UPP Bond 1 Limited Investor Report

For the period ended 31 August 2013

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 period up to 31 August 2013. 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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THIS INVESTOR REPORT IS NOT AN OFFER OR SOLICITATION OF AN OFFER TO BUY OR SELL SECURITIES. IT IS SOLELY FOR INFORMATION PURPOSES ONLY. THIS INVESTOR REPORT DOES NOT CONTAIN ALL OF THE INFORMATION THAT IS MATERIAL TO A PROSPECTIVE INVESTOR.

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 period ended 31 August 2013

This Annual Investor Report is delivered pursuant to Schedule 9 Part 1 of the Common Terms Agreement ('CTA') and covers the period ended 31 August 2013.

The date of this Investor Report is 17 December 2013. 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 maiden and pro forma results for the year ended 31 August 2013

Unaudited pro forma financial highlights for the year ended 31 August 2013

£'000	2012/13	2011/12	Change %
Turnover	43,455	41,851	3.8%
Gross profit	29,961	29,185	2.7%
EBITDA*	28,086	27,135	3.5%
EBITDA margin*	64.6%	64.8%	- 20 bps

**EBITDA before sinking fund expenditure*

Business highlights

- Occupancy for 2012/13 of 99.5%
- Room rental rate up 3.8%
- Operating expenses reduced by 8.5%
- Operating cash flow for 2012/13 of £26.5m
- Both Initial and Projected Annual Debt Service Coverage Ratios comfortably above lock up triggers
- Successful launch of the first public bond issuance
- Strong demand has continued into 2013/14 – occupancy of 100%

Sean O'Shea, Chief Executive Officer

"I am pleased with the maiden results for UPP Bond 1 Holdings Limited which demonstrate not only the bounce-back in student demand following the increase in tuition fees from the 2012/13 academic year but also the resilience of our cash generative business model. This strong demand has continued into 2013/14, with occupancy of 100% secured across both the AssetCos and the rest of UPP's portfolio.

The wider UPP Group is well positioned to exploit the continued opportunities for growth, with new supportive shareholders and our partner universities. Development schemes are already afoot at three of our existing partner universities and we continue to pursue other opportunities coming to market to extend our market leading position in the provision on-campus residential and non-residential infrastructure to universities."

Enquiries

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	Jon Wakeford	Communications and Strategy Director	
College Hill	Matthew Smallwood		Tel: 020 7457 2020
	Mark Reed		

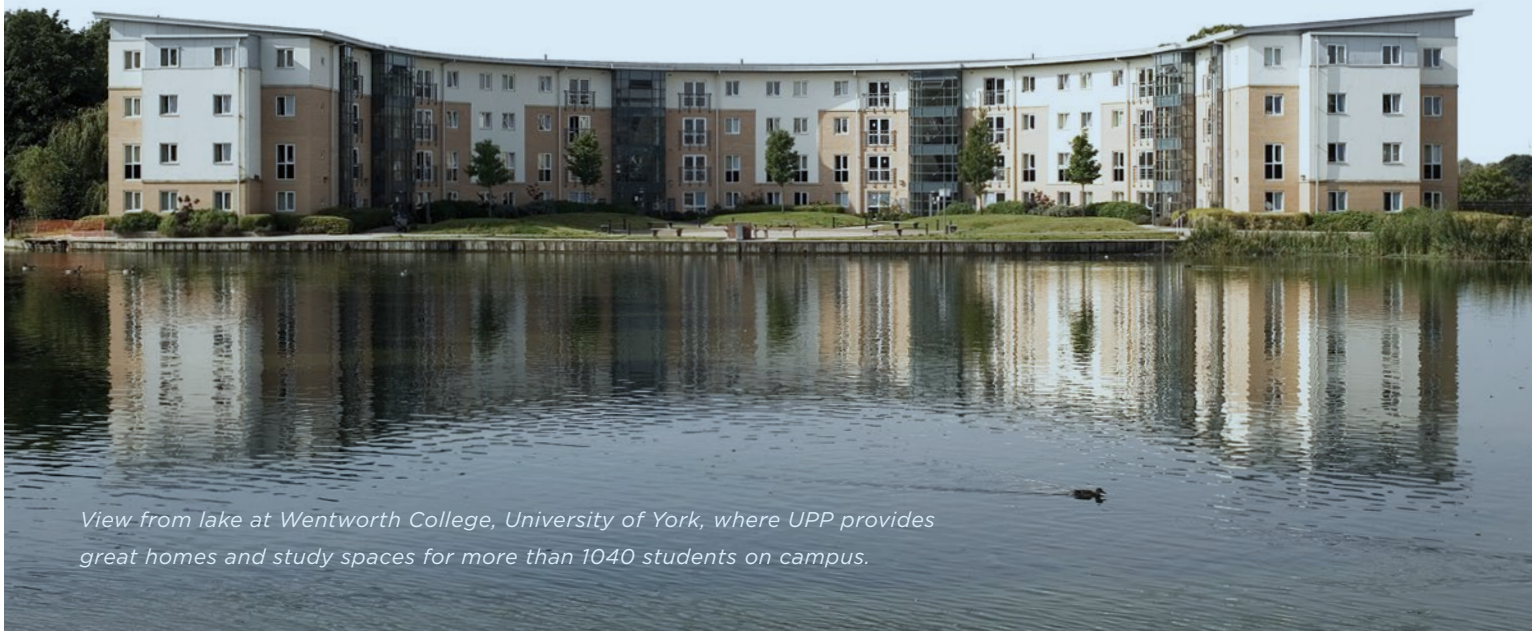
1.1 Summary of the UPP Group business

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.28,000 student rooms in operation and/or development with 13 partner universities, of which 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 fund manager and the remaining 40% by the Peoples Bank of China.

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

- An integrated service model for universities encompassing the funding, design, construction and operation of student accommodation
- A business model underpinned by long term contracts (typically in excess of 40 years) with all partner universities
- Annual rent increases for the life of the project linked to the Retail Price Index ("RPI")
- UPP benefits from a restrictive covenant regime that limits long term competing University supply in order to maintain its market position
- UPP establishes partnerships with leading institutions, targeted on the basis of its own detailed 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 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



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

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 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

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 period from bond issuance date of 5 March 2013 through to 31 August 2013.

As such, these results represent a part year of trading results. Unaudited pro forma results for the six AssetCos for the entire year ended 31 August 2013, compared to year ended 31 August 2012, are provided in order to aid analysis of these results.

Higher education sector & business developments

2.0

2.1 the higher education sector

Over the period 1970 to 2010 the number of students in global tertiary education rose from 33 million to 178 million. The sector is expected to continue growing as a result of demographic change and increasing incomes in developing countries. In 2011, there were 4.3 million internationally mobile Higher Education (HE) students – increasing from 0.8 million in 1975 to 2.1 million in 2000 and thereafter to 4.1 million by 2010. This represents an average annual growth rate of 7.1% over the period 2000-2010.

The UK HE sector continues to demonstrate robust demand characteristics. The sector remains a leading global brand, a key driver of economic growth and of innovation. As well as its multi-billion pound contribution to the UK economy and the direct and indirect employment it creates, universities continue to play a major role in local economies as the linchpin of investment and growth.

There are currently 31 UK institutions in the top 200 of the Times Higher Education World University Rankings for 2013/14 and 11 within the top 100. This cements the position of the sector as second only to the US in terms of global quality HE and the number one HE destination in Europe. The UK currently holds a 13% share of the global HE market.

2.2 Academic demand

Domestic

This reputation for continuing quality has manifested itself in the form of a rapid recovery in UK student applicant numbers following the introduction of the increased £9,000 tuition fee cap for the academic year 2012/13.

The current administration has continued with its "core and margin" approach to student recruitment, driving competition between institutions for students. As predicted, the pool of new students composing "the margin" has widened from those with GCSE A' level grades of AAB or above, to ABB or better – the equivalent of a third of all new students falling within HEFCE Student Number Controls (SNC).

Further flexibility has also been given in recruitment, with institutions allowed to exceed their SNC target by up to 3% without incurring penalties from HEFCE.

The table to the right provides a year on year comparison of total applicant number, by domicile, for the academic years 2006-2013. The data indicates that applicant numbers have risen in all domicile areas with the exception of Wales.

UCAS data, has been published on 20 September 2013, reflecting the acceptances position recorded one month following A' level results. UK and EU domiciled acceptances were up by 9% or more than 37,000 students compared to the same time during the 2012 cycle. Acceptances to English institutions were up by 10% (34,580) to 375,000.

[1] *World Bank databank*

[2] *Source: OECD Education at a Glance 2013, box C4.1. www.oecd-ilibrary.org/education/education-at-a-glance-2013_eag-2013-en*

[3] *Universities UK (2013) Universities UK submission to the 2013 Spending Round. London: Universities UK, page 2. Available at www.universitiesuk.ac.uk/highereducation/Documents/2013/UUKsubmissionToThe2013SpendingRound.pdf;*

Universities UK (2013) Why government must invest in universities, London: Universities UK. Available at www.universitiesuk.ac.uk/highereducation/Documents/2013/WhyGovernmentMustInvestInUniversities.pdf

[4] *Source: OECD Education at a Glance 2013, table C4.7.*

Annual UCAS Applicant Data by Domicile (28 June 2013)

App. Domicile	2006	2007	2008	2009	2010	2011	2012	2013
England	330,784	351,533	390,358	429,734	475,303	478,590	430,755	443,522
N. Ireland	17,802	16,827	16,689	17,451	19,412	20,040	19,148	20,292
Scotland	33,164	32,988	33,890	35,892	43,234	43,437	42,515	42,958
Wales	19,478	19,624	20,577	22,839	23,625	23,935	23,245	22,672
Other EU	27,817	31,386	31,974	36,898	45,125	47,675	41,543	43,332
Non EU	40,686	42,484	46,620	49,498	54,254	56,279	61,041	64,680
Total	469,731	494,842	540,108	592,312	660,953	669,956	618,247	637,456

Compared to the most recent intake years, UK and EU domiciled acceptances for the current academic year are 4% fewer than the pre-tuition fee demand spike of 2011-12 and 1% more than 2010-11.

As of September 20th UK and EU domiciled acceptances for 2013/14 entry year at institutions subject to the HEFCE student number control arrangements ('SNC courses') was 334,860. This represented an increase of 32,860 (+11%) compared to acceptances into the 2012-13 entry year. Of this total 111,010 (33.2%) were recorded as holding entry qualifications of 'ABB+'.

International

Data for 2011/12 identified that there were 435,000 international students studying at 163 publicly-funded HE institutions in the UK, with a 50:50 split between undergraduate and postgraduate study. Research by the British Council underlines the popularity of the UK as a HE destination noting that half of young people in top emerging economies continue to express an interest in studying in the UK. Since 2007/08, international student numbers at publicly-funded HE institutions have increased by an average of 6.2%, per year, with the composition of EU and non-EU students staying broadly consistent.

Government remains keen to ensure that this growth continues. In its publication "International Education: Global Growth and Prosperity" the Department for Business, Innovation and Skills (July 2013) noted that "it is realistic for numbers of international students in higher education to grow by 15-20% over the next five years".

Academic Demand Indicators for 2014/15

Data for those applying for 2014/15 entry for subjects with a 15th October deadline (including Medicine, Dentistry, Veterinary courses and all courses at the universities of Oxford and Cambridge) were published on 24th October 2013. This identified an overall increase in applicant numbers of 2%, or circa 1,400 students, compared to the same point in the 2013/14 cycle. Data for those applying for 2014/15 entry for subjects with a 15th October deadline indicates that applications from students outside of the UK were up by 10%.

[5] *Culture Means Business, 2013. www.britishcouncil.org/sites/default/files/documents/culture-means-business-report.pdf*

[6] *Department for Business, Innovation and Skills (2012) International Education: Global Growth and Prosperity" (July 2013), p.6*

[7] *UCAS www.ucas.com/news-events/news/2013/2014-applicant-figures-october-deadline*

2.3 AssetCo demand

Demand for student residential accommodation at universities in the UPP Bond 1 portfolio remains strong. In the financial year 2012/13 levels of occupancy were in line with modelled assumptions and this position was improved upon for the academic year 2013/14 with the portfolio 100% occupied. 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 2012/13	Occupancy 2013/14
UPP (Alcuin) Limited	100%	100%
UPP (Broadgate Park) Holdings Limited	98%	100%
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

The appetite for investing in residential accommodation for students remains strong. In particular, market developments are emphasising the value and security of UPP's long term partnership model. During the year key market developments have included;

- The first student accommodation project funded on the basis of a £76.2m Real Estate Investment Trust. Gravis Capital Partners (GCP) Student Living plc branded under the Scape Student Living banner is providing student accommodation for Queen Mary, University of London. The Company is a closed-ended investment company incorporated in England and Wales, and has been admitted for trading on the London Stock Exchange (Specialist Fund Market) and the Channel Island Stock Exchange
- UNITE Group plc has continued to utilise capital markets to provide debt finance for its direct let student accommodation portfolio. At the beginning of October 2013 the UNITE Group launched an offering of c£90m of convertible bonds with a due date of 2018. The Bonds were issued by UNITE Jersey Issuer Limited and were guaranteed by the Company. The UNITE Group intends to use the proceeds to fund its regional development plans and to replace short term debt maturities which in turn will generate incremental interest savings. On completion of the transaction 41% of the UNITE Group's Balance Sheet debt will be unsecured. At the beginning of November 2013 the UNITE Group announced the launch and pricing of £185 million of 12 year bonds issued by the UNITE UK Student Accommodation Fund ("USAF"). The proceeds will be used to repay secured debt that is due to mature in the next two years
- The Opal Group portfolio is currently the subject of a sale process following failed attempts to refinance the direct let assets. The first acquisition of two portfolios of 21 assets (approx. 8,500 rooms) was acquired by Greystar Real Estate Partners in partnership with Goldman Sachs for £330m. It is the intention of the OPAL Group to improve and operate the assets. The second sale, administered by KPMG involving a smaller portfolio of five operational assets (1,800 rooms) was sold to Avenue Capital Group. It has been reported that these two parties are involved in the closing stages of competition for the outstanding assets
- Brandeaux and Mansion Group have suspended trading across their student accommodation funds. Brandeaux whose accommodation is operated under the Liberty Living brand is looking to sell 80% of the properties in the Ground Rent Fund and three sales are expected to complete within the next month. Mansion Group has also suspended its Channel Island Stock Exchange listed Student Accommodation Fund. It is believed that in both cases a high rate of net redemptions have been generated on the basis of the Financial Conduct Authority's conservative view of Unregulated Collective Investment Schemes (UCIS)

Financial highlights

For the year ended 31 August 2013

3.0

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

- Turnover of £22.3m
- Operating profit of £10.1m
- Successful refinancing through debut bond issuance
- Healthy cash balance of £25.8m made up largely of liquidity reserve accounts and amounts payable to the holder of subordinated loan notes
- Payments to subordinated debt loan notes amounted to £1.96m

For the period from 5 March 2013 to the end of the financial year 31 August 2013, the Bond portfolio performed in line with modelled expectations. The historic ADSCR for the period was 1.46 compared to modelled ADSCR was 1.48.

The business model of UPP is highly predictable. Rental receipts from students for each annual period are fixed during the first quarter of each year and likewise, a significant proportion of the cost base is fixed at the outset of the year. As such, financial performance for this six month period was very close to the modelled outcome.

The group made a loss for the period of £7.8m. Of this loss, £8.30m is attributable to interest on sub-ordinated debt, of which only £1.96m was paid on 13 September 2013. This result is in line with modelled projections where the coupon on the subordinated debt is paid over the life of the concession. Included in the consolidated statement of cash flows are payments of £141.141m for the termination of hedging arrangements which crystallised on the repayment of historic banking facilities. This one-off cost reflected the fair value of the historic Interest Rate and RPI swaps held by subsidiary undertakings. The subsidiaries now benefit from a lower interest rate on senior debt and new RPI swaps.

In order to aid analysis of the reporting period, consolidated unaudited pro forma profit and loss results for the six AssetCos are presented below for the financial years ended 31 August 2012 and 2013. All six AssetCos have been operational for at least six years and therefore comparative results can be provided. These pro forma results for 2013 exclude the costs associated with the UPP Bond 1 Holdings Ltd and UPP Bond 1 Issuer Plc, as these entities were only operational for the period from 5 March 2013 to 31 August 2013.

3.1 AssetCo Consolidated unaudited pro forma profit and loss account for year ended 31 August 2013

Unaudited	Year ended 31 August 2013 £'000	Year ended 31 August 2012 £'000	Movement %
Turnover	**43,455**	**41,851**	3.8%
Cost of sales	**13,494**	**12,666**	6.5%
Gross profit	**29,961**	**29,185**	2.7%
Gross profit margin	**68.9%**	**69.7%**	
Operating expenses	**1,875**	**2,050**	(8.5%)
EBITDA before sinking fund expenditure	**28,086**	**27,135**	3.5%
EBITDA margin	**64.6%**	**64.8%**	
Sinking Fund expenditure	**2,580**	**2,907**	(11.2%)
EBITDA	**25,506**	**24,228**	5.3%

Financial highlights are:

- Turnover up 3.8%, primarily from RPI linked rental increase
- Occupancy for 2013 of 99.5% (2012: 99.9%)
- Operating expenses down 8.5%
- Stable gross and EBITDA margins
- Operating cash flow for 2013 of £26.5m (2012: £25.9m)

Turnover is defined to include rental receipts from students net of contractual amounts deducted by University partners for taking credit and void risk, commercial and vacation income derived from other activities at each AssetCo, together with any payments or receipts under the relevant RPI Linked swaps. With occupancy typically around 100% the main driver of turnover growth is the annual RPI linked increase in the rental rate. For the year ended 31 August 2013 occupancy was in line with expectations at 99.5%. Growth in room rental rates averaged 3.8%, which was above the benchmark September 2012 RPI of 3.2%. This resulted in a growth of turnover of £1.6m or 3.8%, from £41.9m to £43.5m.

Cost of sales is made up of facilities management costs, staff costs and utilities and increased 6.5% during the year. FM and staff costs increased by 3.0% during the period, from £9.9m to £10.2m, slightly less than the rate of RPI over the period but were more than offset by a 13.5% increase in utility costs, due to both an increase in energy rates and the unseasonably cold spring. However, through in-built protections in the contract documents which govern the relationship with each university, the AssetCos are able to recover this negative variance as part of the rent setting process for the 2014/15 academic year.

Overheads were reduced by £175k or 8.5% through a number of minor variances. As a result, EBITDA before sinking fund expenditure increased in line with revenue growth. 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 2014

- Occupancy for the year now confirmed at 100%
- Turnover set to increase by 3%, in line with RPI and the increase in occupancy
- Projected ADSCR ratio in line with modelled outcomes at 1.31 and ahead of the S&P base case of 1.26 for the same period.

The AssetCos secured 100% occupancy at the start of the academic year, which is testament to the continued buoyant demand for university places for the new academic year, following the substantial increase in fees during the previous year. More detail on the developments in the HE sector is provided in Section 2 of this report.

To assist in securing 100% occupancy, the two AssetCos based in Nottingham targeted particular cohorts of students with incentives to ensure earlier applications to the relevant accommodation. The cost of this incentive programme was £434k, to secure additional year-on-year gross revenues of £1.17m.

Under the contractual arrangements for all AssetCos, once a student of the university signs a residence agreement, the credit and void risk passes to that institution. As such, with occupancy ascertained for the full academic year, rental receipts from students, net of contractual University fees are expected to be c.£44.3m (2013: £43m). Commercial and vacation revenue is expected to be in line with previous years at c.£500-£600k. As such, 2014 revenues are expected to be c.£44.8m (2013: £43.5m), an increase of 3% on 2013.

With the majority of AssetCo costs fixed for the remainder the year, albeit with the significant exception of utility costs, the projected ADSCR outcome for the year is expected to be 1.31, in line with original modelled performance. As a comparrison S&P's base case for the period in their presale report was 1.26. As detailed above, the negative variance from utilities incurred during the year ended 31 August 2013 will be included in the adjusted rents for 2014-15.

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 FM provider's performance. During the period, URSL suffered no deductions for unavailability or poor performance and this reflects the high standards set in previous years.

Lifecycle, or Sinking Fund, expenditure is managed by URSL and was in line with budget for the year. 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 2013 (the 'Initial Test Date') are:

4.1 Historic AssetCo DSCR

UPP (Alcuin) Limited	1.25
UPP (Broadgate Park) Limited	1.51
UPP (Kent Student Accommodation) Limited	1.48
UPP (Nottingham) Limited	1.65
UPP (Oxford Brookes) Limited	1.27
UPP (Plymouth Three) Limited	1.48

4.2 Projected AssetCo DSCR

UPP (Alcuin) Limited	1.30
UPP (Broadgate Park) Limited	1.34
UPP (Kent Student Accommodation) Limited	1.32
UPP (Nottingham) Limited	1.22
UPP (Oxford Brookes) Limited	1.33
UPP (Plymouth Three) Limited	1.39

4.3 Historic senior DSCR n/a

4.4 Projected senior DSCR 1.31

4.5 Initial senior DSCR 1.46

The first issuance of the bond was on 5th March 2013, the proceeds of which were utilised to fund the repayment of the senior bank debt facilities held by each relevant AssetCo. For the Initial Test Date only, the Historic Senior DSCR calculation is replaced by the Initial Senior DSCR calculation.

The basis of this calculation was to extrapolate the Senior Debt Service Requirement as if the issuance had occurred on the first day of the Test Period, being 1 September 2012. This calculation is provided in Appendix 1, along with the calculations in reasonable detail for 1.1 – 1.4 inclusive.

Per Schedule 10 (Monitoring Trigger Events and Lock-up Events), the Initial 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 Initial 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. If certain criteria are met then a company may be able to utilise Hedge Accounting, with movements in fair value of derivatives being taken through reserves rather than the profit and loss of the company.

The current drafting of FRS 102 reflects the current IFRS position in IAS 32. A new standard to replace IAS 32 (IFRS 9) has been drafted, and has only recently been ratified. This new standard in its current drafting may allow Hedge Accounting to be applied to RPI swaps, and the Group will look to adopt the best accounting policy available to it at the time of adopting FRS 102, expected to be for the year endeding 31 August 2016.

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 30 August 2013, the credit adjustment market valuation of these swaps was £22.7m (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 £1,963,668 was distributed to UPP Group Limited on 13 September 2013.

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

Tracey Vallis-Horn

Residence Duty Officer

Looking after the students out of hours is my responsibility. It's a tough job at times, but the relationship I have with the students is based on trust and mutual respect.

Students need someone around who can keep an eye out for their health and safety, and be there for them when they need help.

I'm expected to be 'Mum', a 'Dad', a shoulder to cry on sometimes. But I wouldn't change it for the world.

Monitoring Adviser addendum

Review of Annual Investor Report

Monitoring Adviser addendum

Review of annual Investor Report

Trifinium has reviewed the Annual Investor Report. On the basis of the information provided and discussions held with UPP management in the ongoing undertaking of the Monitoring Adviser Services, Trifinium has not identified any matters in the Annual Investor Report that require commentary.

MA direction matters

Trifinium has considered one MA Proposal Request from the Issuer since its appointment as Monitoring Adviser in 03/2013. This MA Proposal Request was a recommendation to the Bond Trustee to permit a change in the financial year end for three Bond Group companies from October 31st to August 31st. These companies were:

- UPP Bond 1 Issuer PLC
- UPP Bond 1 Limited
- UPP Bond 1 Holdings Limited

In Trifinium's reasonable opinion, based on UPP's assertion that the MA Proposal Request had no effect on the Financial Model and the projections, covenants or financial ratios, the MA Proposal Request was considered to be a MA Direction Matter in accordance with clause 2 of Schedule 2 of the Monitoring Services Agreement.

ISC recommendation matters - Nil

Property visits

In accordance with Clause 1.3 of Schedule 1 of the Monitoring Services Agreement, a visit to the Oxford Brookes accommodation in Oxford was arranged for September 2013 and duly undertaken. Trifinium had agreed, prior to the Site Visit, that given the short period of time since its appointment as Monitoring Adviser and the production of the TA due diligence report at that time, that there was no need to produce a further TA report on this occasion.

Trifinium met both the regional and local staff at both SPV and FM Contractor level at Oxford Brookes and questioned them about both local and national practices and procedures. Trifinium examined the condition of the property in conjunction with the comments made in the TA report and in connection with any major capital expenditure (ie, exceeding £500,000), planned maintenance and lifecycle expenditure over the next 12 months, material disputes, breaches and deductions, litigations and claims and other matters.

On the basis of the above Trifinium is satisfied with the current condition of the property.

Management meetings

On September 10, 2013, in advance of UPP's results in student numbers for the year, Trifinium held a meeting with UPP management to discuss UPP's views of the impact, if any, of failure of Opal, a competitor to UPP in Nottingham. Based on the discussions held, Trifinium believes that UPP's tactical measures in offering returner discounts to second and third year students were effective in minimising the risk of under occupancy in Broadgate Park and on profitability. This view appears to have been affirmed by the actual occupancy achieved in September / October 2013.

On October 11, 2013, Trifinium held a semi-annual management meeting with UPP where it was briefed on the occupancy results of the properties which were satisfactory. Management confirmed that the properties across the AssetCos had a de minimis level of non-occupation as of the date of the meeting and 100% occupancy for the forthcoming year could reasonably be expected.

Budgets

Trifinium reviewed the cash management report provided by UPP relating to its August 2013 Interest Payment Date and discussed it with the Company and found it to be in accordance with the Transaction Documents. Trifinium also reviewed and discussed the current year operating budget delivered after Close, and the annual operating budget for the year 2013/2014 and found them to be reasonable.

Ben Hammond

Managing Director, UPP Projects Limited

Delivering a responsive design is about talking to and listening to universities and their students. Understanding aims and objectives is the start of the process.

We want to create real homes. Environments, where students want to live, study and thrive.

...In an increasingly competitive globalised market, this helps our partners to attract and retain the very best students.

AssetCo summaries

APPENDIX 1

Appendix 1.1 UPP (Alcuin) Limited, University of York

Profit and loss	Note	**2013** **£000's**	2012 £000's
Revenue	1.1	**5,492**	**5,149**
Cost of sales	1.2	(1,257)	(1,219)
Overheads	1.3	(251)	(305)
EBITDA before sinking fund		3,984	3,625
Sinking fund		(482)	(463)
EBITDA		3,502	3,162
Depreciation		(131)	(152)
Amortisation		(94)	(94)
Profit / (loss) before financing costs		**3,277**	**2,916**
Interest income		-	11
Bank debt interest	1.4	(1,647)	(2,461)
Bond note interest	1.4	(1,306)	-
Subordinated debt interest	1.4	(679)	(529)
Interest provision write back	1.4	2,006	-
Termination of hedging arrangements	1.4	(18,093)	-
Amortisation of debt issue costs	1.5	(61)	-
Profit / (loss) before tax		**(16,503)**	**(63)**
Tax	1.6	575	50
Profit / (loss) for the year		**(15,928)**	**(13)**

York

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

ET – Estate Transfer
NB – New Build

Balance sheet	Note	2013 £000's	2012 £000's
Assets	1.7	60,649	60,743
Current assets		3,367	4,037
Current liabilities, excluding senior debt		(1,119)	(3,179)
Senior debt and other long term liabilities			
Bank debt	1.4	-	(39,695)
Fixed rate debt	1.4	(41,629)	-
Index linked debt	1.4	(11,682)	-
Subordinated debt	1.4	(9,885)	(3,968)
Debt issue costs	1.5	1,866	-
Deferred tax	1.6	-	(575)
Net assets / (liabilities)		**1,567**	**17,363**
Share capital		440	440
Revaluation reserve		18,870	18,757
Profit and loss account		(17,743)	(1,834)
Shareholders' funds		**1,567**	**17,363**

Notes

1.1 The increase in turnover to £5.5m (2012: £5.2m) is the result of rental indexation and securing 100% occupancy.

1.2 Cost of sales has remained consistent at £1.3m (2012: £1.2m) on the basis of increasing utility unit rates and an exceptionally cold spring. The increase in utility costs will be passed through to rents for the academic term 2014/15.

1.3 Overheads have decreased to £251k (2012: £305k)

1.4 The previous bank facility was repaid with the proceeds of the bond issuance. All hedging arrangements associated with this bank facility were terminated leading to the one-off exceptional item. At the same time there was a significant injection of £5.9m in the form of subordinated loan notes into the company.

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 Tax losses were increased in the year due to the termination of hedging arrangements which resulted in the reversal of the deferred tax provision.

1.7 The tangible assets are held at the professional valuation for the prior year of £56.5m, the total decrease on assets relating to the amortisation of goodwill over the period.

Initial senior Debt Service Cover Ratio (DSCR)

	2013 £000's
EBITDA per P&L	**3,502**
Add:	
Sinking fund expenditure	482
Interest receivable	1
Deduct:	
Sinking fund deposit	(192)
Total movement	**291**
Total cash available for debt service	**3,793**
Debt service	
Fixed rate debt interest	2,003
Fixed rate debt principle repayment	727
Indexed linked debt	311
Total debt service	**3,041**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	1.05
ADSCR – lock up	1.15
ADSCR – actual	1.25
Headroom over default	601
Headroom over lock up	297

The Initial Senior Debt Service Cover Ratio for 2013 has been calculated as per the definition in the Common Terms Agreement. For the purposes of the calculation it is assumed that the bond debt has been in place for the whole year.

Key metrics

Area	Metric	2013	2012
Site operations	Occupancy	100%	100%
Finance	EBITDA*	£4m	£3.6m
	ADSCR	1.25	1.33
Health and safety	Accident frequency rate	0.00	0.00
Environment	Tonnes of CO_2 emissions	1,470	1,517
FM performance	Performance deductions	None	None
	Availability deductions	None	None

**EBITDA before sinking fund expenditure*

Finance

EBITDA before sinking fund expenditure is £4.0m (2012: £3.6m) which is driven by rental increases above RPI and securing 100% occupancy. The ADSCR is 1.25 (2012: 1.33) and is still comfortably above both lock up and default ratios demonstrating strong cash flows year on year.

Health and safety

There were no reportable accidents for 2013 (2012: none).

The health and safety framework the company is required by law to report against is RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995).

The accident frequency rate represents the number of reportable incidents per man hour worked. UPP have implemented a proactive culture in the reporting of incidents in accordance with RIDDOR to lower the overall strategic target set by the Board.

Environment

The relevant metric represents the amount of CO_2 that has been emitted through the use of electricity and gas at the halls of residences and is calculated in line with the Carbon Trust standard. UPP monitor CO_2 emissions periodically and actively look to reduce these year on year.

FM performance

FM performance is in line with expectations and there have been no deductions relating to services. The UPP site team is stable with a low turnover of staff and relationships with their University counterpart's remains strong.

Sinking fund

The sinking fund spend for the year was £482k (2012: £463k), 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 include the replacement of carpets across 290 bedrooms, as well as a variety of bedroom, bathroom and kitchen fixtures and fittings.

Outlook for the new financial year

The company has secured occupancy of 100% for 2013/14 which is above modelled expectations. Rents for the academic year 2014/15 will be set during Q2 of 2013/14.

University outlook

The University continues to experience high levels of residential demand based upon its continuing reputation as a world class institution and was ranked 11 in the Times Good University Guide for 2014. The University of York remains the only UK institution in the Times Higher Education world rankings of universities under fifty years old. With a students to bed ratio of 2.8:1 and a 2012/13 academic applications to places ratio of 6.3:1, it remains one of the most popular HE institutions in the UK.

The University continues with its planned £750m expansion of the Heslington West Campus, with residential demand underpinned by a highly restrictive planning environment for potential new off-campus supply. For the academic year 2013/14, the University had to source 25 off campus houses to support the demand for accommodation. During the summer of 2013 the University stated their intention to roll out WiFi across theirs and UPP's accommodation. The programme of works and approvals were put in place during the summer ready for the roll out of the installation over the 2013 Christmas period.

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	Note	2013 £000's	2012 £000's
Revenue	1.1	**10,719**	**10,440**
Cost of sales	1.2	(3,378)	(3,047)
Overheads	1.3	(620)	(570)
EBITDA before sinking fund		6,721	6,823
Sinking fund		(551)	(486)
EBITDA		6,170	6,337
Depreciation		(672)	(623)
Profit / (loss) before financing costs		5,498	5,714
Interest income		124	-
Bank debt interest	14	(2,616)	(5,247)
Bond note interest	1.4	(2,242)	-
Subordinated debt interest	1.4	(2,200)	(2,056)
Interest provision write back	1.4	4,056	-
Termination of hedging arrangements	1.4	(38,636)	-
Amortisation of debt issue costs	1.5	(74)	-
Profit / (loss) before tax		**(36,090)**	**(1,589)**
Tax	1.6	300	(300)
Profit / (loss) for the year		**(35,790)**	**(1,889)**

Nottingham

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

ET – Estate Transfer
NB – New Build

Balance sheet	Note	2013 £000's	2012 £000's
Assets	1.7	101,400	101,400
Current assets		3,229	4,650
Current liabilities, excluding senior debt		(1,573)	(6,418)
Senior debt and other long term liabilities			
Bank debt	1.4	-	(82,826)
Fixed rate debt	1.4	(74,726)	-
Index linked debt	1.4	(17,607)	-
Subordinated debt	1.4	(32,039)	(22,137)
Debt issue costs	1.5	2,745	-
Deferred tax	1.6	-	(300)
Net assets / (liabilities)		**(18,571)**	**(5,631)**
Share capital		22,881	702
Revaluation reserve		12,007	11,412
Profit and loss account		(53,459)	(17,745)
Shareholders' funds		**(18,571)**	**(5,631)**

Notes

1.1 The increase in turnover to £10.7m (2012: £10.4m) is the result of rental indexation and securing more short-term bookings than the previous year.

1.2 Cost of sales has increased to £3.4m (2012: £3.0m) on the basis of increasing utility unit rates and an exceptionally cold spring. The increase in utility costs will be passed through to student rents as part of the rent setting process for the academic term 2014.

1.3 Overheads have increased to £620k (2012: £570k)

1.4 The previous bank facility was repaid with the proceeds of the bond issue. All hedging arrangements associated with this bank facility were terminated leading to the one-off exceptional item. At the same time there was a significant injection of £9.9m of subordinated loan notes into the company.

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 Tax losses were increased in the year due to the termination of hedging arrangements which resulted in the reversal of the deferred tax provision.

1.7 The tangible assets are held at the professional valuation for the prior year of £101.4m.

Initial senior Debt Service Cover Ratio (DSCR)

	2013 £000's
EBITDA per P&L	6,170
Add:	
Sinking fund expenditure	551
Interest receivable	2
Deduct:	
Sinking fund deposit	(635)
Total movement	(82)
Total cash available for debt service	6,088
Debt service	
Fixed rate debt interest	**3,564**
Indexed linked debt	468
Total debt service	4,032
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	1.05
ADSCR – lock up	1.15
ADSCR – actual	1.51
Headroom over default	1,856
Headroom over lock up	1,453

The Initial Senior Debt Service Cover Ratio for 2013 has been calculated as per the definition in the Common Terms Agreement, in that for the purposes of the calculation it is assumed that the bond debt has been in place for the whole year.

Key metrics

Area	Metric	2012/13	2011/12
Site operations	Occupancy	98%	99%
Finance	EBITDA	£6.7m	£6.8m
	ADSCR	1.51	1.21
Health and safety	Accident frequency rate	0.00	0.84
Environment	Tonnes of CO_2 emissions	3,278	3,082
FM performance	Performance deductions	None	None
	Availability deductions	None	None

**EBITDA before sinking fund expenditure*

Finance
EBITDA before sinking fund is £6.7m (2012: £6.8m) which is driven by rental increases above RPI and securing high occupancy, albeit offset by rising utility costs. The ADSCR has increased to 1.51 (2012: 1.21) demonstrating strong cash flows year on year.

Health and safety
There were no reportable accidents for 2013 (2012: 0.84).

The health and safety framework the company is required by law to report against is RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995).

The accident frequency rate represents the number of reportable incidents per man hour worked. UPP have implemented a proactive culture in the reporting of incidents in accordance with RIDDOR to lower the overall strategic target set by the Board.

Environment
The metric represents the amount of CO_2 that has been emitted through the use of electricity and gas at the halls of residences and is calculated in line with the Carbon Trust standard. The year on year increase is due to an unseasonably cold spring which meant consumption was higher than the previous year. UPP monitor the CO_2 emissions periodically and actively look to reduce these year on year.

FM performance
FM performance is line with expectations and there have been no deductions relating to service delivery. UPP have a structured liaison process in place with the University, including regular meetings with senior University officers and operational managers, to ensure the current excellent relationship continues.

The UPP site team is stable with a low turnover of staff and relationships with their University counterparts remain strong.

Sinking fund
Sinking fund expenditure for the year was £551k (2012: £486k). The movement between years relates to the replacement cycle of the assets. Levels of annual spend are not directly comparable year on year. Major works during the year included a complete refresh of 169 bedrooms at the Albion House residence which included the common areas, new carpeting and decoration.

Outlook for the new financial year
The company has secured occupancy of 100% for 2013/14 which is above modelled expectations. Rents for the academic year 2014/15 will be set during Q2 of 2013/14.

University outlook

The City of Nottingham remains one of the most popular destinations for students in the UK and the University benefits from this and from its world class reputation, with 7.3 applications received for each academic place in 2012/13. The number of academic offers made to Home and EU students for 2013/14 have increased by 4% on the previous year and the University exceeded its recruitment of ABB students available under margin arrangements.

The academic year 2013/14 represented the first year of credit and void risk passing to the University in line with arrangements at other AssetCos in the portfolio. This saw the accommodation oversubscribed and in turn the accommodation was 100% occupied.

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

www.nottingham.ac.uk/about/values/universityvalues.aspx

UPP (Kent Student Accommodation) Ltd, University of Kent

Profit and loss	Note	2013 £000's	2012 £000's
Revenue	1.1	**3,134**	**2,948**
Cost of sales	1.2	(936)	(858)
Overheads	1.3	(143)	(194)
EBITDA before sinking fund		**2,055**	**1,896**
Sinking fund		(92)	(38)
EBITDA		**1,963**	**1,858**
Depreciation		(154)	(69)
Profit / (loss) before financing costs		**1,809**	**1,789**
Interest income		17	-
Bank debt interest	1.4	(706)	(1,465)
Bond note interest	1.4	(686)	-
Subordinated debt interest	1.4	(632)	(393)
Interest provision write back	1.4	1,050	-
Termination of hedging arrangements	1.4	(9,641)	-
Amortisation of debt issue costs	1.5	(37)	-
Profit / (loss) before tax		**(8,826)**	**(69)**
Tax		-	-
Profit / (loss) for the year		**(8,826)**	**(69)**

Kent

544 ROOMS OCTOBER 2007 **NB**

NB – New Build

Balance sheet		2013	2012
	Note	£000's	£000's
Assets	1.6	30,780	30,780
Current assets		1,625	1,669
Current liabilities, excluding senior debt		(676)	(1,282)
Senior debt and other long term liabilities			
Bank debt	1.4	-	(24,823)
Fixed rate debt	1.4	(23,110)	-
Index linked debt	1.4	(5,088)	-
Subordinated debt	1.4	(9,203)	(3,132)
Debt issue costs	1.5	1,309	-
Net assets / (liabilities)		**(4,363)**	**3,212**
Share capital		1,381	285
Revaluation reserve		4,021	3,876
Profit and loss account		(9,765)	(949)
Shareholders' funds		**(4,363)**	**3,212**

Notes

1.1 The increase in turnover to £3.1m (2012: £2.9m) is the result of rental indexation and securing 100% occupancy.

1.2 Cost of sales has increased to £936k (2012: £858k) on the basis of increasing utility unit rates and an exceptionally cold spring. The increase in utility costs will be passed through to rents as part of the rent setting process for the academic term 2014/15.

1.3 Overheads have decreased to £143k (2012: £194k)

1.4 The previous bank facility was repaid with the proceeds of the bond issuance. All hedging arrangements associated with this bank facility were terminated which in turn led to the one-off exceptional item. At the same time there was a significant injection of £6m of subordinated loan notes into the company.

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 prior year of £30.8m.

Initial senior Debt Service Cover Ratio (DSCR)

	2013 £000's
EBITDA per P&L	**1,963**
Add:	
Sinking fund expenditure	92
Interest receivable	1
Deduct:	
Sinking fund deposit	(21)
Total movement	**72**
Total cash available for debt service	**2,035**
Debt service	
Fixed rate debt interest	1,105
Fixed rate debt principle repayment	131
Indexed linked debt	135
Total debt service	**1,371**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	1.05
ADSCR – lock up	1.15
ADSCR – actual	1.48
Headroom over default	594
Headroom over lock up	457

The Initial Senior Debt Service Cover Ratio for 2013 has been calculated as per the definition in the Common Terms Agreement, in that for the purposes of the calculation it is assumed that the bond debt has been in place for the whole year.

Key metrics

Area	Metric	2012/13	2011/12
Site operations	Occupancy	100%	100%
Finance	EBITDA*	£2.0m	£1.9m
	ADSCR	1.48	1.21
Health and safety	Accident frequency rate	0.00	0.00
Environment	Tonnes of CO_2 emissions	774	747
FM performance	Performance deductions	None	None
	Availability deductions	None	None

**EBITDA before sinking fund expenditure*

Finance
EBITDA is £2.1m (2012: £1.9m) which is driven by rent increases above RPI and securing 100% occupancy. The ADSCR is 1.48 (2012: 1.21) demonstrating strong cash flows year on year.

Health and safety
The accident frequency rate was nil during the period (2012: nil).

The health and safety framework the company is required by law to report against is RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995).

The accident frequency rate represents the number of reportable incidents per man hour worked. UPP have implemented a proactive culture in the reporting of incidents in accordance with RIDDOR to lower the overall strategic target set by the Board.

Environment
The metric represents the amount of CO_2 that has been emitted through the use of electricity and gas at the residences and is calculated in line with the Carbon Trust standard. The year on year increase is due to an unseasonably cold spring leading to higher rates of consumption than the previous year. UPP monitor CO_2 emissions periodically and actively look to reduce these year on year.

FM performance
FM performance is line with expectations and there have been no deductions relating to service delivery. UPP have a structured liaison process in place with the University, including regular meetings with senior University officers and operational managers, to ensure the current excellent relationship continues. The UPP site team is stable with a low turnover of staff.

Sinking Fund
The sinking fund expenditure for the year was £92k (2012: £38k), the movement between years relates to the variable replacement cycle of the assets. Annual spend is not directly comparable year on year. Major works during the year comprised of a complete refresh of the common areas of the estate. These included kitchens, fixtures and fittings, as well as mechanical plant works.

Outlook for the new financial year
The company has secured occupancy of 100% for 2013/14 which is above modelled expectations. Rents for the academic year 2014/15 will be set during Q2 of 2013/14.

University outlook

The University, located on its self-contained campus in Canterbury, continues to prove popular with students. With a student to bed ratio of 2.2:1 and academic applications to places ratio of 5.2:1, Kent remains popular with undergraduates and postgraduates alike. The results from the 2013 National Student Survey (NSS) have confirmed its position amongst the top ten multi-faculty universities placing it amidst a select band of institutions that have achieved an overall score in excess of 90%. Kent was ranked 33 in the Sunday Times Good University Guide and 20 in the Guardian equivalent. The University has recently established a new research consortium in a move that brings the university together with the universities of Essex and East Anglia. The Eastern Academic Research Consortium will provide new research and training resources, which in turn will make the university still more attractive to postgraduate students.

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

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

UPP (Nottingham) Limited, Nottingham Trent University

Profit and loss		**2013**	2012
	Note	**£000's**	£000's
Revenue	1.1	**12,430**	**11,959**
Cost of sales	1.2	(4,772)	(4,469)
Overheads	1.3	(361)	(370)
EBITDA before sinking fund		**7,297**	**7,120**
Sinking fund		(898)	(1,157)
EBITDA		**6,399**	**5,963**
Depreciation		(656)	(631)
Amortisation		(8)	(12)
Profit / (loss) before financing costs		**5,735**	**5,320**
Interest income		(80)	23
Bank debt interest	1.4	(2,792)	(5,652)
Bond note interest	1.4	(2,410)	-
Subordinated debt interest	1.4	(2,550)	(1,695)
Interest provision write back	1.4	3,736	-
Pension finance costs	1.4	(23)	(24)
Termination of hedging arrangements	1.4	(32,579)	-
Amortisation of debt issue costs	1.5	(83)	-
Profit / (loss) before tax		**(31,046)**	**(2,028)**
Tax		2	9
Profit / (loss) for the year		**(31,044)**	**(2,019)**

Nottingham Trent

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

ET – Estate Transfer
NB – New Build

Balance sheet	Note	2013 £000's	2012 £000's
Assets	1.7	106,499	106,507
Current assets		4,699	5,752
Current liabilities, excluding senior debt		(3,316)	(7,524)
Senior debt and other long term liabilities			
Bank debt	1.4	-	(91,368)
Fixed rate debt	1.4	(79,425)	-
Index linked debt	1.4	(19,807)	-
Subordinated debt	1.4	(37,137)	(14,165)
Debt issue costs	1.5	2,870	-
Pension liability	1.6	(878)	(838)
Net assets / (liabilities)		**(26,495)**	**(1,636)**
Share capital		5,597	82
Revaluation reserve		13,703	13,131
Profit and loss account		(45,795)	(14,849)
Shareholders' funds		**(26,495)**	**(1,636)**

Notes

1.1 The increase in turnover to £12.4m (2012: £12.0m) is the result of rental indexation and the company achieving 100% occupancy.

1.2 Cost of sales has increased to £4.8m (2012: £4.5m) on the basis of increasing utility unit rates and an exceptionally cold spring. The increase in utility costs will be passed through to student rents as part of the rent setting process ahead of the academic year 2014.

1.3 Overheads have remained consistent £361k (2012: £370k).

1.4 The previous bank facility was repaid with the proceeds of the bond issuance. All hedging arrangements associated with this bank facility were terminated leading to the one-off exceptional item. At the same time there was a significant injection of £23m of subordinated loan notes into the company.

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 of the previous year of £106.2m. The total decrease on assets relate to amortisation of goodwill during the period.

Initial senior Debt Service Cover Ratio (DSCR)

	2013 £000's
EBITDA per P&L	**6,399**
Add:	
Sinking fund expenditure	899
Interest receivable	3
Deduct:	
Sinking fund deposit	(164)
Total movement	738
Total cash available for debt service	**7,137**
Debt service	
Fixed rate debt interest	3,788
Indexed linked debt	527
Total debt service	**4,315**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	1.05
ADSCR – lock up	1.15
ADSCR – actual	1.65
Headroom over default	2,605
Headroom over lock up	2,174

The Initial Senior Debt Service Cover Ratio for 2013 has been calculated as per the definition in the Common Terms Agreement. For the purposes of the calculation it is assumed that the bond debt has been in place for the whole year.

Key metrics

Area	Metric	2012/13	2011/12
Site operations	Occupancy	100%	100%
Finance	EBITDA	£7.3m	£7.1m
	ADSCR	1.65	1.21
Health and safety	Accident frequency rate	0.47	0.98
Environment	Tonnes of CO_2 emissions	3,583	3,424
FM performance	Performance deductions	None	None
	Availability deductions	None	None

**EBITDA before sinking fund expenditure*

Finance

EBITDA before sinking fund is £7.3m (2012: £7.1m) which is driven by rental increases above RPI and securing 100% occupancy. The ADSCR is 1.65 (2012: 1.21) demonstrating strong cash flows year on year.

Health and safety

The accident frequency rate decreased to 0.47 during the period (2012: 0.98).

The health and safety framework the company is required by law to report against is RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995).

The accident frequency rate represents the number of reportable incidents per man hour worked. UPP have implemented a proactive culture in the reporting of incidents in accordance with RIDDOR to lower the overall strategic target set by the Board.

Environment

The metric represents the amount of CO_2 that has been emitted through the use of electricity and gas at the AssetCo residences and is calculated in line with the Carbon Trust standard. The year on year increase is due to an unseasonably cold spring meaning that consumption was higher than the previous year. UPP monitor the CO_2 emissions periodically and actively look to reduce these year on year.

FM performance

FM performance is line with expectations and there have been no deductions relating to service delivery. UPP have a structured liaison process in place with the University, including regular meetings with senior University officers and operational managers, to ensure the current excellent relationship continues.

The UPP site team is stable with a low turnover of staff and relationships with their University counterpart's remain strong.

Sinking fund

The sinking fund spend for the year was £898k (2012: £1,157k). The movement between years relates to the replacement cycle of the assets. Annual spend is not comparable year on year. Major works during the year included the replacement of the fire alarms at Peverell Hall and various bedroom, bathroom and kitchen fixtures and fittings.

Outlook for the new financial year

The company has secured occupancy of 100% for 2013/14 which is above modelled expectations. Rents for the academic year 2014/15 will be set during Q2 of 2013/14.

University outlook

The University continues to be one of the leading new universities and has seen its Sunday Times Good University Guide position for 2014 improve by 17 places to 61. The University has continued to pursue its strategy of becoming a selective institution, concurrently increasing recruitment targets by 800 new students to 6,600 per annum for 2013, whilst halving the number of students recruited through clearing. NTU can boast a students to bed ratio of 4.1:1 and an academic applications to places ratio of 5.6:1.

The University continues to invest heavily in facilities to improve, still further, the student experience and in September 2013 opened a new Students Union building, which includes bars, a night club, a gym, sports facilities and residential accommodation. The University has agreed with the City Council that a paved streetscape will be developed adjacent to the Students Union and this will provide an attractive and coherent university quarter.

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

www.ntu.ac.uk/about_ntu/strategy/strategic_plan/index.html

UPP (Oxford Brookes) Limited, Oxford Brookes University

Profit and loss	Note	2013 £000's	2012 £000's
Revenue	1.1	**3,848**	**3,860**
Cost of sales	1.2	(793)	(889)
Overheads	1.3	(154)	(190)
EBITDA before sinking fund		**2,901**	**2,781**
Sinking fund		(217)	(293)
EBITDA		**2,684**	**2,488**
Depreciation		(204)	(157)
Profit / (loss) before financing costs		**2,480**	**2,331**
Interest income		(3)	-
Bank debt interest	1.4	(990)	(2,031)
Bond note interest	1.4	(961)	-
Subordinated debt interest	1.4	(918)	(480)
Interest provision write back	1.4	929	-
Termination of hedging arrangements	1.4	(15,314)	-
Amortisation of debt issue costs	1.5	(46)	-
Profit / (loss) before tax		**(14,823)**	**(180)**
Tax	1.6	386	(386)
Profit / (loss) for the year		**(14,437)**	**(566)**

Oxford Brookes

751 ROOMS SEPTEMBER 2002 **NB**

NB – New Build

Balance sheet	Note	2013 £000's	2012 £000's
Assets	1.7	38,800	38,800
Current assets		2,617	2,572
Current liabilities, excluding senior debt		(1,053)	(1,399)
Senior debt and other long term liabilities			
Bank debt	1.4	-	(33,496)
Fixed rate debt	1.4	(31,333)	-
Index linked debt	1.4	(7,923)	-
Subordinated debt	1.4	(13,378)	(3,537)
Debt issue costs	1.5	1,567	-
Deferred tax	1.6	-	(386)
Net assets / (liabilities)		**(10,703)**	**2,554**
Share capital		1,206	230
Revaluation reserve		7,692	7,528
Profit and loss account		(19,601)	(5,204)
Shareholders' funds		**(10,703)**	**2,554**

Notes

1.1 The decrease in turnover to £3.8m (2012: £3.9m) is the result of the pass through to rents of cost savings on benchmarking of the FM contract. The University secures this benefit in return for nominating all of the rooms.

1.2 Cost of sales decreased to £793k (2012: £889k) on the basis of the reduction of FM costs as described in note 1.1.

1.3 Overheads have decreased to £154k (2012: £190k)

1.4 The previous bank facility was repaid with the proceeds of the bond issuance. All hedging arrangements associated with this bank facility were terminated leading to the one-off exceptional item. At the same time there was a significant injection of £9.8m of subordinated loan notes into the company.

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 Tax losses were increased during the year due to the termination of hedging arrangements resulting in the reversal of the deferred tax provision.

1.7 The tangible assets are held at the professional valuation for the previous year of £38.8m

Initial senior Debt Service Cover Ratio (DSCR)

	2013 £000's
EBITDA per P&L	**2,684**
Add:	
Sinking fund expenditure	217
Interest receivable	1
Deduct:	**-**
Total movement	**218**
Total cash available for debt service	**2,902**
Debt service	
Fixed rate debt interest	1,508
Fixed rate debt principle repayment	564
Indexed linked debt	210
Total debt service	**2,282**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	1.05
ADSCR – lock up	1.15
ADSCR – actual	1.27
Headroom over default	506
Headroom over lock up	278

The Initial Senior Debt Service Cover Ratio for 2013 has been calculated as per the definition in the Common Terms Agreement, in that for the purposes of the calculation it is assumed that the bond debt has been in place for the whole year.

Key metrics

Area	Metric	2012/13	2011/12
Site operations	Occupancy	100%	100%
Finance	EBITDA	£2.9m	£2.8m
	ADSCR	1.27	1.28
Health and safety	Accident frequency rate	0.00	0.00
Environment	Tonnes of CO_2 emissions	958	884
FM performance	Performance deductions	None	None
	Availability deductions	None	None

Finance

EBITDA before sinking fund is £2.9m (2012: £2.8m) driven by reductions in facilities management and lifecycle expenditure. The ADSCR of 1.27 is in line with the previous year (2012: 1.28) demonstrating strong cash flows year on year.

Health and safety

The accident frequency rate was nil in the period (2012: nil).

The health and safety framework the company is required by law to report against is RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995).

The accident frequency rate represents the number of reportable incidents per man hour worked. UPP have implemented a proactive culture in the reporting of incidents in accordance with RIDDOR to lower the overall strategic target set by the Board.

Environment

The metric represents the amount of CO_2 that has been emitted through the use of electricity and gas at the residences and is calculated in line with the Carbon Trust standard. The year on year increase is due to an unseasonably cold spring which led to consumption being higher than previous year. UPP monitor the CO_2 emissions periodically and actively look to reduce these year on year.

FM performance

FM performance is line with expectations and there have been no deductions relating to service delivery. UPP have a structured liaison process in place with the University, including regular meetings with senior University officers and operational managers, to ensure the existing excellent relationship continues. The UPP site team is stable with a low turnover of staff.

Sinking Fund

Sinking fund expenditure for the year was £217k (2012: £293k). The movement between years relates 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 of kitchens across the estate.

Outlook for the new financial year

The company has secured occupancy of 100% for 2013/14 which is in line with modelled expectations. Rents for 2014/15 will be set in October 2014 as part of the controlled rent.

University outlook

Oxford Brookes University remains one of the most popular new universities in the UK, with the Sunday Times Good University Guide voting it Best New University for 11 of the previous 13 years. It remains one of the elite modern universities improving its position by two places in 2014 to enter the top fifty. This popularity is also reflected in an average of 7.4 academic applications being received for each university place on offer for 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 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, University of Plymouth

Profit and loss	Note	2013 £000's	2012 £000's
Revenue	1.1	**7,832**	**7,495**
Cost of sales	1.2	(2,358)	(2,184)
Overheads	1.3	(346)	(421)
EBITDA before sinking fund		**5,128**	**4,890**
Sinking fund		(340)	(470)
EBITDA		**4,788**	**4,420**
Depreciation		(241)	(241)
Amortisation		(37)	(36)
Profit / (loss) before financing costs		**4,510**	**4,143**
Interest income		38	-
Bank debt interest	1.4	(1,733)	(3,639)
Bond note interest	1.4	(1,700)	-
Subordinated debt	1.4	(1,823)	(874)
Interest provision write back	1.4	1,971	-
Termination of hedging arrangements	1.4	(26,877)	-
Amortisation of debt issue costs	1.5	(63)	-
Profit / (loss) before tax		**(25,677)**	**(370)**
Tax	1.6	706	(89)
Profit / (loss) for the year		**(24,971)**	**(459)**

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	Note	2013 £000's	2012 £000's
Assets	1.7	83,730	83,767
Current assets		2,592	3,751
Current liabilities, excluding senior debt		(531)	(2,566)
Senior debt and other long term liabilities			
Bank debt	1.4	-	(62,923)
Fixed rate debt	1.4	(56,165)	-
Index linked debt	1.4	(13,821)	-
Subordinated debt	1.4	(26,551)	(6,446)
Debt issue costs	1.5	2,227	-
Deferred tax	1.6	-	(706)
Net assets / (liabilities)		**(8,519)**	**14,877**
Share capital		2,034	699
Revaluation reserve		19,769	19,558
Profit and loss account		(30,322)	(5,380)
Shareholders' funds		**(8,519)**	**14,877**

Notes

1.1 The increase in turnover to £7.8m (2012: £7.5m) is the result of rental indexation and securing 100% occupancy.

1.2 Cost of sales has increased to £2.4m (2012: £2.2m) on the basis of increasing utility unit rates and an exceptionally cold spring. The increase in utility costs will be passed through to student rents for the academic term 2014.

1.3 Overheads have decreased to £346k (2012: £421k)

1.4 The previous bank facility was repaid with the proceeds of the bond issuance. All hedging arrangements associated with this bank facility were terminated leading to the one-off exceptional item. At the same time there was a significant injection of £20m of subordinated loan notes into the company.

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 Tax losses were increased in the year due to the termination of hedging arrangements which resulted in the reversal of the deferred tax provision.

1.7 The tangible assets are held at the professional valuation for the previous year of £82.1m, with the total decrease on assets attributable to amortisation of goodwill in the period.

Initial senior Debt Service Cover Ratio (DSCR)

	2013 £000's
EBITDA per P&L	**4,788**
Add:	
Sinking fund expenditure	340
Interest receivable	2
Deduct:	
Sinking fund deposit	(619)
Total movement	**(277)**
Total cash available for debt service	**4,511**
Debt service	
Fixed rate debt interest	2,679
Indexed linked debt	367
Total debt service	**3,046**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	1.05
ADSCR – lock up	1.15
ADSCR – actual	1.48
Headroom over default	1,313
Headroom over lock up	1,008

The Initial Senior Debt Service Cover Ratio for 2013 has been calculated as per the definition in the Common Terms Agreement, in that for the purposes of the calculation it is assumed that the bond debt has been in place for the whole year.

Key metrics

Area	Metric	2012/13	2011/12
Site operations	Occupancy	100%	100%
University data	Applications: acceptance ratio	4.47:1	4.26:1
	Core demand pool	14,167	13,424
Finance	EBITDA	£5.1m	£4.9m
	ADSCR	1.48	1.28
Health and safety	Accident frequency rate	0.00	0.00
Environment	Tonnes of CO_2 emissions	2,030	2,029
FM performance	Performance deductions	None	None
	Availability deductions	None	None

Finance
EBITDA before sinking fund is £5.1m (2012: £4.9m) which is driven by rental increases above RPI and securing 100% occupancy. The ADSCR is 1.49 (2012: 1.28) demonstrating strong cash flows year on year.

Health and safety
There were no reportable accidents for 2013 (2012: nil).

The health and safety framework the company is required by law to report against is RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995).

The accident frequency rate represents the number of reportable incidents per man hour worked. UPP have implemented a proactive culture in the reporting of incidents in accordance with RIDDOR to lower the overall strategic target set by the Board.

Environment
The metric represents the amount of CO_2 that has been emitted through the use of electricity and gas at the residences and is calculated in line with the Carbon Trust standard. The year on year increase is due to an unseasonably cold spring which meant consumption was higher than the previous year. UPP monitor the CO_2 emissions periodically and actively look to reduce them year on year.

FM performance
FM performance is line with expectations and there have been no deductions relating to service delivery. UPP have a structured liaison process in place with the University, including regular meetings with senior University officers and operational managers, to ensure the excellent relationship continues. The UPP site team is stable with a low turnover of staff and relationships with their University counterpart's remains strong.

Sinking fund
The sinking fund expenditure for the year was £340k (2012: £470k). The movement between years relates to the replacement cycle of the assets. Levels of annual spend are comparable year on year. Major works during the year included the replacement of bedroom, bathroom and kitchen fixtures and fittings.

Outlook for the new financial year
The company has secured occupancy of 100% for 2013/14 which is above modelled expectations. Rents for the academic year 2014/15 will be set during Q2 of 2014.

University outlook

Fundamentally embedded in the local and regional economy, Plymouth University is positioning itself as an institution closely linked to business and enterprise. The University has both national and international appeal with 4.5 applications received for every academic place on offer. For the academic year 2013/14, the University have confirmed that they have surpassed their ABB target by approximately 10% - the equivalent of approximately 100 students above its target of 529. Plymouth's success builds on its improvement in The Times Higher Education's 100 Under 50 ranking for modern universities, in which it improved by seven places to 53 globally, and 7 in the UK.

One highlight for the University this academic year was the opening of the Peninsula Schools of Medicine and Dentistry, which welcomed its first cohort of medical and dental students during September 2013. There remains a significant shortage of purpose built accommodation for students across the City and this underpins a strong student to bed ratio of 3.7:1.

During the summer of 2013 the University outlined its intention to roll out WiFi across their residential estate (including UPP accommodation). The programme of works and approvals were put in place during the summer and the installation completed during the start of the 2013/14 academic year.

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

www1.plymouth.ac.uk/ouruniversity/strategy/Pages/default.aspx

Students living on campus at University of York in UPP accommodation

UPP Bond 1 Holdings Limited

Non-statutory consolidated financial statements for the year ended 31 August 2013

APPENDIX 2

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
	Milton Keynes
	Buckinghamshire
	MK9 1LW
–	–
Registered office	40 Gracechurch Street
	London
	EC3V 0BT

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

Directors' report

The directors present their non-statutory consolidated financial statements for the period from October 2012 to 31 August 2013.

Results, principal activity and review of the business

The company was incorporated on October 2012 and commenced trading on 5 March 2013.

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

The group incorporated wholly owned subsidiaries UPP Bond 1 Issuer plc and UPP Bond 1 Limited on 16 October 2012.

The group acquired by way of share for share exchange the holdings 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 from UPP Group Limited on 5 March 2013. On the same day the group acquired the minority interests held by University of York and Nottingham Trent University in UPP (Alcuin) Limited and UPP (Nottingham) Limited respectively for cash consideration.

On 5 March 2013 UPP Bond 1 Issuer plc entered into a £382.1m issuance of fixed rate and index-linked secured notes, listed on the Irish Stock Exchange. These funds were on-lent to the six companies acquired from UPP Group Limited to enable them to repay their bank facilities and some associated costs.

In addition, the group issued £125,361,000 unsecured loan notes to the parent company, UPP Group Limited, and utilised these funds to provide loan note funding to these six companies to enable them to meet their remaining outstanding costs associated with the repayment of those bank facilities. More details of this loan note funding is included in note 16.

The group's loss for the period attributable to shareholders and reported in the financial statements is £7,808,000.

Of this loss, £8,300,000 is attributable to interest on sub-ordinated debt, of which only £1,963,668 was paid on 13 September 2013. This result is in line with modelled projections where the coupon on the subordinated debt is paid over the life of the concession. As detailed in the going concern note, the directors have reviewed the financial projections for the life of the subsidiary undertakings and satisfied themselves that all liabilities will be met and expected returns on shareholder investment will be realised.

Included in the consolidated statement of cash flows are payments of £141.141m for the termination of hedging arrangements which crystallised on the repayment of historic banking facilities. This one-off cost reflected the fair value of the historic Interest Rate and RPI swaps held by subsidiary undertakings. The subsidiaries now benefit from a lower interest rate on senior debt and new RPI swaps.

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.

Key performance indicators

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:

	2012/13
Average Applications: Acceptance ratio	6.10:1

The indicator above is directly related to performance of the relevant university partners of these subsidiary undertakings and any changes in this statistic may potentially affect the performance of that company.

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

	2012/13
Average occupancy across all facilities	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 (see below).

Inflation rate risk

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

Liquidity risk

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

The maturity of borrowings is set out in note 16 to the financial statements.

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.

Dividend

The directors do not propose the payment of a dividend.

Directors and their interests

The directors holding office during the period ended 31 August 2013 and subsequently are:

G Behr (Appointed 15 October 2012)
J Benkel (Appointed 15 October 2012)
S O'Shea (Appointed 15 October 2012)
SFM Directors Limited (Appointed 15 February 2013)

At 31 August 2013, none of the directors had any beneficial interests in the shares of the company or in any of the group companies.

Creditor payment terms

When entering into commitments for the purchase of services and goods, the group gives due consideration to quality, price and the terms of payment. Suppliers are made aware of these terms. The company abides by these terms whenever it is satisfied that suppliers have provided the services or goods in accordance with such agreed terms and conditions. In the event of disputes, efforts are made to resolve these quickly. The average creditor days in the period were 30 days.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom 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.

In so far as each of the directors is aware:

- there is no relevant audit information of which the company's auditor is unaware
- 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 reappoint Grant Thornton UK LLP as auditor in accordance with section 485 of the Company Act 2006.

On behalf of the Board

Gabriel Behr
Director
16 December 2013

Independent auditor report

We have audited the non-statutory consolidated financial statements of UPP Bond 1 Holdings Limited for the period ended 31 August 2013 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 set out in the Director's report, 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 2013 and of its loss for the period 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	Period ended 31 August 2013 £'000
Turnover	2	**22,321**
Cost of sales		**(6,936)**
Gross profit		**15,385**
Operating expenses		**(5,237)**
Operating profit	6	**10,148**
Interest receivable & similar income	7	**33**
Interest payable & similar charges	8	**(17,991)**
Loss on ordinary activities before taxation		**(7,810)**
Tax credit on loss on ordinary activities	9	**2**
Loss for the financial period	19(a)	**(7,808)**

The above results all relate to continuing operations.

Consolidated statement of total recognised gains and losses

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

Consolidated balance sheet

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

The financial statements were approved by the board on 16 December 2013 and were signed on its behalf by:

Gabriel Behr

Director

Company balance sheet

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

The financial statements were approved by the board on 16 December 2013 and were signed on its behalf by:

Gabriel Behr
Director

Registered No: 08253967

Consolidated statement of cash flows

	Notes	Period ended 31 August 2013 £'000
Net cash flow from operating activities	22(a)	**5,952**
Returns on investments and servicing of finance		
Interest received		33
Interest paid		(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		**(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		**(127,881)**
Financing		
Cash outflow from repayment of senior debt		(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		**153,636**
Increase in cash during year	22(c)	**25,755**

Notes to the non-statutory consolidated financial statements

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 period ended 31 August 2013 but is derived from the statutory accounts of the entity and its subsidiary undertakings for the period ended 31 August 2013. 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 an other 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 period was £153,000.

(d) Intangible fixed 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 asset is treated as a tangible fixed asset.

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, from the date that the group was acquired by UPP Bond 1 Holdings Limited.

(n) Defined contribution pension scheme

The group makes contributions to the Nottinghamshire County Council Pension Fund ("NCCPF") in respect of 57 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 £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 period up to 31 August 2013. An amount of £1,000 related to the services provided to the company during the same period.

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

4. Auditor remuneration

	Period ended 31 August 2013
	£'000
Fees payable to the Company's auditor for the audit of the company's annual accounts	8
Fees payable to the Company's auditor and its associates for other services:	
Audit of the company's subsidiaries	71
Tax services	28
	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 period.

5. Employee information

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

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

The employment costs of all employees included above were:

	Period ended 31 August 2013
	£'000
Wages and salaries	2,003
Social security costs	152
Other pension costs	67
	2,222

6. Operating profit

The operating profit is stated after charging:

	Period ended 31 August 2013
	£'000
Depreciation	1,074
Amortisation of goodwill	1,383

7. Interest receivable and similar income

	Period ended 31 August 2013
	£'000
Bank interest	33

8. Interest payable and similar charges

	Period ended 31 August 2013
	£'000
Interest payable on senior secured notes	8,377
Indexation of index-linked senior secured notes	927
Subordinated loan interest	8,300
Pension finance costs (note 20)	23
Amortisation of debt issue costs	364
	17,991

9. Tax on loss on ordinary activities

	Period ended 31 August 2013 £'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)
Rate difference – defined pension scheme relief	11
Total deferred tax	(2)
Tax credit on loss on ordinary activities	
	(2)

(b) Factors affecting current tax credit for the period

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

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

(c) Factors that may affect future tax charges

A deferred tax asset of £24,112,000 in respect of available tax losses has not been recognised at 31 August 2013. 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 5 October 2012	-
Goodwill on acquisition	101,967
At 31 August 2013	**101,967**
Amortisation	
At 5 October 2012	-
Charge for the period	1,383
At 31 August 2013	**1,383**
Net book value	
At 31 August 2013	**100,584**
At 5 October 2012	-

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. Further details on the acquisition can be found in note 21.

11. Tangible fixed assets

	Assets for use in operating leases
	£'000
Cost or valuation	
At 5 October 2012	-
Acquired through acquisition of subsidiary undertakings	414,756
Revaluation	984
At 31 August 2013	**415,740**
Depreciation	
At 5 October 2012	-
Charge during the period	(1,074)
Revaluation	1,074
At 31 August 2013	-
Net book value	
At 31 August 2013	**415,740**
At 5 October 2012	-

Assets used in operating leases were independently valued by Jones Lange LaSalle ("JLL"), Chartered Surveyors, on an existing use basis at 31 August 2012, and the amount acquired through acquisition of subsidiary undertakings represents these revalued amounts. Following an internal review of the assets used in operating leases, the directors have decided to revalue the assets to the value as determined as at 31 August 2012.

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 2013
	£'000
Cost	**414,756**
Depreciation	(1,074)
Net book value	413,682

12. Investments

	Interest in subsidiary undertakings
	£'000
Company	
At 5 October 2012	-
Additions	36,849
At 31 August 2013	**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 2013	31 August 2013
	£'000	£'000
	Group	Company
Trade debtors	178	-
VAT receivable	37	-
Amounts owed by subsidiary companies	-	8,453
Prepayments and accrued income	326	-
	541	8,453

14. Debtors: amounts falling due after one year

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

15. Creditors: amounts falling due within one year

	31 August 2013	31 August 2013
	£'000	£'000
	Group	Company
Fixed rate senior secured notes	2,280	-
Trade creditors	189	-
Amounts owed to related parties	3,954	-
Amounts owed to immediate parent company	8,300	8,300
VAT payable	5	-
Accruals and deferred income	3,087	-
	17,815	8,300

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

	31 August 2013	31 August 2013
	£'000	£'000
	Group	Company
Fixed rate senior secured notes	306,389	-
Index-linked senior secured notes	75,927	-
Unsecured loan notes	125,361	125,361
Less: unamortised debt issue costs	(12,585)	-
	495,092	125,361
Less: included in creditors amounts falling due within one year	(2,280)	-
	492,812	125,361
Maturity of debt		
Repayable within one year or on demand	2,280	-
Repayable in more than one year but less than two years	2,560	-
Repayable in more than two years but less than five years	11,651	-
Repayable in more than five years	491,186	125,361
Less: unamortised debt issue costs	(12,585)	-
	495,092	125,361
Less: included in creditors amounts falling due within one year	(2,280)	-
	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 an 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.

Unsecured loan notes

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 2013	31 August 2013
	£'000	£'000
	Group	Company
At 15 October 2012	-	-
Charged to profit & loss account	-	-
At 31 August 2013	**-**	**-**

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

18. Called up share capital

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

On 5 October 2012 the company issued 1 ordinary share of £1 each at par. On 16 January 2013 the company issued 49,999 ordinary shares of £1 each at par for cash consideration.

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

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 16 October 2012	-	-	-	-
Share capital issued	36,849	-	-	36,849
Loss for the period	-	-	(7,808)	(7,808)
Actuarial gain on pension scheme	-	-	48	48
Deferred tax on actuarial gain	-	-	(32)	(32)
Revaluation	-	2,058	-	2,058
At 31 August 2013	**36,849**	**2,058**	**(7,792)**	**31,115**

(b) Company

	Share capital	Revaluation reserve	Profit & loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000
At 5 October 2012	-	-	-	-
Share capital issued	36,849	-	-	36,849
Profit for the period	-	-	153	153
At 31 August 2013	**36,849**	**-**	**153**	**37,002**

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 £42,000 represents a pre-determined amount of the employee's salary paid into the scheme. As at 31 August 2013 £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 2013 were:

	31 August 2013
Rate of inflation	3.6%
Rate of increase in salaries	5.0%
Rate of increase in pensions	2.8%
Discount rate for liabilities	**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 2013
Retiring today	
Males	18.7
Females	22.8
Retiring in 20 years	
Males	20.7
Females	24.6

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

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

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

	31 August 2013
	£'000
Interest cost	126
Expected return on scheme assets	(103)
	23

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

	31 August 2013
	£'000
Actual return less expected return on pension scheme assets	189
Changes in assumptions underlying the present value of scheme liabilities	(141)
	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 2013
	£'000
Present value of defined benefit obligations	(3,506)
Fair value of scheme assets	2,409
	(1,097)
Past service cost not yet recognised in balance sheet	-
Deficit	(1,097)
Related deferred tax asset	219
Net liability recognised	(878)

Defined benefit obligation reconciliation is as follows:

	31 August 2013
	£'000
On acquisition of subsidiary undertaking	3,219
Current service cost	91
Interest cost	126
Actuarial loss	141
Estimated benefits paid net of transfers in	(92)
Contributions by scheme participants	21
At 31 August	3,506

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

	31 August 2013
	£'000
On acquisition of subsidiary undertaking	1,087
Current service cost	91
Contributions	(56)
Interest cost	23
Actuarial gain	(48)
At 31 August	1,097

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

	31 August 2013
	£'000
On acquisition of subsidiary undertaking	2,132
Expected return on scheme assets	103
Actuarial gains and losses	189
Employer contributions	56
Employee contributions	21
Benefits paid	(92)
At 31 August	2,409

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

	2013	
	Long term rate of return expected at 31 August	Value at 31 August
	%	£,000
Equities	71	1,711
Government bonds	9	217
Other bonds	4	96
Property	12	289
Cash	2	48
Other	2	48
Total market value of assets	100	2,409

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

The most recent triennial valuation of the group's pension scheme for funding purposes has been 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. Acquisition of subsidiary undertakings

On 5 March 2013, UPP Bond 1 Limited, a subsidiary company, acquired 100% of the 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, by way of share for exchange from UPP Group Limited, and cash consideration for the minority interests held in UPP (Alcuin) Limited and UPP (Nottingham) Limited by University of York and Nottingham Trent University respectively.

For the period since 1 September 2012 to the date of acquisition the consolidated financial position of the companies is as follows:

	31 August 2013
	£'000
Turnover	21,535
Operating profit	11,811
Loss on ordinary activities before taxation	(126,003)
Tax credit on loss on ordinary activities	1,968
Loss for the financial period	(124,035)

	Book value of assets acquired	Fair value adjustment	Fair value of assets acquired
	£'000	£'000	£'000
Tangible assets	414,756	-	414,756
Current assets	1,370	-	1,370
Cash	29,683	-	29,683
Current liabilities	(15,134)	(141,141)	(156,275)
Senior bank debt	(330,113)	-	(330,113)
Subordinated loan note funding	(26,966)	-	(26,966)
Pension liability	(838)	-	(838)
Net assets / (liabilities) assumed	**72,758**	**(141,141)**	**(68,383)**
Consideration paid in cash for minority interests			700
Consideration paid by issue of shares			32,884
Goodwill			**101,967**

Included within tangible assets is an amount of £74,260,000 that relates to revaluation of these properties as at 31 August 2012.

The fair value adjustment to current liabilities relates to a provision of £141,141,000 to cover the cost terminating the hedging arrangements in place due on early redemption of the senior bank debt.

22. Notes to the statement of cash flows

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

	Period ended 31 August 2013
	£'000
Operating profit	10,148
Depreciation	1,074
Goodwill amortisation	1,383
Pension liability costs	35
Decrease in debtors due within one year	829
Decrease in creditors due within one year	(7,517)
Net cash inflow from operating activities	**5,952**

(b) Analysis of changes in net debt:

	At 15 October 2012	Acquired with subsidiary undertakings	Cash flow	Other changes	**At 31 August 2013**
	£'000	£'000	£'000	£'000	**£'000**
Cash at bank and in hand	-	-	25,755	-	**25,755**
Debt due within one year	-	(330,113)	327,096	737	**(2,280)**
Debt due after one year	-	(26,966)	(476,767)	10,921	**(492,812)**
	-	(357,079)	(123,916)	11,658	**(469,337)**

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

	Period ended 31 August 2013
	£'000
Increase in cash	**25,755**
Cash inflow from increase in loans	**(149,671)**
Movement in net debt resulting from cash flows	**(123,916)**
Indexation uplift on index-linked loans	**(927)**
Loans acquired with subsidiary undertakings	**(357,079)**
New debt issue costs incurred	**12,949**
Amortisation of debt issue costs	**(364)**
Movement in net debt	**(469,337)**
Net debt at 15 October 2012	**-**
Net debt at 31 August 2013	**(469,337)**

23. 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.

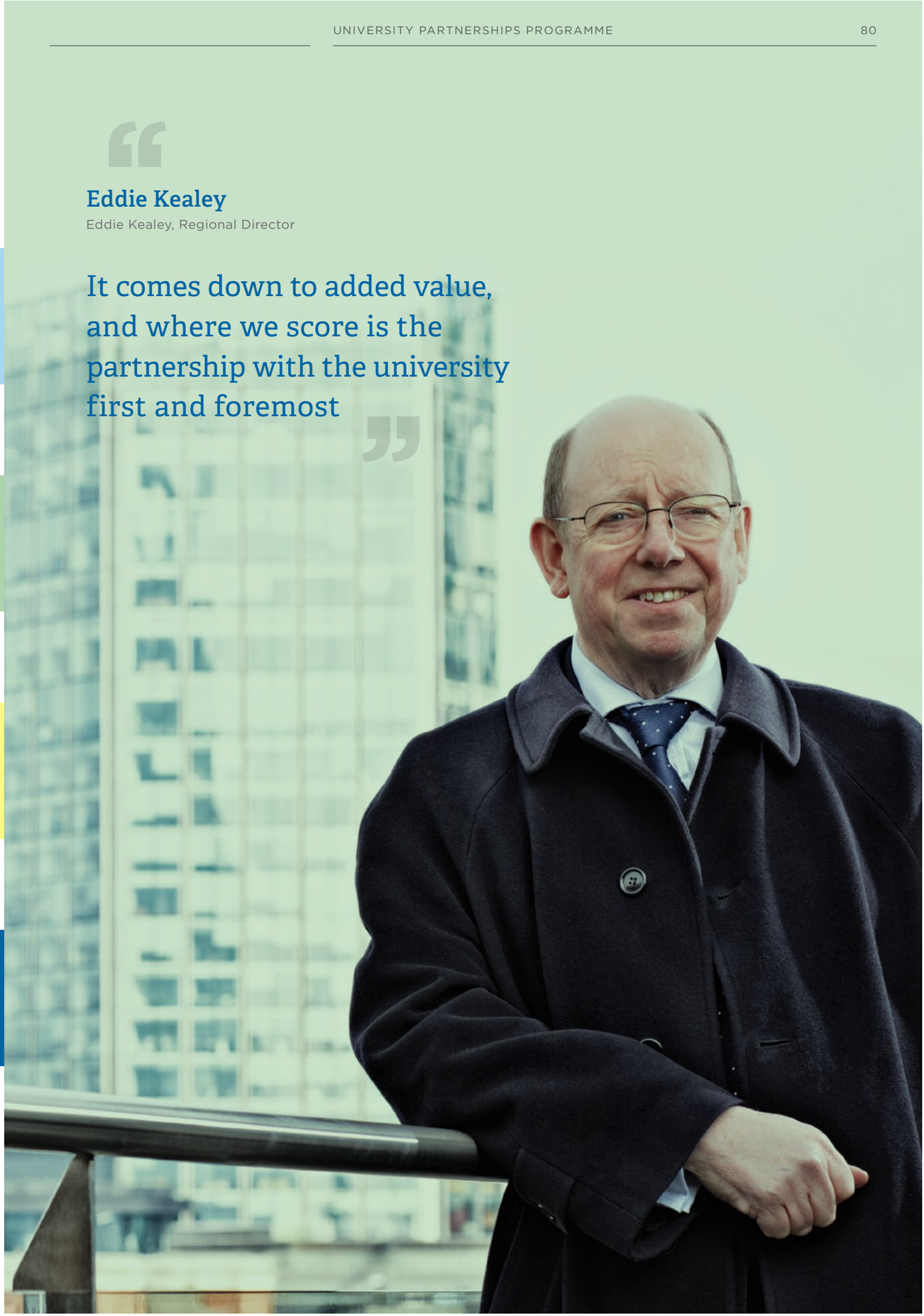
From 12 September 2012, UPP Group Holdings Limited was controlled by a 60% stake held by PGGM Vermogensbeheer BV ("PGGM"), a company incorporated in The Netherlands. It is the directors' opinion that PGGM is the ultimate controlling party. The parent undertaking of the smallest group of which the company 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.

Eddie Kealey

Eddie Kealey, Regional Director

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



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