BV ("PGGM"), a company incorporated in The Netherlands.

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

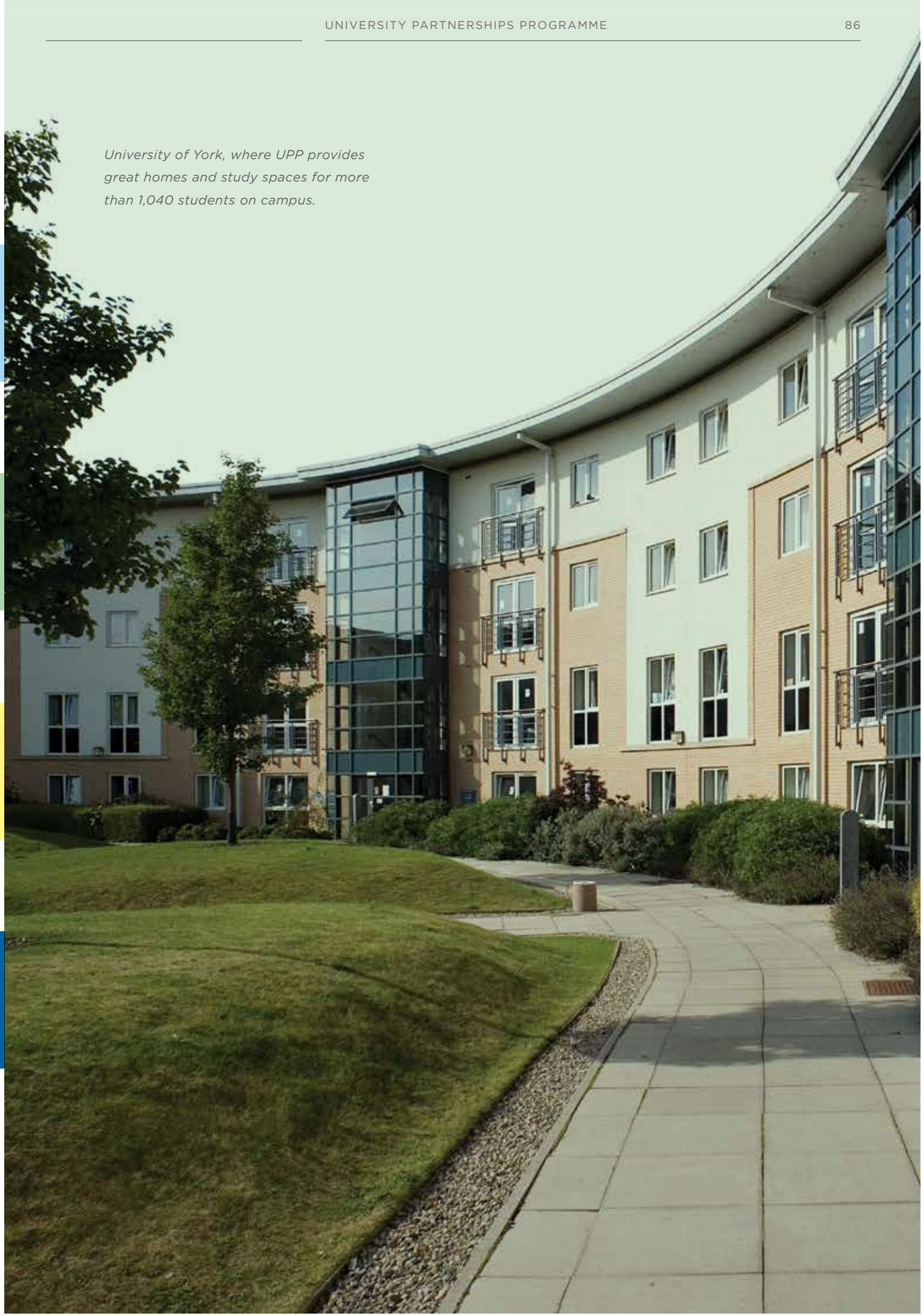
The parent undertaking of the smallest group of which the company is a member and for which group accounts are prepared is UPP Bond 1 Holdings Limited.

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

Copies of the accounts can be obtained from Companies House, Cardiff CF4 3UZ, once they have been filed.

23. Post balance sheet event

On 9 December 2014 the group acquired UPP (Exeter) Limited from UPP Group Limited. On the same day, UPP Bond 1 Issuer plc entered into a £149.7m issuance of index-linked secured notes, listed on the Irish Stock Exchange and on-lent these funds to UPP (Exeter) Limited to enable that company to repay its bank facilities and some associated costs.



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