UPP Bond 1 Limited Half Year Summary

For the six months ended 28 February 2014

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This Half Year summary 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").

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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 is derived from reliable sources.*

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General overview

1.0

UPP Bond 1 Holdings Limited

UPP Bond 1 Holdings Limited results for the six months ended 28 February 2014

Financial highlights for the six months ended 28 February 2014

£'000	Feb 2014	Feb 2013	Change %
Turnover	21,985	21,650	1.5%
Gross profit	14,768	14,892	(0.8%)
EBITDA*	13,681	13,924	(1.7%)
EBITDA margin*	62.2%	64.3%	(2.1%)

**EBITDA before sinking fund expenditure*

Business highlights

- Occupancy for 2013/14 of 100%
- Room rental rate in excess of RPI at 4.2%
- EBITDA margin held above 60% despite additional costs related to bond programme
- Operating cash flow of £12.9m for the six months to 28 February 2014.
- Historic and Projected Annual Debt Service Coverage Ratios comfortably above lock up triggers
- RPI – linked rental increases secured for 2014/15 at four of the six AssetCos

Sean O'Shea, Chief Executive Officer

"These results demonstrate the inherent strength of the UPP business model and the secure cash-flows upon which it is founded. It is clear that following the increase in the tuition fee cap for 2012/13, academic demand has resumed an upward trajectory, with UCAS applicant numbers showing increases for 2013/14 and 2014/15. As a result, we are already witnessing positive trends in reservations for the academic year starting September 2014. UPP continues to deliver predictable revenue growth through a combination of index linked rental increases and a stable cost base.

We continue to progress our exciting growth plans for the wider UPP Group, supported by our shareholders. With a strategy to grow rooms under management by more than 30% over the next five years – establishing new partnerships as well as extending those with existing clients - the Group is facing the considerable pipeline of opportunities coming to market with some confidence."

Enquiries

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1.1 Summary of the UPP Group business

UPP Group (defined as UPP Group Holdings Limited and its subsidiaries) is the largest provider of on-campus residential and non-residential accommodation and infrastructure to universities in the United Kingdom and currently has more than 28,000 student rooms under management 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 B.V., 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, include:

- 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 healthy demand dynamics
- UPP establishes partnerships with leading institutions, targeted on the basis of its own detailed and rigorous selectivity criteria
- Accommodation is always located on, or very near to, campus, which is the preferred location for target cohorts of first year domestic and international undergraduate and postgraduate students
- Average occupancy over the last five years has been in excess of 99.5% across the AssetCo's
- 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 alongside its own stock and on an even-handed basis
- 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 debut secured Notes listed on the Irish Stock Exchange. The Notes were 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 issuance comprised two tranches:

- £307.1m 4.9023% Amortising Fixed Rate Senior Secured Notes due 2040
- £75.0m 2.7921% Amortising Index Linked Senior Secured Notes due 2047

Proceeds of the 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 Notes 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 February & August each year.

Notes issued under the Programme on 5 March 2013 indirectly 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 note issuance, 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 unaudited consolidated financial results for that entity for the six months ended 28 February 2014 are provided in appendix 1 of this report. For the purpose of these financial results only the comparative period is from the creation of the UPP Bond 1 Holdings group on 5 March 2013 to 31 August 2013.

Higher education sector & business developments

2.0

2.1 The higher education sector

The UK Higher Education sector remains second only to the US in terms of global quality provision and is the number one HE destination in Europe. There are currently 31 UK institutions in the top 200 of the Times Higher Education World University Rankings for 2013/14 and ten within the top 100. The UK higher education sector continues to demonstrate robust demand characteristics currently accounting for a 13 per cent share of the global HE market. Universities remain a critical part of both the national and local economies of the UK.

The current administration continues to push through systemic reforms aimed at replacing the existing recurrent grant approach to institutional funding, with student fees offset by loans with income contingent repayment terms. To ensure quality and value for money, those universities whose average subject entry tariff is ABB or better have been able to grow their student numbers from a pool of students who meet or exceed this tariff – a figure equivalent to approximately one-third of new students each year. This has seen a number of institutions increase levels of annual enrolment considerably, a situation further assisted by HEFCE providing a 3% flexibility threshold in recruiting above Student Number Controls (SNCs) without incurring penalties.

During the Autumn of 2013 it was announced that for the academic year 2014/15 a further 30,000 student places would be made available and thereafter that from 2015/16 SNCs would be removed completely. These changes will also coincide with a further increase in the recruitment flexibility threshold to 6%. The sector appears, therefore, set for another period of expansion with competition between institutions for students increasing still further. The quality of the experience offered to students and the pricing of tuition fees relative to course quality and institutional reputation, will prove critical to the success of each university.

Academic demand

Domestic

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

The table below provides the most recent comparative applicant data by domicile, covering the period 2010/11 to the same point in the 2014/15 cycle. The data indicates that applicant numbers have rebounded since the increased tuition fee cap in 2012/13 in all domicile areas with the exception of Wales.

Annual UCAS Applicant Data by Domicile (14 February 2014)

App. Domicile	2010/11	2011/12	2012/13	2013/14	2014/15
England	429,550	438,910	396,280	404,850	418,820
N. Ireland	18,620	19,420	18,600	19,780	19,730
Scotland	39,730	41,000	40,420	40,690	41,860
Wales	21,290	22,020	21,610	20,940	21,540
Other EU	37,470	42,330	37,450	38,940	40,920
Non EU	38,170	40,970	46,100	49,190	53,400
Total	584,820	604,650	560,460	574,380	596,260

Total applicant numbers for 2014/15 are up 3.8% on the same point in the 2013/14 cycle, which in itself represented an increase of 2.5% on 2012/13. Applicant numbers have therefore increased by 35,800 over the last two academic years. When analysed by domicile, applicant data for 2014/15 identifies an increase in domestic applicants of approximately 16,000 on the previous year.

In January 2014 UCAS released the 2013 Application End of Cycle Report[1]. The data identifies that UCAS placed 495,600 people into higher education in the 2013 cycle, an increase of 30,700 (6.6%) and the highest number recorded to date. This increase came almost equally from an increase in applicants (3.6% to 677,400) and the largest increase in over a decade in the proportion of these applicants accepted (73.2% acceptance rate in 2013, an increase of 2 percentage points).

Acceptances have increased from all the countries of the UK and all age groups: UK 18 year old acceptances (219,300, up 3.4%) are higher than in any other cycle. UK and EU acceptances for the 2013-14 academic year increased by 9.3% (boosted by the 10,700 extra deferred acceptances from the last cycle) but remained below the 2011-12 academic year. There were increases in acceptances to institutions in every country of the UK and to all types of institutions split by the grades of their students. Higher tariff institutions increased acceptances by 10% to the highest ever total. Higher tariff institutions were also more likely to make offers in 2013 with a 4% increase to young applicants who were holding ABB+ qualifications by the end of the cycle and a 9% increase to those with lower attainment levels. 80 per cent of institutions increased their acceptances into the 2013-14 academic year but many remain below 2011-12 levels.

International

Over the period 1970 to 2010 the number of students in global tertiary education has expanded from 33 million to 178 million. International student mobility is expected to continue growing as a result of demographic change and increasing incomes in developing countries.

The most recent applicant data for the academic year 2014/15 identifies an increase in EU (excluding UK) students of 5% on the same point during the 2013/14 cycle. In turn applicant numbers for 2013/14 were up 4 per cent on the preceding academic year. The most recent acceptances data for the 2013/14 cycle, saw EU acceptances increase by 1,300 to 24,500, representing a 5.5% increase on 2012/13. Applicant numbers continue to increase, as do the number and proportion of students accepted.

The number of student applicants from outside the EU has also continued to increase following the academic year 2012/13. The latest data for the academic year 2014/15 identifies a 9% increase on 2013/14 the equivalent of an extra 4,210 student applicants. In turn, the preceding year also witnessed an increase on 2012/13 of 6.7% or more than 3,000 students. Acceptances data tells a similar positive story, with acceptances seeing a small increase in 2012/13 (0.5%) and increasing to a more significant rise of 5.8%(2,000 extra acceptances) for 2013/14. Acceptances to UK universities from overseas students are now close to their record high recorded in 2010/11.

Government remains keen to ensure that this growth continues. In its publication "International Education: Global Growth and Prosperity"[2] 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".

Taken together, the latest data sources appear to reflect a sector returning to growth following the increase in the tuition fee cap for the academic term 2012/13.

[1] *"2013 Application Cycle: End of Cycle Report" UCAS Analysis and Research, December 2013*

[2] *Department for Business, Innovation and Skills (2013) International Education: Global Growth and Prosperity*

2.1 Trading Update

Continued strong demand for HE has been reflected in the performance of the AssetCos in the current year, with all sites achieving 100% occupancy. With costs largely in line with modelled expectations, annual debt service cover ratios for each AssetCo are comfortably in excess of any potential trigger events.

Buoyant demand is expected to continue into the next academic year. Although early in the annual letting cycle, applications for rooms are marginally ahead of the same point in the previous year. As at 21 March 2014, the AssetCos have secured over 200 additional Signed Resident Agreements compared to the same point in the previous year. Oxford Brookes University has already nominated 100% of the rooms for the next academic year and in-line with last year, a small amount of discounts targeted at particular cohorts of returning students have been budgeted at the two AssetCos in Nottingham for 2014/15. These discounts amount to circa £430k, less than 2% of the total rents of circa £25m across the two AssetCo's.

Rents for the academic year 2014/15 have now been confirmed at four of the AssetCos. Against a background of RPI at around 3%, plus some requirement to recover energy overspends from previous years, average rent increases across all room types have been set as follows:

University of York	**3.01%**
Nottingham Trent University	**4.11%**
University of Kent	**4.08%**
University of Nottingham	**3.90%**

Rents at the University of Plymouth are set later in the lettings cycle, while Oxford Brookes University benefits from a controlled rent mechanism which is directly linked to the prevailing rate of RPI as at the start of the academic year.

Financial highlights

of the six months ended 28 February 2014

3.0

Highlights of the consolidated results of UPP Bond 1 Holdings Limited for the six months to 28 February 2014 were:

- Turnover of £22.0m
- EBITDA before sinking fund of £13.7m
- Occupancy of 100% achieved across the six AssetCos
- Healthy cash balance of £32.4m made up largely of liquidity reserve accounts and amounts payable to the holder of subordinated loan notes

For the period from 1 September 2013 through to 28 February 2014 the Bond portfolio performed in line with modelled expectations. The historic ADSCR of 1.32 for the 12 month period to 28 February 2014 was comfortably above lock up triggers set at 1.15.

The cash generative 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 budgeted outcome. With 100% occupancy secured, revenue and costs for the remainder of the year are now largely known, with the exception of utilities expenditure.

This is the first complete reporting period for the AssetCos since the debut Notes issuance and as such, there is no strictly comparable data to compare performance with. In order to aid analysis of the reporting period, consolidated pro-forma profit and loss results for the six AssetCos are presented below for the six months ending 28 February 2014 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 compliance costs associated with managing the Programme. In addition, there have been changes in the contract structure of the project at University of Nottingham from 1 September 2013 to bring it into line with the rest of the AssetCos with rents now collected by the partner University. While the AssetCo is insulated from credit risk, the University retains 4% of the rent collected at source. The effect of both these changes has been to reduce margins, however this impact was fully modelled at the outset of the Notes issuance.

3.1 AssetCo Consolidated pro forma Profit and Loss Account for the six months ended 28 February 2014

	28 February 2014	28 February 2013	Movement %
	£'000	£'000	
Turnover	21,985	21,650	1.5%
Cost of sales	7,217	6,758	6.8%
Gross profit	14,768	14,892	(0.8%)
Gross profit margin	67.2%	68.8%	
Operating expenses	1,087	968	12.3%
EBITDA before sinking fund expenditure	13,681	13,924	(1.7%)
EBITDA margin	62.2%	64.3%	
Sinking Fund expenditure	986	831	18.7%
EBITDA	12,695	13,093	(3.0%)

Financial highlights are:

- Turnover up 1.5%, primarily due to RPI linked rental increases
- Occupancy for 2014 of 100% (2013: 99.5%)
- Healthy gross and EBITDA margins in-line with modelled expectations
- Strong operating cash flow for the year to February 2014 of £26.6m (February 2013: £26.9m)

Turnover is defined as rental receipts from students net of contractual amounts deducted by University partners for taking credit and void risk, incentives offered to returning students, plus commercial and vacation income derived from other activities at each AssetCo, together with any payments or receipts under the relevant Inflation 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 six months ended 28 February 2014 occupancy was in line with expectations at 100%.

Growth in room rental rates, after taking account of discounts offered to certain cohorts of student at the two Nottingham AssetCos averaged 2.7% across the portfolio, which was above the benchmark September 2012 RPI of 2.6%. In addition, changes to the contract structure at the University of Nottingham AssetCo as described in the previous section reduced overall turnover growth to 1.5%, or £336k. These contractual changes were fully modelled at the outset of the note Issuance.

Cost of sales is made up of facilities management costs, staff costs and utilities and in total increased 6.8% during the year. FM and staff costs increased by 3.9% during the period, from £4.2m to £4.3m, due to the rebasing of costs following the note issuance. Utilities have increased on average 4.6% from £1.9m to £2.0m, which was in line with expectations. In addition, internet access costs have increased £205k as a result of a change in contract terms which were fully modelled at the outset of the programme.

Overheads increased by £119k or 12.3% mainly as a result of the AssetCos incurring additional fees related to compliance with the terms of the note issuance. In addition, each AssetCo is required to carry out an independent professional valuation of the assets every five years which falls due August 2014. The total of these two amounts is c. £250k.

Excluded from these overheads are £42k of tax and audit fees borne directly by UPP Bond 1 Holdings Limited, UPP Bond 1 Limited and UPP Bond 1 Issuer plc.

Overall, EBITDA before sinking fund expenditure remained robust and in-line with expectations at £13.7m (Feb 2013: £13.9m), down just 1.7% from the prior period despite the contractual changes at the University of Nottingham and the additional compliance costs associated with the note issuance.

Sinking fund costs consist 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 EBITDA before sinking fund expenditure is the preferred key performance indicator.

Ratio calculations

4.0

As set out in Paragraph 2 of Part 2 of Schedule 9 of the CTA the ratio calculations as at 28 February 2014 are:

4.1 Historic AssetCo DSCR (for the 12 months to 28 February 2014)

£000's	Consolidated
Turnover	43,734
Cost of sales	(13,827)
Overheads	(2,100)
EBITDA pre sinking fund	**27,807**
Sinking fund	(2,735)
EBITDA	**25,072**
CAFDS adjustment[1]	1,490
CAFDS	26,562
Debt service	20,055
Historic Senior DSCR	**1.32**

4.2 Projected Senior DSCR (for the 12 months to 28 February 2015)

£000's	Consolidated
Turnover	44,752
Cost of sales	(13,936)
Overheads	(2,180)
EBITDA pre sinking fund	**28,636**
Sinking fund	(3,498)
EBITDA	**25,138**
CAFDS adjustment[1]	1,361
CAFDS	26,499
Debt service	19,655
Projected Senior DSCR	**1.35**

[1] The Cash Available for Debt Service (CAFDS) adjustment adds back sinking fund expenditure and deducts the sinking fund deposit to get to the net sinking fund cash position in the year. Interest receivable is also added to get to the final CAFDS figure.

4.3 Historic AssetCo DSCR:

UPP (Alcuin) Limited	1.28
UPP (Broadgate Park) Limited	1.36
UPP (Kent Student Accommodation) Limited	1.28
UPP (Nottingham) Limited	1.34
UPP (Oxford Brookes) Limited	1.30
UPP (Plymouth Three) Limited	1.34

4.4 Projected AssetCo DSCR

UPP (Alcuin) Limited	1.39
UPP (Broadgate Park) Limited	1.34
UPP (Kent Student Accommodation) Limited	1.36
UPP (Nottingham) Limited	1.31
UPP (Oxford Brookes) Limited	1.38
UPP (Plymouth Three) Limited	1.35

Compliance Certificate

5.0

Dear Sirs

Common Terms Agreement dated 5 March 2013 between, among others, the Issuer, the AssetCos, the Issuer Security Trustee and the Issuer Note Trustee.

Capitalised terms not defined in this certificate have the meaning given to them in the Common Terms Agreement.

1. We refer to the Common terms Agreement. This is a Compliance Certificate.
2. We confirm that the ratios (together the "Ratios") are as detailed in the tables below:

Historic Ratios	**12 months ended 28 February 2014**	
Historic AssetCo DSCR	**Applicable Ratio**	**Actual Ratio**
UPP (Alcuin) Limited	1.15	1.28
UPP (Broadgate Park) Limited	1.15	1.36
UPP (Kent Student Accommodation) Limited	1.15	1.28
UPP (Nottingham) Limited	1.15	1.34
UPP (Oxford Brookes) Limited	1.15	1.30
UPP (Plymouth Three) Limited	1.15	1.34
Historic senior DSCR	1.15	1.32

Projected Ratios	**12 months ended 28 February 2015**	
Projected AssetCo DSCR	**Applicable Ratio**	**Actual Ratio**
UPP (Alcuin) Limited	1.15	1.39
UPP (Broadgate Park) Limited	1.15	1.34
UPP (Kent Student Accommodation) Limited	1.15	136
UPP (Nottingham) Limited	1.15	1.31
UPP (Oxford Brookes) Limited	1.15	1.38
UPP (Plymouth Three) Limited	1.15	1.35
Projected senior DSCR	1.15	1.35

3. We confirm that historic ratios have been calculated using the most recently available financial information required to be provided by the relevant AssetCo under Schedule 8 (Covenants of the AssetCos) of the Common Terms Agreement and delivered together with this Compliance Certificate.

4. We confirm that all forward-looking financial ratio calculations and projections:

   (a) have been made on the basis of assumptions made in good faith and arrived at after due and careful consideration;

   (b) are consistent and updated by reference to the most recently available financial information required to be produced by the AssetCos under Schedule 8 (Covenants of AssetCos) to the Common Terms Agreement and delivered together with this Compliance Certificate; and

   (c) are consistent with the Accounting Standards (insofar as such Accounting Standards reasonably apply to such calculations and projections).

5. We set out below the computation of the following Ratios set out in Paragraph 2 above for your information:

   (a) Historic AssetCo DSCR means, in respect of any AssetCo as at 28 February 2014, the ratio of:

      i. the aggregated Net Cash Flow in respect of such AssetCo for the 12 months ending on 28 February 2014: to

      ii. the AssetCo Debt Service Requirement in respect of such AssetCo for the 12 months ending on 28 February 2014.

   (b) Historic Senior DSCR means, as at 28 February 2014, the ratio of:

      i. the aggregated Net Cash Flow in respect of all AssetCos for the 12 months ending on 28 February 2014; to

      ii. the aggregated AssetCo Debt Service Requirement in respect of all AssetCos for the 12 months ending on 28 February 2014.

   (c) Projected AssetCo DSCR means, in respect of any AssetCo as 28 February 2014, the ratio of:

      i. the aggregated Net Cash Flow in respect of such AssetCo projected for the 12 months immediately following 28 February 2014; to

      ii. the AssetCo Debt Service Requirement of such AssetCo projected for the 12 months immediately following 28 February 2014.

   (d) Projected Senior DSCR means, as at 28 February 2014, the ratio of:

      i. the aggregated Net Cash Flow in respect of all AssetCos projected for the 12 months immediately following 28 February 2014; to

      ii. the aggregated AssetCos Debt Service Requirement in respect of all AssetCos projected for the 12 months immediately following 28 February 2014.

6. We also confirm that:

(a) to the best of the knowledge and belief of the signatories to this Compliance Certificate having made all due enquiries, no Default has occurred and is continuing other than as previously notified or waived;

(b) to the best of the knowledge and belief of the signatories to this Compliance Certificate having made all due enquiries, no Monitoring Trigger Event has occurred and is continuing other than as previously notified or waived,

(c) to the best of the knowledge and belief of the signatories to this Compliance Certificate having made all due enquiries, no Lock-Up Event has occurred and is continuing other than as previously notified or waived,;

(d) to the best of the knowledge and belief of the signatories to this Compliance Certificate having made all due enquiries, the Group is in compliance with the Hedging Policy; and

(e) this Compliance Certificate is accurate in all material respects

Yours faithfully,

Sean O'Shea
Chief Executive Officer

J Benkel
Director

For and on behalf of UPP Bond 1 Limited

UPP Bond 1 Holdings Limited

Unaudited consolidated financial statements
For the six months ended 28 February 2014

APPENDIX 1

Basis of reporting

The company commenced trading on 5 March 2013 by acquiring six subsidiary companies from its parent company, UPP Group Limited. The company's principal activity is of a holding company for its subsidiary undertakings.

For the purpose of these financial statements and the relevant notes provided the comparative period is from the commencement of trading to 31 August 2013.

Consolidated profit and loss

		Unaudited	Audited
		6 months ended 28 February 2014	Period ended 31 August 2013
	Notes	£'000	£'000
Turnover	2	**21,985**	22,321
Cost of sales		**(7,218)**	(6,936)
Gross profit		**14,767**	15,385
Operating expenses		**(4,459)**	(5,237)
Operating profit	4	**10,308**	10,148
Interest receivable & similar income	5	**47**	33
Interest payable & similar charges	6	**(18,450)**	(17,991)
Loss on ordinary activities before taxation		**(8,095)**	(7,810)
Tax credit on loss on ordinary activities		**-**	2
Loss for the financial period	15(a)	**(8,095)**	(7,808)

The above results all relate to continuing operations.

Consolidated statement of total recognised gains and losses

		Unaudited	Audited
		6 months ended 28 February 2014	Period ended 31 August 2013
	Notes	£'000	£'000
Loss for the financial period	15(a)	**(8,095)**	(7,808)
Revaluation of principal asset	15(a)	**-**	2,058
Actuarial gain relating to pension scheme		**-**	48
Deferred tax attributable to actuarial gain		**-**	(32)
Total recognised gains and losses relating to the period		**(8,095)**	(5,734)

Consolidated balance sheet

	Notes	Unaudited 28 February 2014 £'000	Audited 31 August 2013 £'000
Fixed assets			
Intangible assets	7	**99,269**	100,584
Tangible assets	8	**414,710**	415,740
		513,979	516,324
Current assets			
Debtors: amounts falling due within one year	10	**966**	541
Cash at bank and in hand		**32,425**	25,755
		33,391	26,296
Creditors: amounts falling due within one year	12	**(31,319)**	(17,815)
Net current assets		**2,072**	8,481
Total assets less current liabilities		**516,051**	524,805
Creditors: amounts falling due after more than one year	13	**(492,153)**	(492,812)
Net assets excluding pension liability		**23,898**	31,993
Pension liability		**(878)**	(878)
		23,020	31,115
Share capital and reserves			
Called up share capital	14	**36,849**	36,849
Revaluation reserve	15(a)	**2,058**	2,058
Profit and loss account	15(a)	**(15,887)**	(7,792)
		23,020	31,115

Company balance sheet

	Notes	Unaudited 28 February 2014 £'000	Audited 31 August 2013 £'000
Fixed assets			
Investments	9	**36,849**	36,849
		36,849	36,849
Current assets			
Debtors: amounts falling due within one year	10	**15,108**	8,453
Debtors: amounts falling due after one year	11	**125,361**	125,361
		140,469	133,814
Creditors: amounts falling due within one year	12	**(14,798)**	(8,300)
Net current assets		**125,671**	125,514
Total assets less current liabilities		**162,520**	162,363
Creditors: amounts falling due after more than one year	13	**(125,361)**	(125,361)
		37,159	37,002
Share capital and reserves			
Called up share capital	14	**36,849**	36,849
Profit and loss account	15(b)	**310**	153
		37,159	37,002

Consolidated statement of cash flows

		Unaudited	Audited
		6 months ended 28 February 2014	Period ended 31 August 2013
	Notes	£'000	£'000
Net cash flow from operating activities	17(a)	**19,553**	5,952
Returns on investments and servicing of finance			
Interest received		**47**	33
Interest paid		**(10,479)**	(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		**(10,432)**	(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		**9,121**	(127,881)
Financing			
Cash outflow from repayment of senior debt		**(2,451)**	(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		**(2,451)**	153,636
Increase in cash during period	17(c)	**6,670**	25,755

Notes to the unaudited consolidated financial statements

1. Principal accounting policies

(a) Basis of accounting

The 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.

(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 £157,000.

(d) Intangible assets

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

(e) Presentation of principal asset

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

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

The directors consider the balance of the risks and rewards lies with the group and therefore the 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

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

(o) Defined benefit pension scheme

The group makes contributions to the Nottinghamshire County Council Pension Fund ("NCCPF") in respect of 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 £8,000 (2013: £5,000) to Structured Finance Management Limited in respect of services performed in connection with the management of the affairs of the group for the period up to 31 August 2013. An amount of £2,000 (2013: £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. Operating profit

The operating profit is stated after charging:

	Unaudited	Audited
	6 months ended 28 February 2014	Period ended 31 August 2013
	£'000	£'000
Depreciation	**1,030**	1,074
Amortisation of goodwill	**1,315**	1,383

5. Interest receivable and similar income

	Unaudited	Audited
	6 months ended 28 February 2014	Period ended 31 August 2013
	£'000	£'000
Bank interest	**47**	33

6. Interest payable and similar charges

	Unaudited	Audited
	6 months ended 28 February 2014	Period ended 31 August 2013
	£'000	£'000
Interest payable on senior secured notes	**8,515**	8,377
Indexation of index-linked senior secured notes	**1,105**	927
Subordinated loan interest	**8,462**	8,300
Pension finance costs	**-**	23
Amortisation of debt issue costs	**368**	364
	18,450	17,991

7. Intangible fixed assets

	Positive Goodwill
	£'000
Cost	
At 1 September 2013 and 28 February 2014	**101,967**
Amortisation	
At 1 September 2013	(1,383)
Charge for the period	(1,315)
At 28 February 2014	**(2,698)**
Net book value	
At 28 February 2014	**99,269**
At 31 August 2013	100,584

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

Goodwill is amortised on a straight line basis over the remaining lease period on the principal asset held by each of the subsidiaries which expire between 2048 and 2058. This period of amortisation is greater than 20 years but represents the period over which the subsidiary undertaking acquired will continue to generate operating cash flows. Further details on the acquisition can be found in note 16.

8. Tangible fixed assets

	Assets for use in operating leases
	£'000
Cost or valuation	
At 1 September 2013 and at 28 February 2014	**415,740**
Depreciation	
At 1 September 2013	-
Charge during the period	(1,030)
At 28 February 2014	**(1,030)**
Net book value	
At 28 February 2014	**414,710**
At 1 September 2013	415,740

Assets used in operating leases were independently valued by Jones Lang 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 by 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

9. Investments

	Interest in subsidiary undertakings
	£'000
Company	
At 1 September 2013 and 28 February 2014	**36,849**

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

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

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

10. Debtors: amounts falling due within one year

	Unaudited		Audited	
	28 February 2014	28 February 2014	31 August 2013	31 August 2013
	£'000	£'000	£'000	£'000
	Group	Company	Group	Company
Trade debtors	**152**	**-**	178	-
VAT receivable	**32**	**-**	37	-
Amounts owed by subsidiary companies	**-**	**15,108**	-	8,453
Prepayments and accrued income	**782**	**-**	326	-
	966	**15,108**	541	8,453

11. Debtors: amounts falling due after one year

	Unaudited		Audited	
	28 February 2014	28 February 2014	31 August 2013	31 August 2013
	£'000	£'000	£'000	£'000
	Group	Company	Group	Company
Amounts owed by subsidiary companies	-	125,361	-	125,361

12. Creditors: amounts falling due within one year

	Unaudited		Audited	
	28 February 2014	28 February 2014	31 August 2013	31 August 2013
	£'000	£'000	£'000	£'000
	Group	Group	Group	Company
Fixed rate senior secured notes	1,961	-	2,280	-
Trade creditors	1,517	-	189	-
Amounts owed to related parties	2,355	-	3,954	-
Amounts owed to immediate parent company	14,798	14,798	8,300	8,300
VAT payable	-	-	5	-
Accruals and deferred income	10,688	-	3,087	-
	31,319	14,798	17,815	8,300

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

		Unaudited		Audited
	28 February 2014	28 February 2014	31 August 2013	31 August 2013
	£'000	£'000	£'000	£'000
	Group	Group	Group	Company
Fixed rate senior secured notes	303,938	-	306,389	-
Index-linked senior secured notes	77,032	-	75,927	-
Unsecured loan notes	125,361	125,361	125,361	125,361
Less: unamortised debt issue costs	(12,217)	-	(12,585)	-
	494,114	125,361	495,092	125,361
Less: included in creditors amounts falling due within one year	(1,961)	-	(2,280)	-
	492,153	125,361	492,812	125,361
Maturity of debt				
Repayable within one year or on demand	2,691	-	2,280	-
Repayable in more than one year but less than two years	3,000	-	2,560	-
Repayable in more than two years but less than five years	14,282	-	11,651	-
Repayable in more than five years	486,358	125,361	491,186	125,361
Less: unamortised debt issue costs	(12,217)	-	(12,585)	-
	494,114	125,361	495,092	125,361
Less: included in creditors amounts falling due within one year	(1,961)	-	(2,280)	-
	492,153	125,361	492,812	125,361

Senior secured notes

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

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

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

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

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

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.

14. Called up share capital

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

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

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

15. Reconciliation of shareholders' funds and movement on reserves

(a) Group

	Share capital	Revaluation reserve	Profit & loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000
At 1 September 2013	36,849	2,058	(7,792)	31,115
Loss for the period (unaudited)	-	-	(8,095)	(8,095)
At 28 February 2014	**36,849**	**2,058**	**(15,887)**	**23,020**

(b) Company

	Share capital	Profit & loss account	Total shareholders' funds
	£'000	£'000	£'000
At 1 September 2013	36,849	153	37,002
Profit for the period (unaudited)	-	157	157
At 28 February 2014	**36,849**	**310**	**37,159**

16. 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 share 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.

	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.

17. Notes to the statement of cash flows

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

	Unaudited	Audited
	Period ended 31 August 2013	Period ended 31 August 2013
	£'000	£'000
Operating profit	**10,308**	10,148
Depreciation	**1,030**	1,074
Goodwill amortisation	**1,315**	1,383
Pension liability costs	**-**	35
Decrease in debtors due within one year	**(429)**	829
Decrease in creditors due within one year	**7,329**	(7,517)
Net cash inflow from operating activities	**19,553**	5,952

(b) Analysis of changes in net debt:

	At 1 September 2013	Cash flow	Other changes	**At 28 February 2014**
	£'000	£'000	£'000	**£'000**
Cash at bank and in hand	**25,755**	6,670	-	**32,425**
Debt due within one year	**(2,280)**	2,451	(2,132)	**(1,961)**
Debt due after one year	**(492,812)**	-	659	**(492,153)**
	(469,337)	9,121	(1,473)	**(461,689)**

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

	Unaudited	Audited
	6 months ended 28 February 2014	Period ended 31 August 2013
	£'000	£'000
Increase in cash	6,670	25,755
Cash inflow from increase in loans	2,451	(149,671)
Movement in net debt resulting from cash flows	9,121	(123,916)
Indexation uplift on index-linked loans	(1,105)	(927)
Loans acquired with subsidiary undertakings	-	(357,079)
New debt issue costs incurred	-	12,949
Amortisation of debt issue costs	(368)	(364)
Movement in net debt	7,648	(469,337)
Net debt at 1 September 2013	(469,337)	-
Net debt at 28 February 2014	(461,689)	(469,337)

18. 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.

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