UPP Bond 1 Limited Investor Report

For the year ended 31 August 2015

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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, UPP (Plymouth Three) Limited and UPP (Exeter) Limited ("The AssetCos") (together the "Obligors") pursuant to the Common Terms Agreement ("CTA").

Basis of Preparation
This Investor Report is being published by UPP Bond 1 Limited ("The Group Agent") *pursuant to the terms of Schedule 9 Part 1 of the Common Terms Agreement ('CTA'). Unless otherwise stated, this Investor Report comments on historic performance of the Group for the year ended 31 August 2015. 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.*

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

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

Investor report for the year ended 31 August 2015

This annual Investor Report is delivered pursuant to Schedule 9 Part 1 of the Common Terms Agreement ('CTA') and covers the year ended 31 August 2015.

The date of this Investor Report is 14 December 2015. Unless otherwise defined herein, capitalised terms have the meanings given in the Prospectus for the £5,000,000,000 multicurrency programme for the issuance of senior secured notes dated 5 March 2013, and as updated on 1 December 2014.

General overview

1.0

UPP Bond 1 Holdings Limited

UPP Bond 1 Holdings Limited announces its results for the year ended 31 August 2015

Audited financial highlights for the year ended 31 August 2015

£'000	Existing 6 Asset-Cos Year ended 31 August 2015	Existing 6 Asset-Cos Year ended 31 August 2014	Change %	Exeter ** to 31 August 2015	All Year ended 31 August 2015
Turnover	45,877	44,222	3.7%	9,796	55,673
Gross profit	31,254	29,987	4.2%	6,991	38,246
EBITDA*	29,323	27,891	5.1%	6,650	35,973
EBITDA margin*	63.9%	63.1%	0.8%	67.9%	64.6%

**EBITDA before sinking fund expenditure*

*** UPP (Exeter) Limited from 9 December 2014*

Business highlights

- Occupancy for 2014/15 of 99.7% (2013/14: 100.0%)
- Turnover up by 3.7% (excluding Exeter), reflecting RPI linked annual term rental income increases
- EBITDA margin (excluding Exeter) increase of 0.8%
- Operating cash flow for 2014/15 of £32.3m (£26.6m excluding Exeter) (2014: £25.7m)
- Both Historic and Projected Annual Debt Service Coverage Ratios comfortably above lock up triggers post year end
- Strong demand has continued into 2015/16 with occupancy of 99.9% as at date of publication with six of the seven AssetCos achieving 100% occupancy
- Term rental income predicted to increase by 1.9% compared to 2015

Sean O'Shea, Chief Executive Officer

"We are pleased to report another strong performance with healthy increases in both turnover and EBITDA for the financial year ended 31 August 2015. Occupancy rates remain at sector leading levels illustrating the continued demand for high quality, affordable accommodation located on campus. The new £149.7 million tranche of index linked notes issued for UPP (Exeter) Limited in December 2014 further demonstrates the appetite for the secure and stable returns offered by the partnership approach of UPP in the capital markets.

The UK remains one of the top destinations for higher education within an increasingly global market place, as evidenced by the highest ever number of applicants for the 2015/16 academic year. We expect the removal of the student number cap and greater certainty with respect to the future direction of higher education policy to positively impact demand from students, as well as the number of large infrastructure transactions coming to market."

Enquiries

UPP	Gabriel Behr	Group Finance Director	Tel: 020 7398 7200
	Jon Wakeford	Group Director, Strategy and Communications	

1.1 Summary of the UPP Group business

UPP Group (defined as UPP Group Holdings Limited and its subsidiaries) is the largest provider of on-campus residential and non-residential infrastructure to universities in the United Kingdom and currently has c.30,000 student rooms in operation and/or development with 14 partner universities, of which 11,673 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 People's Bank of China.

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

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

1.2 Summary of bond issuance

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

This issuance comprised two tranches:

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

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

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

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

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

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

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

On the Exeter Accession Date, UPP (Exeter) Limited became an indirect wholly owned subsidiary of Holdco. Therefore, its performance is provided separately from the existing six AssetCos to enable like for like comparisons with prior year performance.

Clifton campus at Nottingham Trent University, where UPP provides 4,413 students with accommodation.

Higher education sector & business developments

2.0

2.1 The higher education sector

The global higher education (HE) sector continues to grow with student numbers surging as institutions around the world vie for the best students in an ever more competitive market. This trend looks set to continue with the number of 25-34 year olds, with a HE degree across OECD and G20 countries, projected to increase from 129 million in 2010 to 204 million by 2020.[1] With the world becoming ever more interconnected, students are increasingly globally mobile and looking to study in a country other than their own, creating a rise in cross border activity within the HE market. Since 1975, the number of students enrolled outside of their country of citizenship has increased dramatically from 0.8 million worldwide to 4.5 million in 2012.[2]

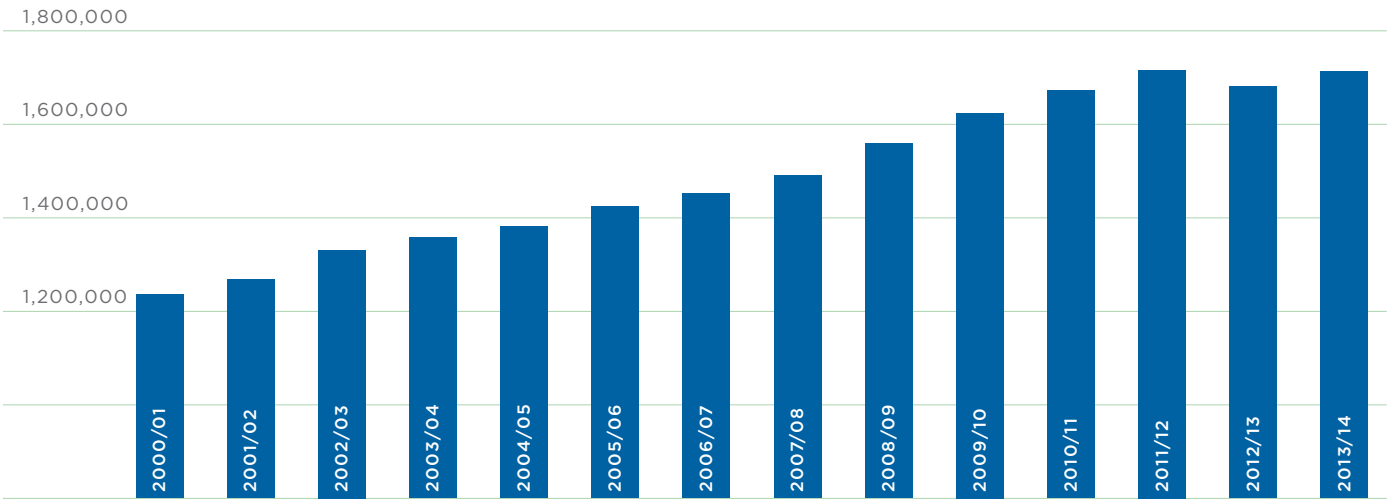
The UK remains one of the top destinations for HE within the context of an increasingly competitive global market place. Institutions across the country continue to retain world-class status, helping the UK achieve a 13% share of the global student market, making it second only to the US and the number one in Europe.[3] The Times Higher Education World University Rankings for 2015/16 ranked 34 UK institutions in the top 200 (up from 29 in 2014/15) and 16 within the top 100 (up from 11 in 2014/15)[4], providing further evidence of the UK's position as a leading global HE brand.

The UK sector continues to attract growing numbers of international and domestic students. It has seen strong rates of historic growth with full time student enrolments increasing by 40.1% between the academic years 2000/01 to 2013/14. More than 486,000 extra students enrolled in 2013/14 than was the case in 2000/01, with the UK full-time student population growing to 1.7 million, representing the equivalent of a compound annual growth rate of 2.6% over the period and 4.7% since 1980.[5]

Higher education in the UK continues to be a significant sector of economic activity in its own right, representing a key driver of growth at national and local level. In 2011/12, the sector generated over £73.1 billion through both direct and secondary outputs, contributed 2.8% of UK GDP and created 757,268 full time equivalent jobs throughout the economy. The total employment generated was equivalent to around 2.7% of all UK employment in 2011.[6]

1. *OCED (2012) "Education Indicators in Focus"*
2. *OECD (2014) "Education at a Glance"*
3. *OECD (2013) "Education at a Glance"*
4. *The Times Higher Education World University Rankings 2015/16*
5. *Higher Education Statistics Agency: HE Statistics for the United Kingdom 2013/14*
6. *Universities UK: Impact of universities on the UK economy 2011/12*

Full time student enrolments from 2000/01 to 2013/14 in the UK



Source: HESA

2.2 Academic demand

Domestic

Demand for UK HE continues to increase at healthy rates, albeit at slightly slower levels than those seen between 2000 and 2010. Applicant numbers have remained buoyant following the introduction of the increased £9,000 tuition fee cap in 2012/13. UCAS figures from 30 June 2015 show that total applicant numbers have risen by more than 9% between 2012/13 and 2015/16. Domestic applicant numbers grew by nearly 8% or over 39,600 students over the same period.

The total number of applicants for the 2015/16 academic year has increased by over 2% year on year, the equivalent of 14,010 students to 673,040.[7]

UCAS data published on 24 September 2015 identified the position with respect to acceptances recorded one month following 'A' level results. UK and EU domiciled acceptances to the 2015/16 entry year at this point were 472,670, an increase of 3% or approximately 11,780 compared to the same point in the 2014/15 cycle. Acceptances to the 2015/16 entry year are 16% higher than in 2012/13 – the first year of the £9,000 tuition fee cap regime.

UK and EU domiciled acceptances into the 2015/16 entry year at institutions subject to the HEFCE student number control arrangements (SNC courses) numbered 472,670. Of this total, 161,410 (up 3.0%) were recorded as holding entry qualifications of ABB+.[8]

[7] *UCAS: Deadline Applicant Statistics: June 2015*

[8] *UCAS Interim Analysis: September 2015*

Annual UCAS Applicant Data by Domicile (as at 30 June 2015)

App. Domicile	2011/12	2012/13	2013/14	2014/15	2015/16	%
England	476,770	429,100	441,790	456,920	460,740	0.8
Northern Ireland	20,030	19,150	20,290	20,300	20,810	2.5
Scotland	43,390	42,490	42,930	43,910	48,490	10.4
Wales	23,920	23,240	22,660	23,450	23,550	0.4
UK	**564,120**	**513,970**	**527,670**	**544,580**	**553,590**	**1.7**
EU (excluding UK)	47,560	41,480	43,290	45,380	48,930	7.8
Non EU	56,470	61,260	64,940	69,060	70,530	2.1
Total	**668,150**	**616,700**	**635,910**	**659,030**	**673,040**	**2.1**

International

The UK HE sector continues to attract students from around the globe and this has manifested itself in a student population from the EU and beyond. In 2013/14, the most recent year for which domestic data is available, there were more than 435,000 EU and international students studying at publicly-funded HE institutions across the UK, with a 50:50 split between undergraduate and postgraduate study.[9]

Since the 2005/06 academic year, EU and international applicant numbers (outside the UK) have witnessed healthy levels of growth increasing from 75,540 to 121,395 in 2013/14. Students from China continue to represent the most significant proportion of total international applicants with 12,115 new undergraduate students applying for places at UK institutions in 2013/14.[10]

For 2015/16, applicant numbers have also continued to increase with UCAS 30 June 2015 data identifying an increase of 7.8% in applicants from the EU (excluding UK) and a rise of more than 2% in students from outside the EU. Between 2013/14 and 2015/16, in total there were just over 11,300 more students from outside the UK applying via UCAS.

Academic demand indicators for 2015/16

In 2015/16, the first academic year following the UK Government's decision to remove the UK/EU student number cap, the total number of applicants increased by 14,010 year on year.[12] Furthermore, global student mobility and sustained international demand for UK HE will continue to have a positive impact on the number of applicants to institutions across the country.

Data for those applying for 2016/17 entry for subjects with a 15 October 2015 deadline (including medicine, dentistry, veterinary courses and all courses at the University of Oxford and the University of Cambridge) were published on 27 October 2015. This identified a small rise in applicant numbers compared to the same point in the 2015/16 cycle – up from 56,360 to 56,630 students, an increase of less than 1%. The number of international applicants also increased with an 8% rise in students from the EU (6,340 to 6,860) and a 1% increase in students from outside the EU (11,310 to 11,440).[13]

9. OECD (2013) "Education at a Glance"
10. UCAS: Deadline Applicant Statistics: June 2015
11. UCAS: Deadline Applicant Statistics: June 2015
12. UCAS: Deadline Applicant Statistics: June 2015
13. UCAS: Deadline Applicant Statistics: October 2015

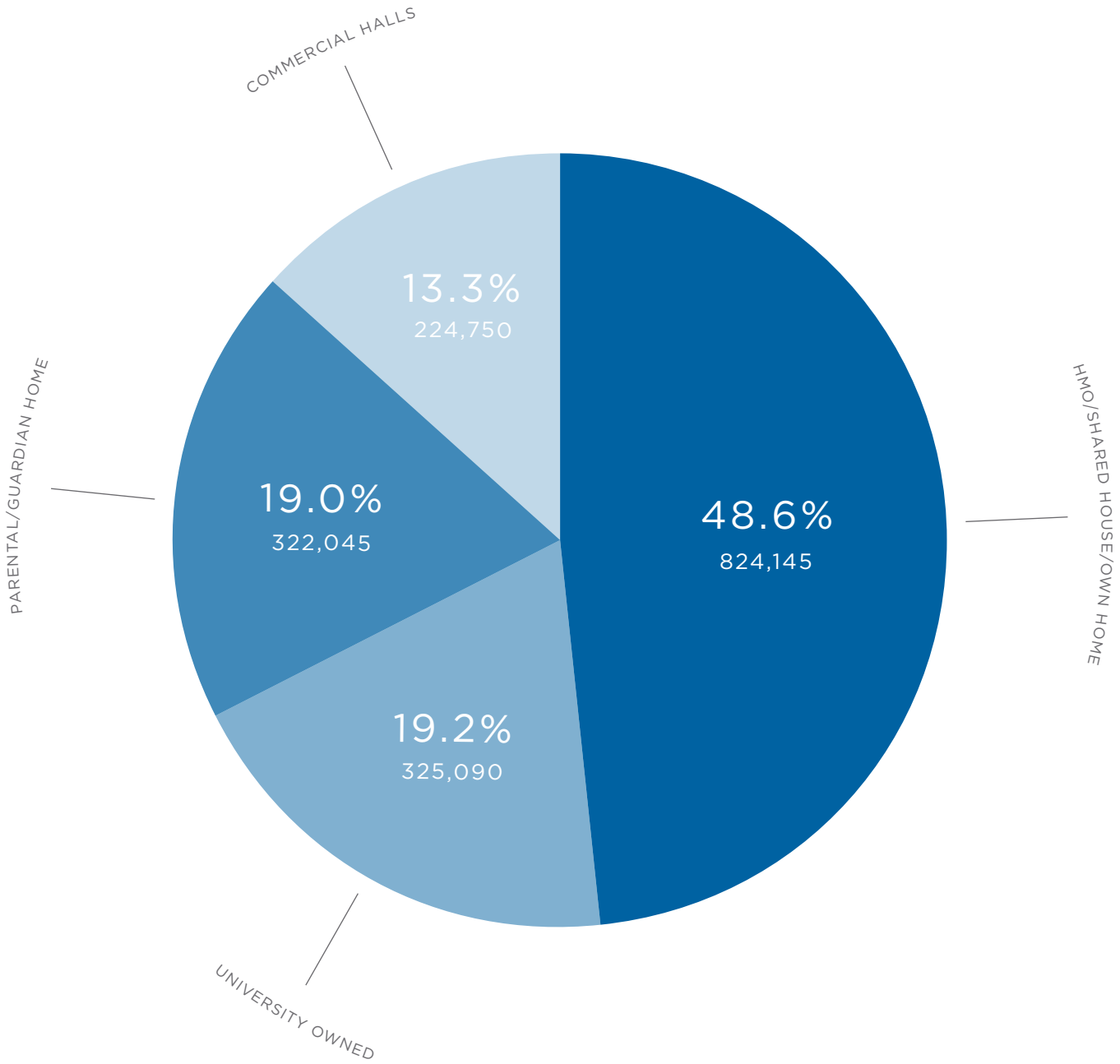
University of Exeter where UPP provides over 2,500 students with accommodation.

2.3 Student accommodation demand

Residential accommodation supply for students in the UK HE sector has not kept pace with the growth in student numbers which has taken place over the last 15 years. Student enrolment has grown at more than twice the rate of accommodation supply, with the privately rented sector continuing to face tougher regulations. In 2014/15, there were an estimated 824,000 students in the UK living in houses of multiple occupation. A significant proportion of these students would prefer to live on campus given sufficient supply, the right product and at the right price.

The UK HE estate is also in need of considerable investment, currently carrying a backlog maintenance requirement of some £5 billion. Given that approximately 25% of the estate is in need of either complete refurbishment or redevelopment, there also remains a growing economic rationale for estate transfer transactions, as universities seek to do more with less, and differently.[14]

14. HEFCE Estates Management Statistics



Market Composition 2015: Student Residential (HESA/UPP Market Data)

2.4 AssetCo demand

Demand for student residential accommodation at universities in the UPP Bond 1 portfolio remains strong. In the financial year 2014/15, levels of occupancy were extremely robust with occupancy of 99.7%. For the academic year 2015/16, occupancy is still ahead of modelled expectations at 99.9% across the portfolio. Six of the seven AssetCos have secured 100% occupancy for 2015/16. At time of publication, the AssetCo at the University of Nottingham had secured occupancy of 99.6%, although this is likely to increase with short term bookings available on the vacant rooms. Performance for the individual AssetCos comprising the UPP Bond 1 portfolio is detailed in the table below. More detail for the outlook of each AssetCo University is provided in Appendix 1.

AssetCo	Occupancy 2014/15	Occupancy 2015/16
UPP (Alcuin) Limited – University of York	100%	100%
UPP (Broadgate Park) Holdings Limited – University of Nottingham	98.0%	99.6%
UPP (Exeter Limited) – University of Exeter	100%	100%
UPP (Kent Student Accommodation) Limited – University of Kent	100%	100%
UPP (Nottingham) Limited – Nottingham Trent University	100%	100%
UPP (Oxford Brookes) Limited – Oxford Brookes University	100%	100%
UPP (Plymouth Three) Limited – Plymouth University	100%	100%

2.5 Market demand for student accommodation as an asset class

Since Q4 2014, the student accommodation market in the UK has remained strong and witnessed continued investment as secondary market portfolio merger and acquisition transactions continue to define the industry landscape. Demand for portfolios, particularly those located in London, has been dominated by overseas operators and large international investors.

Key transactions taking place over the last 12 months have included:

- Unite Students, via UK Student Accommodation Fund, acquired 2,100 beds across eight assets from Ahli United Bank (June 2015)
- The Brandeaux Student Accommodation Fund disposed of over 16,700 beds together with the Liberty Living management platform to Canada Pension Plan Investment Board (March 2015)
- LetterOne Treasury Services acquired the Pure Student Living portfolio from The Carlyle Group consisting of 2,170 rooms across five central London sites; acquired Paris Gardens from McLaren Property and Apache Capital Partners consisting of 253 beds; and The Union portfolio from McLaren Property consisting of 839 beds across four cities (March 2015)
- Dutch operators, Bouwfonds Investment Management acquired a property in Edinburgh from the Unite USAF consisting of 135 beds (December 2014)
- Greystar Student Living has continued to acquire a number of portfolios including Student Court in Wembley, London (October 2014); the Nido London portfolio from Round Hill Capital (April 2015); the Westbourne portfolio from Knightsbridge/Oaktree Capital Management (May 2015) and; Assam Place consisting of 346 rooms and over 37,000 sq ft of education space (June 2015)
- Empiric Student Property has continued to acquire several schemes throughout the year, including a new build student accommodation property in Cardiff, which is under construction and will comprise of 134 beds (November 2015).

In terms of the market for large scale on-campus reconfigurations and estate transfers, the academic year 2014/15 has proved a period during which the majority of institutions across the UK HE sector postponed decisions relating to large scale capital expenditure ahead of the result of the 2015 General Election. Since May, however, an environment of more certainty in HE policy has seen a number of significant opportunities come to market with both existing and potential new partners.

The coming year, will see the bringing forward of HE legislation which seeks to provide institutions with more operational autonomy, allow more competition from private providers of HE and will seek to simplify the regulatory architecture of the sector. The removal of the student number cap will remain in place and this should continue to provide well performing institutions the opportunity to increase the number of students they enrol.

Whilst pressure continues to be applied by the UK Home Office to universities with regard to the recruitment of students from outside the EU – UCAS data suggests that undergraduate applicant numbers and subsequent enrolment remains strong with international students studying at English universities for the 2015/16 application cycle increasing by 3% on the previous academic year.[15]

[15.] *UCAS: Interim Analysis: September 2015*

Paul Welsh
Maintenance Manager, UPP at Bath

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

Financial highlights

For the year ended 31 August 2015

3.0

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

- Occupancy for 2015 at 99.7% (2014: 100.0%)
- Turnover increased to £55.7m (£45.9m excluding Exeter) which is a 3.7% underlying increase on 2014
- EBITDA before sinking fund of £36.0m (£29.3m excluding Exeter) (2014: £27.9m)
- Operating expenses (excluding Exeter) down 7.8% due to cost control
- Healthy cash balance of £39.2m made up largely of liquidity reserve accounts and short term working capital requirements
- Payments to subordinated debt loan notes scheduled to be £8.65m

For the year ended 31 August 2015, the Bond portfolio performed above modelled expectations. The historic ADSCR for the period was 1.39 compared to a lock up ADSCR of 1.15.

As in 2014, the rental income was fixed at the start of the academic year along with a significant proportion of the costs with the main exception being utilities. With occupancy secured at 99.7%, performance for the year surpassed model and budget expectations, with strong operating cash generation of £32.3m.

The Group made a loss for the year of £11.5m (2014: £15.8m). Of this loss, £19.02m (2014: £16.92m) is attributable to interest on subordinated debt, of which only £8.65m (2014: £6.62m) is scheduled to be paid in respect of the 2014/15 financial year. This result is above modelled projections where the coupon on the subordinated debt is paid over the life of the concession.

Consolidated profit and loss results for the seven AssetCos are presented below for the financial year ended 31 August 2015, split between the six Existing AssetCos, with comparative results for 2014, and the Exeter AssetCo from the date of accession. These results for 2015 and 2014 include the costs associated with UPP Bond 1 Limited, UPP Bond 1 Holdings Limited and UPP Bond 1 Issuer Plc.

3.1 AssetCo Consolidated profit and loss account for year ended 31 August 2015

	Existing 6 AssetCos Year ended 31 August 2015	Existing 6 AssetCos Year ended 31 August 2014	**Change %**	**Exeter * to 31 August 2015**	**All AssetCos Year ended 31 August 2015**
	£'000	£'000		**£'000**	**£'000**
Turnover	**45,877**	44,222	**3.7%**	**9,796**	**55,673**
Cost of sales	**(14,623)**	(14,235)	**2.7%**	**(2,804)**	**(17,427)**
Gross profit	**31,254**	29,987	**4.2%**	**6,992**	**38,246**
Gross profit margin	**68.1%**	67.8%		**71.4%**	**68.7%**
Operating expenses	**(1,931)**	(2,096)	**(7.8%)**	**(342)**	**(2,273)**
EBITDA before sinking fund expenditure	**29,323**	27,891	**5.1%**	**6,650**	**35,973**
EBITDA margin	**63.9%**	63.1%		**67.9%**	**64.6%**
Sinking Fund expenditure	**(2,283)**	(2,270)	**0.6%**	**(319)**	**(2,602)**
EBITDA	**27,040**	25,621	**5.5%**	**6,331**	**33,371**

**UPP (Exeter) Limited from 9 December 2014*

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

For the year ended 31 August 2015 occupancy was 99.7% (2014: 100.0%) showing the strength of demand for the AssetCos. The growth in turnover was 3.7% (2014: 1.8%) which was driven by RPI linked rental income and lower than expected student discounts required to optimise occupancy. Rents for all the AssetCos except Oxford Brookes were set 12 months prior to the start of the academic year, when RPI was 3.15%. This therefore continues to demonstrate the strong linkage between student rental growth and RPI.

Cost of sales, which is made up of facilities management costs, staff costs and utilities, increased by 2.7% (2014: 5.5%) during the year. Facilities Management and staff costs increased during the year due to contractual increases linked to September 2013 RPI, with the exception of Oxford Brookes where both rentals and FM costs are linked to RPI as at the start of the academic year. Internet access costs increased due to upgrades and enhanced services to students which were modelled at the outset of bond issuance. Utility costs have remained in line with 2014 expenditure levels across all the AssetCos.

Overheads have decreased by 7.8% due to tighter cost control. As a consequence the EBITDA margin before sinking fund expenditure (excluding Exeter) has increased compared to the prior year at 63.9% (2014: 63.1%). EBITDA margin before sinking fund expenditure including Exeter is 64.6%.

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

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

3.2 Forecast financial highlights for the year ended 31 August 2016 for the seven AssetCos

- Occupancy for the year currently standing at 99.9% with potential further sales of rooms to occur at Broadgate Park, the University of Nottingham.
- Rental income projected to increase by 1.9%.
- Projected ADSCR ratio of 1.34 compared to lock up ratio of 1.15

AssetCo occupancy is secured at 99.9% at the start of the academic year with six of the seven AssetCos achieving 100%. This demonstrates the strengths of both market conditions and UPP business model. More detail on the developments in the HE sector is provided in Section 2 of this report.

With occupancy confirmed for 2015/16, rental receipts from students net of contractual university fees are expected to be c. £60.7m (£47.5m excluding Exeter), an underlying increase of 1.9% on 2014/15.

The projected ADSCR outcome for the year is expected to be 1.34. The business model ensures that costs are predominantly fixed at the start of the year giving predictability to the cash flows. The exception is the cost of utilities which are closely managed and procured in advance where possible to give price certainty.

3.3 Sinking fund & operational performance

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

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

Lifecycle, or Sinking Fund, expenditure is managed by URSL and was in line with budget for the year. In total, £2.7m (£2.3m excluding Exeter) (2014:£2.3m) was invested into the AssetCos to maintain the quality of the accommodation. All works were completed on time and within budget. More detail on the expenditure for each AssetCo is provided in Appendix 1 of this report.

At AssetCo at the University of Exeter, a latent defect in the newly built accommodation was recently identified relating to the external panel detailing around the buildings. This does not affect the operation of the accommodation which continues to be fully occupied at modelled rents. The UPP Group has been working with the contractor who built the accommodation to develop a programme of rectification works which will be undertaken over the course of subsequent summer vacation periods.

It is the intention of UPP Group to ensure that its rights under the original construction contract are robustly applied. These place liability for latent defects firmly with the contractor. UPP have engaged with the University of Exeter who are supportive of the proposed approach. On the basis of having considered the facts and circumstances – and having taken legal advice - the directors of the Company do not believe that this matter will have a material adverse effect on the AssetCo.

Ratio calculations

4.0

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

4.1 Historic AssetCo DSCR

UPP (Alcuin) Limited	1.36
UPP (Broadgate Park) Limited	1.32
UPP (Kent Student Accommodation) Limited	1.34
UPP (Nottingham) Limited	1.37
UPP (Oxford Brookes) Limited	1.40
UPP (Plymouth Three) Limited	1.40
UPP (Exeter) Limited	1.51

4.2 Projected AssetCo DSCR

UPP (Alcuin) Limited	1.35
UPP (Broadgate Park) Limited	1.28
UPP (Kent Student Accommodation) Limited	1.35
UPP (Nottingham) Limited	1.32
UPP (Oxford Brookes) Limited	1.35
UPP (Plymouth Three) Limited	1.35
UPP (Exeter) Limited	1.38

4.3 Historic senior DSCR 1.39

4.4 Projected senior DSCR 1.34

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

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

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

5.0 Current hedging policy

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

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

The new UK GAAP accounting framework (FRS 102) was issued in March 2013 and under the current basis will require all companies to account for the fair value of derivatives. 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 drafting of FRS 102 released in March 2013 reflected the current IFRS position in IAS 39, however, in July 2014 amendments to FRS 102 were released covering Hedge Accounting. A new standard to replace IAS 39 (IFRS 9) was also published in July 2014, and this standard can be utilised in place of FRS 102 if a company chooses to do so. Both this new standard and the amended FRS 102 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. This will take place for the year ending 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 28 August 2015, the credit adjusted market valuation of these swaps was £9.3m (liability) (2014: £17.5m liability).

6.0 Distributions made

In accordance with the terms of the Loan Note Instrument dated 5 March 2013 entered into by UPP Bond 1 Holdings Limited and UPP Group Limited and the terms of the CTA, an amount of £8,650,918 (2014: £6,617,640) will be distributed to UPP Group Limited in December 2015.

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

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

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

Monitoring Adviser addendum

Review of annual Investor Report

A. Background

UPP Bond 1 Issuer PLC (the "Issuer") has prepared its annual Investor Report for the year ended 31 August 2015 in relation to the Issuer's note programme (the "**Programme**"). Bishopsfield Capital Partners Limited ("**Bishopsfield**" or "**BCP**"), as Monitoring Adviser, is required under the terms of the Monitoring Services Agreement ("**MSA**") dated 5 March 2013 to prepare an addendum to the annual Investor Report (the "**Monitoring Adviser Addendum**") commenting, inter alia, on whether on the basis of information obtained by the Monitoring Adviser in the performance of the Services, and in accordance with the Monitoring Adviser Standard, it agrees with the matters stated in the Annual Investor Report. The Monitoring Adviser Addendum is also required to identify:

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

This Monitoring Adviser Addendum refers to matters arising during the period from 1 September 2014 through 31 August 2015 unless otherwise stated herein.

B. Executive summary

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

We note that monitoring was conducted under normal conditions throughout the year to 31 August 2015 (the Transaction Documents would require Bishopsfield to provide certain escalated monitoring should certain triggers be breached).

On 9 December 2014 the Issuer raised £149.7 million 1.037% of index-linked secured notes in relation to the accession of UPP (Exeter) Limited as an Acceding AssetCo to the Issuer's Programme. The Exeter University related tranche of notes have been issued in addition to the two initial tranches of notes:

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

Occupancy across the seven AssetCos was 99.7% for the 2014/15 academic year; occupancy was 100% for all AssetCos except at UPP (Broadgate Park) Holdings Ltd (at the University of Nottingham) where occupancy of 98% was observed.

In addition, EBITDA, before Sinking Fund payments, was £33.4 million on turnover of £55.7 million.

One distribution of £8.65 million is contemplated in relation to the last academic year and this is forecast to paid in December 2015.

Bishopsfield visited two AssetCo's properties during September 2015 at Nottingham Trent University and University of Nottingham . These two AssetCos account for approximately 24% and 19% of rooms within the bond financing and 18.3% and 17.7% of EBITDA, respectively. These Site Visits are summarised in Section D of this Monitoring Adviser Addendum.

The Issuer provided the following Compliance Certificates during the twelve months ended 31 August 2015:

- Compliance Certificate dated 19 September 2014 in relation to a Distribution made during August 2014 (we noted in our previous Monitoring Adviser Addendum the late submission of this Compliance Certificate);
- Compliance Certificate dated 17 December 2014 in relation to Audited Financial Statements for the year ended 31 August 2014; and
- Compliance Certificate dated 29 April 2015 in relation to unaudited semi-annual Financial Statements for the first half of the financial year ending 31 August 2015 (i.e for the six months ending 28 February 2015).

C. MA proposal requests received

The Monitoring Adviser considered two MA Proposal Requests during the year to 31 August 2015 and two MA Proposal Requests during November 2015.

1) On 19 November 2014, the Issuer sought consent to make certain amendments to the Common Terms Agreement dated 5 March 2013 (the CTA Amendments) and the Tax Deed of Covenant (the Tax Amendments). Bishopsfield confirmed the categorisation of the MA Proposal Request as an MA Direction Matter and made a recommendation that the Issuer Security Trustee approves the MA Proposal Request on behalf of the Issuer Secured Creditors on the basis that:

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

2) On 21 January 2015, the Issuer sought consent to UPP (Plymouth Three) Limited, as the relevant AssetCo, entering into a Crane Oversailing, Scaffolding, Hoarding and Works License Agreement. Bishopsfield confirmed the categorisation of the MA Proposal Request as an MA Direction Matter and made a recommendation that the Issuer Security Trustee approves the MA Proposal Request on behalf of the Issuer Secured Creditors on the basis that the proposed License Agreement and the Works (as defined in the relevant MA Proposal Request) were not expected to adversely affect the interests of the Issuer Secured Creditors. In making our recommendation, we noted:

Students' Union, Nottingham Trent University

- The Issuer had confirmed that it and the relevant AssetCo have made all necessary notifications relative to the Works, including to the University of Plymouth (who will be a party to the License Agreement) and its insurance providers, the Plymouth Project Documents and the Transaction Documents.
- Public liability insurance will be maintained in respect of the Developer's (as defined in the relevant MA Proposal Request) and ISG Construction's obligations under the License Agreement.
- The Works will be monitored by the relevant AssetCo to ensure compliance with the License Agreement and also inspected by Bailey Partnership, a party wall surveyor appointed by the relevant AssetCo.
- The draft License Agreement contains provisions related to, inter alia:
  - Minimising disruption to residents of the AssetCo's neighbouring property, Radnor Hall;
  - Indemnification;
  - Compliance with rules and regulations; and
  - Property security.

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

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

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

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

D. Monitoring services performed[16]

1. REGULAR UPDATES

1.1. Management meetings

In addition to the 12 November 2014 Management Meeting that we discussed in our previous Monitoring Adviser Addendum, two further Management Meetings have been conducted:

- During spring 2015 Bishopsfield met with Management on two occasions. Discussions focused on:
  - Sinking fund reserving; we agreed to align the Sinking Fund budget reviews with UPP's on-going Sinking Fund budgeting process (November to October annually) as opposed to UPP's financial year (September to August annually). We note that BCP still conducts an annual Operating Budget Review typically during July of each year.
  - UPP's ppreparations for the potential of a change in UK government following the May 2015 General Election; Management commented that the political uncertainty tended to slow down responsiveness of some client universities.
  - Consent request status; two potential MA Proposal Requests were discussed although neither have been received by Bishopsfield to date. In addition, we were advised that the works at Plymouth University referenced in the 21 January 2015 MA Proposal Request were still on-going.
  - Management changes; we were advised that Nicola Morris has become a Board Director of UPP Projects Limited.
  - AssetCo performance; Management advised that all seven AssetCo's appeared to be performing in line with expectations.
- Bishopsfield met with Management on November 30 2015. Discussions focussed on:
  - Sinking fund budgets; The Sinking Fund budgeting process was described as being under-way for the 2015/16 period. UPP commented that the management of the Sinking Fund process is being enhanced to facilitate improved management and shareholder reporting, and customer responsiveness. In addition management provided us with an update on key works planned at each of the AssetCo sites, commenting on the impact that such works may have on the relevant budgets.
  - Site Visit update; management updated us on certain matters identified through the Site Visit process discussed below.
  - Financial Review; management discussed the financial performance of the Group and the AssetCos. This is described in the Investor Report to which this Monitoring Adviser Addendum is appended. In addition, management updated us on the strong lettings performance of the seven AssetCos for the 2015/16 academic year. The rent setting process for the 2016/17 academic year is proceeding as expected by management.
  - Market for student accommodation; management commented on the strong performance exhibited by the tertiary education sector. In particular, management emphasised the high tertiary education participation rates of about 47% amongst 17-30 year-olds and the healthy demand that this generates for student accommodation. Management commented on the continued robust demand from overseas and EU students for accommodation.
  - Government Policy; management discussed the higher education Green Paper (published 6 November 2015) and Teaching Excellence Framework which it introduces. Management commented that they will observe the consultation process and consider the implications that changes may have on the demand for the AssetCo's student accommodation. Management are also observing the potential implications of the OECD BEPS project; they commented that the implications for the infrastructure sector, including UPP's business in their analysis, remain unclear.
  - Management changes; we were introduced to Paul Milner who has been appointed as Managing Director of UPP Residential Services Ltd ("URSL"), the FM Provider. He will sit on the Board of URSL and UPP Group Limited.

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

1.2. FM Provider

FM services are provided by URSL. URSL has provided the information that Bishopsfield has requested in a timely manner; the information related primarily to the Property Visit conducted during September 2015, the MA Proposal Request received and certain questions / clarifications arising during the Operating Budget review.

1.3. Property Visits

BCP conducted Site Visits at Nottingham Trent University and University of Nottingham during September 2015. Prior to financial close a comprehensive report was produced by WSP and dated October 2012 (the "**WSP Report**"; following discussions with UPP Group management we elected to rely on the aforementioned WSP report, together with a Life Cycle Report produced by URSL.

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

We were advised that there is potential for some major capital expenditure (exceeding £500,000); this relates to the north façade of Sandby Hall (part of the Nottingham Trent University portfolio). In addition, the works to the south façade of Sandby Hall were identified as having incurred capital expenditure of over £500,000 since the last Site Visit (which was undertaken by the Monitoring Adviser prior to Financial Close).

We discussed AssetCo planned maintenance and lifecycle expenditure over the coming 12 months, material disputes, breaches and deductions, litigations and claims and various other matters arising and are satisfied with the current condition. We note that the two WiFi enhancements that were contemplated by each of the two AssetCos were not mentioned during the Site Visits, and have highlighted to Management the importance of identifying these matters to us during subsequent such visits.

2. CASH MANAGEMENT AND OPERATING BUDGET

2.1. Collections

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

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

2.2. Operating Budget

The Monitoring Adviser is required to review the Operating Budget of ParentCo and each AssetCo at least annually. Bishopsfield reviewed the Operating Budgets for the twelve months commencing 1 September 2015 and found the reviewed Operating Budgets to be reasonable based upon the information available to us at such time and:

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

3. SINKING FUND REVIEW

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

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

The Lifecycle Report should report on lifecycle

maintenance costs projected to be required over the following 60 months to maintain the condition of each Relevant Property in good working order, of a quality consistent with those of alternative accommodation available in respect of the relevant University and consistent good industry practice. URSL has provided ten-year projections. Following the Bishopsfield's review of the Lifecycle Report presented in May 2015, using a Test Date of 28 February 2015 for calculations of the Sinking Fund Required Amounts, we can confirm that all Sinking Fund Reserve Accounts had excess funds available as at 28 February 2015 relative to the Sinking Fund Required Amounts.

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

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

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

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AssetCo summaries

APPENDIX 1

UPP (Alcuin) Limited, University of York

Profit and loss, year ended 31 August	Note	2015 £'000	2014 £'000
Revenue	1.1	**5,877**	5,693
Cost of sales	1.2	**(1,310)**	(1,289)
Overheads	1.3	**(243)**	(268)
EBITDA before sinking fund		**4,324**	4,136
Sinking fund		**(239)**	(312)
EBITDA		**4,085**	3,824
Depreciation		**(138)**	(109)
Amortisation		**(94)**	(94)
Profit / (loss) before financing costs		**3,853**	3,621
Interest income		**20**	18
Bond note interest & uplift on Index-linked loan notes	1.4	**(2,445)**	(2,655)
Subordinated debt interest	1.4	**(1,384)**	(1,384)
Amortisation of debt issue costs	1.5	**(121)**	(122)
Profit / (loss) before tax		**(77)**	(522)
Tax		**-**	-
Profit / (loss) for the year		**(77)**	(522)

York

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

ET – Estate Transfer
NB – New Build

UPP (Alcuin) Limited, University of York

Balance sheet		2015	2014
	Note	£'000	£'000
Fixed assets	1.6	**62,694**	62,855
Current assets		**2,560**	2,656
Current liabilities, excluding senior debt		**(1,170)**	(1,072)
Senior debt and other long term liabilities			
Fixed rate debt	1.4	**(40,337)**	(40,857)
Index linked debt	1.4	**(12,109)**	(11,988)
Subordinated debt	1.4	**(9,885)**	(9,885)
Debt issue costs	1.5	**1,623**	1,744
Net assets / (liabilities)		**3,376**	3,453
Share capital		**440**	440
Revaluation reserve		**21,197**	21,242
Profit and loss account		**(18,261)**	(18,229)
Shareholders' funds		**3,376**	3,453

Notes

1.1 The increase in turnover to £5.9m (2014: £5.7m), an increase of 3.2%, is the result of rental indexation with occupancy stable at 100% across both years.

1.2 Cost of sales has remained constant at £1.3m (2014: £1.3m).

1.3 Overheads have decreased to £243k (2014: £268k).

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

1.5 Amortisation relates to debt issue costs as a result of the bond issue. These are fully amortised over the life of the bond.

1.6 The tangible assets are held at a value of £58.7m (2014: £58.8m).
The remainder of the balance is made up of goodwill which is amortised over the life of the project.

UPP (Alcuin) Limited, University of York

Historic Senior Debt Service Cover Ratio (DSCR)

	2015 £'000
EBITDA after sinking fund per P&L	**4,085**
Add:	
Sinking fund expenditure	**239**
Interest receivable	**20**
Deduct:	
Sinking fund deposit	**(489)**
Total movement	**(229)**
Total cash available for debt service	**3,855**
Debt service	
Fixed rate debt interest	**1,995**
Fixed rate debt principle repayment	**520**
Indexed linked debt interest	**330**
Total debt service	**2,845**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	**1.05**
ADSCR – lock up	**1.15**
ADSCR – actual	**1.36**
Headroom over default	**869**
Headroom over lock up	**584**

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

Key metrics

Area	Metric	2015	2014
Site operations	Occupancy	**100%**	100%
Finance	EBITDA*	**£4.3m**	£4.1m
	ADSCR	**1.36**	1.33
Health and safety	Accident frequency rate	**0.00**	0.00
Environment	Tonnes of CO2 emissions	**1,327**	1,386
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA before sinking fund expenditure*

UPP (Alcuin) Limited, University of York

Sinking fund

The sinking fund spend for the year was £239k (2014: £312k), with the movement between years relating to the replacement cycle of the assets. Annual spend is not directly comparable year on year.

Major works during the year included mechanical plant works, kitchen refurbishments, as well as a variety of bedroom, bathroom fixtures and fittings.

Outlook for the new financial year

The company has secured occupancy of 100% for 2015/16 which is above budgeted expectations. Rents for the academic year 2016/17 will be set during Q2 of 2015/16.

University outlook

The University of York is a world class institution and ranked within the top 150 institutions in the world according to The Times Higher Education World University Rankings 2016. The most recent Research Excellence Framework recognised more than 80% of its submitted material judged to be of "world leading" or "internationally excellent" quality. Within the UK, it was ranked 15 in The Sunday Times Good University Guide for 2016.

It has seen strong enrolment growth with a compound annual growth rate of 5.2% between 2008-09 and 2013-14 and has a students to bed ratio of 2.4:1. The University remains one of the most popular HE institutions in the UK and is a member of the Russell Group of institutions.

The University continues to deliver new facilities as part of its £750 million campus expansion with the latest developments including an interdisciplinary teaching facility that houses biomedicine programmes and a new building for the Environment Department. A new teaching block and an extension to the biology department are scheduled to follow in 2016.

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

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

UPP (Broadgate Park) Holdings Limited, University of Nottingham

Profit and loss, year ended 31 August		2015	2014
	Note	£'000	£'000
Revenue	1.1	**10,859**	10,442
Cost of sales	1.2	**(3,558)**	(3,378)
Overheads	1.3	**(559)**	(573)
EBITDA before sinking fund		**6,742**	6,491
Sinking fund		**(406)**	(550)
EBITDA		**6,336**	5,941
Depreciation		**(762)**	(716)
Profit / (loss) before financing costs		**5,574**	5,225
Interest income		**33**	28
Bond note interest & uplift on Index-linked loan notes	1.4	**(4,307)**	(4,578)
Subordinated debt interest	1.4	**(4,485)**	(4,485)
Amortisation of debt issue costs	1.5	**(152)**	(153)
Profit / (loss) before tax		**(3,337)**	(3,963)
Tax		**-**	-
Profit / (loss) for the year		**(3,337)**	(3,963)

Nottingham

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

ET – Estate Transfer
NB – New Build

UPP (Broadgate Park) Holdings Limited, University of Nottingham

Balance sheet		2015	2014
	Note	£'000	£'000
Fixed assets	1.6	**99,358**	100,120
Current assets		**2,981**	2,979
Current liabilities, excluding senior debt		**(7,181)**	(4,434)
Senior debt and other long term liabilities			
Fixed rate debt	1.4	**(73,744)**	(74,249)
Index linked debt	1.4	**(18,250)**	(18,067)
Subordinated debt	1.4	**(32,039)**	(32,039)
Debt issue costs	1.5	**2,440**	2,592
Net liabilities		**(26,435)**	(23,098)
Share capital		**22,881**	22,881
Revaluation reserve		**11,273**	11,359
Profit and loss account		**(60,589)**	(57,338)
Shareholders' funds		**(26,435)**	(23,098)

Notes

1.1 Turnover has increased to £10.9m (2014: £10.4m) due to rental increases, short-term lettings including in the vacation period, offset by a small number of voids at the beginning of the year.

1.2 Cost of sales has increase to £3.6m (2014: £3.4m).

1.3 Overheads decreased to £559k (2014: £573k).

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

1.5 Amortisation relates to debt issue costs as a result of the bond issue. These are fully amortised over the life of the bond.

1.6 The tangible assets are held at a value of £99.4m (2014: £100.1m).

UPP (Broadgate Park) Holdings Limited, University of Nottingham

Historic Senior Debt Service Cover Ratio (DSCR)

	2015 £'000
EBITDA after sinking fund per P&L	**6,336**
Add:	
Sinking fund expenditure	**406**
Interest receivable	**33**
Deduct:	
Sinking fund deposit	**(668)**
Total movement	**(229)**
Total cash available for debt service	**6,107**
Debt service	
Fixed rate debt interest	**3,627**
Fixed rate debt principle repayment	**505**
Indexed linked debt interest	**497**
Total debt service	**4,629**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	**1.05**
ADSCR – lock up	**1.15**
ADSCR – actual	**1.32**
Headroom over default	**1,246**
Headroom over lock up	**783**

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

Key metrics

Area	Metric	2015	2014
Site operations	Occupancy	**98.0%**	100%
Finance	EBITDA*	**£6.7m**	£6.5m
	ADSCR	**1.32**	1.29
Health and safety	Accident frequency rate	**0.00**	0.00
Environment	Tonnes of CO2 emissions	**3,281**	3,341
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA before sinking fund expenditure*

UPP (Broadgate Park) Holdings Limited, University of Nottingham

During the period, the Company was prosecuted by the Health and Safety Executive (HSE) in relation to an employee who was exposed to vibration risks whilst working as a grounds man for the company between 2007 and 2012, prior to the issuance of the Bonds. There was no financial impact on the Company as the fine of £15,958.50 was met by the FM Provider. The HSE has subsequently visited the premises and have confirmed that UPP's strengthened health and safety procedures and policies meet with their approval. The University were kept up to date with these developments and approved the approach taken.

Sinking fund

Sinking fund expenditure for the year was £406k (2014: £550k). The movement between years relates to the replacement cycle of the assets. Levels of annual spend are not directly comparable year on year.

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

Outlook for the new financial year

The company has secured occupancy of 99.6% for 2015/16, which is above modelled expectations and 2014/15 occupancy levels. UPP will continue to work with the University to fill the remaining void rooms over the remainder of the academic year. Rents for the academic year 2016/17 will be set during Q2 of 2015/16.

University outlook

The University of Nottingham continues to be one of the most popular destinations for students in the UK and is ranked 25 in the UK by The Sunday Times Good University Guide 2016. It was also placed within the top 150 institutions in the world according to The Times Higher Education World University Rankings for 2016. The most recent Research Excellence Framework saw more than 80% of its submitted material judged to be of "world leading" or "internationally excellent" quality, and based on its Research Power score the University was ranked seventh.

The University is a member of the Russell Group of institutions and produces the most sought after graduates in the UK according to employer surveys. For the academic year 2013/14, it attracted around 48,260 applications - its applications to acceptances ratio was 7.1:1. The University has strong residential demand illustrated by its students to bed ratio of 2.6:1. This is particularly true of the Broadgate Park residences which are located at the West Gate of the University's main Park Campus and provide the only self-catered accommodation available to students.

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

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

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

UPP (Kent Student Accommodation) Ltd, University of Kent

Profit and loss, year ended 31 August		2015	2014
	Note	£'000	£'000
Revenue	1.1	**3,352**	3,233
Cost of sales	1.2	**(1,017)**	(1,002)
Overheads	1.3	**(184)**	(239)
EBITDA before sinking fund		**2,151**	1,992
Sinking fund		**(49)**	(33)
EBITDA		**2,102**	1,959
Depreciation		**(92)**	(80)
Profit / (loss) before financing costs		**2,010**	1,879
Interest income		**11**	9
Bond note interest & uplift on Index-linked loan notes	1.4	**(1,309)**	(1,399)
Subordinated debt interest	1.4	**(1,288)**	(1,288)
Amortisation of debt issue costs	1.5	**(74)**	(75)
Profit / (loss) before tax		**(650)**	(874)
Tax		**-**	-
Profit / (loss) for the year		**(650)**	(874)

Kent

544 ROOMS OCTOBER 2007 **NB**

NB – New Build

UPP (Kent Student Accommodation) Ltd, University of Kent

Balance sheet		2015	2014
	Note	£'000	£'000
Fixed assets	1.6	**32,408**	32,500
Current assets		**926**	904
Current liabilities, excluding senior debt		**(1,602)**	(813)
Senior debt and other long term liabilities			
Fixed rate debt	1.4	**(22,502)**	(22,837)
Index linked debt	1.4	**(5,275)**	(5,222)
Subordinated debt	1.4	**(9,203)**	(9,203)
Debt issue costs	1.5	**1,160**	1,234
Net assets / (liabilities)		**(4,088)**	(3,437)
Share capital		**1,381**	1,381
Revaluation reserve		**5,815**	5,830
Profit and loss account		**(11,284)**	(10,648)
Shareholders' funds		**(4,088)**	(3,437)

Notes

1.1 The increase in turnover to £3.4m (2014: £3.2m) is the result of rental indexation and maintaining 100% occupancy.

1.2 Cost of sales has increased to £1,017k (2014: £1,002k) due to RPI inflation increases.

1.3 Overheads have decreased to £184k (2014: £239k) due to one off summer decoration works in 2014.

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

1.5 Amortisation relates to debt issue costs as a result of the bond issue. These are fully amortised over the life of the bond.

1.6 Tangible assets are held at a value of £32.4m (2014: £32.5m).

UPP (Kent Student Accommodation) Ltd, University of Kent

Historic Senior Debt Service Cover Ratio (DSCR)

	2015 £'000
EBITDA after sinking fund per P&L	**2,102**
Add:	
Sinking fund expenditure	**49**
Interest receivable	**11**
Deduct:	
Sinking fund deposit	**-**
Total movement	**60**
Total cash available for debt service	**2,162**
Debt service	
Fixed rate debt interest	**1,129**
Fixed rate debt principle repayment	**335**
Indexed linked debt interest	**146**
Total debt service	**1,610**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	**1.05**
ADSCR – lock up	**1.15**
ADSCR – actual	**1.34**
Headroom over default	**472**
Headroom over lock up	**311**

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

Key metrics

Area	Metric	2015	2014
Site operations	Occupancy	**100%**	100%
Finance	EBITDA*	**£2.2m**	£2.0m
	ADSCR	**1.34**	1.30
Health and safety	Accident frequency rate	**0.00**	0.00
Environment	Tonnes of CO2 emissions	**691**	705
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

•EBITDA before sinking fund expenditure

UPP (Kent Student Accommodation) Ltd, University of Kent

Sinking Fund

The sinking fund expenditure for the year was £49k (2014: £33k), 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 included refurbishments of kitchens, as well as mechanical plant works.

Outlook for the new financial year

The company has secured occupancy of 100% for 2015/16 which is above modelled expectations. Rents for the academic year 2016/17 will be set during Q2 of 2015/16.

University outlook

The University of Kent has been improving its position in The Sunday Times Good University Guide in recent years – up to 23 in the 2016 rankings. This has been driven by increasing student satisfaction scores, good graduate employment prospects and a falling non-completion rate. The most recent Research Excellence Framework saw the University ranked 30 in the UK based on its Research Power score.

Its campus, built on 300 acres of park land overlooking the historic City of Canterbury, continues to attract a healthy and growing level of academic applications – demonstrating a compound annual growth rate of 5.3% between 2008/09 and 2013/14. In the 2013/14, it had an applications to acceptances ratio of 5.1:1.

The Canterbury campus houses over 4,300 students in rooms, flats and houses and residential demand remains strong with students to bed ratio of 2.1:1. The local housing market is characterised by a lack of private rented supply for students, a restrictive planning environment and only one direct let operator of 350 rooms which has become operational for the academic term 2014/15.

For information on the University of Kent's strategy (2012-15):

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

UPP (Nottingham) Limited, Nottingham Trent University

Profit and loss, year ended 31 August	Note	2015 £'000	2014 £'000
Revenue	1.1	**13,211**	12,757
Cost of sales	1.2	**(5,399)**	(5,265)
Overheads	1.3	**(394)**	(442)
EBITDA before sinking fund		**7,418**	7,050
Sinking fund		**(856)**	(506)
EBITDA		**6,562**	6,544
Depreciation		**(743)**	(716)
Amortisation		**(9)**	(9)
Profit / (loss) before financing costs		**5,810**	5,819
Interest income		**36**	34
Bond note interest & uplift on Index-linked loan notes	1.4	**(4,607)**	(4,932)
Subordinated debt interest	1.4	**(5,199)**	(5,199)
Pension finance costs	1.4	**4**	(25)
Amortisation of debt issue costs	1.5	**(165)**	(167)
Profit / (loss) before tax		**(4,121)**	(4,470)
Tax	1.6	**14**	24
Profit / (loss) for the year		**(4,107)**	(4,446)

Nottingham Trent

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

ET – Estate Transfer
NB – New Build

UPP (Nottingham) Limited, Nottingham Trent University

Balance sheet		2015	2014
	Note	£'000	£'000
Fixed assets	1.7	**101,638**	102,390
Current assets		**3,053**	2,909
Current liabilities, excluding senior debt		**(8,887)**	(5,341)
Senior debt and other long term liabilities			
Fixed rate debt	1.4	**(78,167)**	(78,604)
Index linked debt	1.4	**(20,532)**	(20,326)
Subordinated debt	1.4	**(37,137)**	(37,137)
Debt issue costs	1.5	**2,538**	2,703
Pension liability	1.6	**(1,021)**	(965)
Net assets / (liabilities)		**(38,515)**	(34,376)
Share capital		**5,597**	5,597
Revaluation reserve		**10,147**	10,224
Profit and loss account		**(54,259)**	(50,197)
Shareholders' funds		**(38,515)**	(34,376)

Notes

1.1 The increase in turnover to £13.2m (2014: £12.8m) is the result of rental indexation and the company maintaining 100% occupancy.

1.2 Cost of sales has increased to £5.4m (2014: £5.3m) due to RPI linked expenditure increases.

1.3 Overheads have increased to £394k (2014: £442k) due to additional one-off health and safety costs incurred during 2014.

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

1.5 Amortisation relates to debt issue costs as a result of the bond issuance. These are fully amortised over the life of the bond.

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

1.7 The tangible assets are at a value of £101.6m (2014: £102.4m). The remainder of the balance is made up of goodwill which is amortised over the life of the project.

UPP (Nottingham) Limited, Nottingham Trent University

Historic Senior Debt Service Cover Ratio (DSCR))

	2015 £'000
EBITDA after sinking fund per P&L	**6,562**
Add:	
Sinking fund expenditure	**856**
Interest receivable	**36**
Deduct:	
Sinking fund deposit	**(829)**
Total movement	**63**
Total cash available for debt service	**6,625**
Debt service	
Fixed rate debt interest	**3,843**
Fixed rate debt principle repayment	**442**
Index linked debt interest	**559**
Total debt service	**4,844**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	**1.05**
ADSCR – lock up	**1.15**
ADSCR – actual	**1.37**
Headroom over default	**1,540**
Headroom over lock up	**1,056**

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

Key metrics

Area	Metric	2015	2014
Site operations	Occupancy	**100%**	100%
Finance	EBITDA*	**£7.4m**	£7.1m
	ADSCR	**1.37**	1.21
Health and safety	Accident frequency rate	**0.37**	0.00
Environment	Tonnes of CO2 emissions	**3,481**	3,764
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA before sinking fund expenditure*

UPP (Nottingham) Limited, Nottingham Trent University

Sinking fund

The sinking fund spend for the year was £856k (2014: £506k). 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 refurbishment of various bedroom, bathroom and kitchen fixtures and fittings, as well as mechanical plant works.

Outlook for the new financial year

The company has secured occupancy of 100% for 2015/16 which is above modelled expectations. Rents for the academic year 2016/17 will be set during Q2 of 2015/16.

University outlook

Nottingham Trent University remains one of the top five new universities and has seen its ranking improve in The Sunday Times Good University Guide to 54 in 2016.

Even with a competitive private operator market in existence across the City, Nottingham Trent University can still boast a students to bed ratio of 2.6:1. For the academic year 2013/14, the University attracted around 36,195 applications – its applications to acceptances ratio was 4.6:1. It is best known for its leading fashion and other creative arts courses; however, the focus of the University is also on providing valuable employment skills. It is one of the few UK universities that offer every student a work placement opportunity.

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

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

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

UPP (Oxford Brookes) Limited, Oxford Brookes University

Profit and loss, year ended 31st August		2015	2014
	Note	£'000	£'000
Revenue	1.1	**4,188**	3,997
Cost of sales	1.2	**(893)**	(854)
Overheads	1.3	**(204)**	(218)
EBITDA before sinking fund		**3,091**	2,925
Sinking fund		**(134)**	(221)
EBITDA		**2,957**	2,704
Depreciation		**(271)**	(254)
Profit / (loss) before financing costs		**2,686**	2,450
Interest income		**12**	13
Bond note interest & uplift on Index-linked loan notes	1.4	**(1,819)**	(1,955)
Subordinated debt interest	1.4	**(1,873)**	(1,872)
Amortisation of debt issue costs	1.5	**(91)**	(92)
Profit / (loss) before tax		**(1,085)**	(1,456)
Tax		**-**	-
Profit / (loss) for the year		**(1,085)**	(1,456)

Oxford Brookes

751 ROOMS SEPTEMBER 2002 **NB**

NB – New Build

UPP (Oxford Brookes) Limited, Oxford Brookes University

Balance sheet		2015	2014
	Note	£'000	£'000
Fixed assets	1.6	**40,129**	40,400
Current assets		**1,293**	1,222
Current liabilities, excluding senior debt		**(1,984)**	(967)
Senior debt and other long term liabilities			
Fixed rate debt	1.4	**(30,623)**	(30,928)
Index linked debt	1.4	**(8,212)**	(8,130)
Subordinated debt	1.4	**(13,378)**	(13,378)
Debt issue costs	1.5	**1,385**	1,476
Net assets / (liabilities)		**(11,390)**	(10,305)
Share capital		**1,206**	1,206
Revaluation reserve		**9,442**	9,496
Profit and loss account		**(22,038)**	(21,007)
Shareholders' funds		**(11,390)**	(10,305)

Notes

1.1 The increase in turnover to £4.2m (2014: £4.0m) is the result of indexation and the pass through of increased FM costs to rents and maintaining a nomination of 100% of the rooms from the University.

1.2 Cost of sales increased to £893k (2014: £854k) on the basis of the increase of FM costs as described in note 1.1.

1.3 Overheads have decreased to £204k (2014: £218k)

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

1.5 Amortisation relates to debt issue costs as a result of the bond issuance. These are fully amortised over the life of the bond.

1.6 The tangible assets are held at a value of £40.1m (2014: £40.4m).

UPP (Oxford Brookes) Limited, Oxford Brookes University

Historic Senior Debt Service Cover Ratio (DSCR)

	2015 £'000
EBITDA after sinking fund per P&L	**2,957**
Add:	
Sinking fund expenditure	**134**
Interest receivable	**12**
Deduct:	
Sinking fund deposit	**(251)**
Total movement	**(105)**
Total cash available for debt service	**2,852**
Debt service	
Fixed rate debt interest	**1,513**
Fixed rate debt principle repayment	**305**
Index linked debt interest	**224**
Total debt service	**2,042**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	**1.05**
ADSCR – lock up	**1.15**
ADSCR – actual	**1.40**
Headroom over default	**707**
Headroom over lock up	**503**

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

Key metrics

Area	Metric	2015	2014
Site operations	Occupancy	**100%**	100%
Finance	EBITDA*	**£3.1m**	£2.9m
	ADSCR	**1.40**	1.34
Health and safety	Accident frequency rate	**0.00**	0.00
Environment	Tonnes of CO2 emissions	**897**	917
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA before sinking fund expenditure*

UPP (Oxford Brookes) Limited, Oxford Brookes University

Sinking Fund

Sinking fund expenditure for the year was £134k (2014: £221k). 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 and refurbishment of kitchens across the estate as well as mechanical plant works.

Outlook for the new financial year

The company has secured occupancy of 100% for 2015/16 which is in line with modelled expectations. Rents for 2016/17 will be set in October 2016 as part of the controlled rent.

University outlook

Oxford Brookes University remains one of the most popular new universities in the UK. The Sunday Times Good University Guide ranked it 55 overall for 2016. For the academic year 2013/14, the University attracted around 28,215 applications – its applications to acceptances ratio was 6.6:1.

Being one of the key UK HE destinations, the City Council have placed strict controls on the number of students each university is permitted to house in the private rented sector within Oxford. Providing sufficient purpose built accommodation to facilitate this, Oxford Brookes continues to present a healthy student to bed ratio of 1.9:1.

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

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

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

UPP (Plymouth Three) Limited, Plymouth University

Profit and loss, year ended 31st August	Note	2015 £'000	2014 £'000
Revenue	1.1	**8,390**	8,100
Cost of sales	1.2	**(2,446)**	(2,447)
Overheads	1.3	**(311)**	(317)
EBITDA before sinking fund		**5,633**	5,336
Sinking fund		**(599)**	(647)
EBITDA		**5,034**	4,689
Depreciation		**(257)**	(234)
Amortisation		**(37)**	(37)
Profit / (loss) before financing costs		**4,740**	4,418
Interest income		**29**	23
Bond note interest & uplift on Index-linked loan notes	1.4	**(3,262)**	(3,485)
Subordinated debt	1.4	**(3,717)**	(3,717)
Amortisation of debt issue costs	1.5	**(127)**	(128)
Profit / (loss) before tax		**(2,337)**	(2,889)
Tax		**-**	-
Profit / (loss) for the year		**(2,337)**	(2,889)

Plymouth

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

ET – Estate Transfer
NB – New Build

UPP (Plymouth Three) Limited, Plymouth University

Balance sheet		2015	2014
	Note	£'000	£'000
Fixed assets	1.6	**84,718**	85,013
Current assets		**2,258**	218
Current liabilities, excluding senior debt		**(4,824)**	(557)
Senior debt and other long term liabilities			
Fixed rate debt	1.4	**(55,438)**	(55,892)
Index linked debt	1.4	**(14,326)**	(14,183)
Subordinated debt	1.4	**(26,551)**	(26,552)
Debt issue costs	1.5	**1,972**	2,099
Net assets / (liabilities)		**(12,191)**	(9,854)
Share capital		**2,034**	2,034
Revaluation reserve		**21,202**	21,267
Profit and loss account		**(35,427)**	(33,155)
Shareholders' funds		**(12,191)**	(9,854)

Notes

1.1 The increase in turnover to £8.4m (2014: £8.1m) is the result of rental indexation and maintaining 100% occupancy.

1.2 Cost of sales has remained constant at £2.4m (2014: £2.4m).

1.3 Overheads have decreased to £311k (2014: £317k).

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

1.5 Amortisation relates to debt issue costs as a result of the bond issue. These are fully amortised over the life of the bond.

1.6 The tangible assets are held at a value of £84.7m (2014: £85.0m). The remainder of the balance is made up of goodwill which is amortised over the life of the project.

UPP (Plymouth Three) Limited, Plymouth University

Historic Senior Debt Service Cover Ratio (DSCR)

	2015 £'000
EBITDA after sinking fund per P&L	**5,034**
Add:	
Sinking fund expenditure	**599**
Interest receivable	**29**
Deduct:	
Sinking fund deposit	**(670)**
Total movement	**(42)**
Total cash available for debt service	**4,992**
Debt service	
Fixed rate debt interest	**2,729**
Fixed rate debt principle repayment	**454**
Index linked debt interest	**390**
Total debt service	**3,573**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	**1.05**
ADSCR – lock up	**1.15**
ADSCR – actual	**1.40**
Headroom over default	**1,240**
Headroom over lock up	**883**

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

Key metrics

Area	Metric	2015	2014
Site operations	Occupancy	**100%**	100%
Finance	EBITDA*	**£5.6m**	£5.3m
	ADSCR	**1.40**	1.39
Health and safety	Accident frequency rate	**1.09**	0.00
Environment	Tonnes of CO2 emissions	**2,047**	2,047
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA before sinking fund expenditure*

UPP (Plymouth Three) Limited, Plymouth University

Sinking fund

The sinking fund expenditure for the year was £599k (2014: £647k). 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 as well as mechanical plant works.

Outlook for the new financial year

The company has secured occupancy of 100% for 2015/16 which is above modelled expectations. Rents for the academic year 2016/17 will be set during Q2 of 2015/16.

University outlook

Plymouth University has continued to improve its position in The Times Higher Education's Global rankings for institutions under 50 years old - achieving 37th position in 2015. It was also ranked 85 by The Sunday Times Good University Guide for 2016.

The University has both national and international appeal with an applications to acceptances ratio of 4.3:1 for 2013/14. It has exceptionally strong residential demand characteristics with a students to bed ratio of 4.9:1.

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

For Plymouth University's latest strategy (2020):

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

UPP (Exeter) Limited, University of Exeter

Profit and loss, year ended 31st August		2015	2014
	Note	£'000	£'000
Revenue	1.1	**13,358**	12,906
Cost of sales	1.2	**(3,773)**	(3,545)
Overheads	1.3	**(447)**	(318)
EBITDA before sinking fund		**9,138**	9,043
Sinking fund		**(437)**	(471)
EBITDA		**8,701**	8,572
Depreciation		**(453)**	(416)
Profit / (loss) before financing costs		**8,248**	8,156
Interest income		**27**	53
Bank debt interest	1.4	**(1,857)**	(7,374)
Bond note interest & uplift on Index-linked loan notes	1.4	**(1,472)**	-
Subordinated debt	1.4	**(2,528)**	(2,280)
Interest provision write back	1.4	**2,505**	-
Termination of hedging arrangements	1.4	**(45,015)**	-
Amortisation of debt issue costs	1.5	**(192)**	-
Profit / (loss) before tax		**(40,284)**	(1,444)
Tax	1.6	**638**	371
Profit / (loss) for the year		**(39,646)**	(1,074)

Exeter

2,569 ROOMS 2009-2012 ET, NB

ET – Estate Transfer
NB – New Build

Results are shown above for the full financial year, but for the purpose of the consolidated position results taken from 9 December 2014.

UPP (Exeter) Limited, University of Exeter

Balance sheet		2015	2014
	Note	£'000	£'000
Fixed assets	1.7	**132,900**	133,800
Current assets		**5,668**	7,941
Current liabilities, excluding senior debt		**(490)**	(3,938)
Senior debt and other long term liabilities			
Bank debt		**-**	(102,302)
Index linked debt	1.4	**(145,702)**	-
Subordinated debt	1.4	**(21,308)**	(17,407)
Debt issue costs	1.5	**6,328**	-
Deferred tax	1.6	**-**	(638)
Liabilities / (net assets)		**(22,604)**	17,456
Share capital		**650**	650
Revaluation reserve		**20,617**	21,136
Profit and loss account		**(43,871)**	(4,330)
Shareholders' funds		**(22,604)**	17,456

Notes

1.1 The increase in turnover to £13.4m (2014: £12.9m) is the result of rental indexation and maintaining 100% occupancy.

1.2 Cost of sales has increased to £3.8m (2014: £3.5m).

1.3 Overheads have increased to £447k (2014: £318k) due to bond governance costs not incurred in 2014 and a one off cost for lightning protection.

1.4 The previous bank facility was repaid with the proceeds of the bond issue. All hedging arrangements associated with the bank facility were terminated leading to the one-off exceptional item. At the same time there was a significant injection of £3.9m 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 value of £132.9m (2014: £133.8m).

UPP (Exeter) Limited, University of Exeter

Historic Senior Debt Service Cover Ratio (DSCR)

	2015 £'000
EBITDA after sinking fund per P&L	**8,701**
Add:	
Sinking fund expenditure	**437**
Interest receivable	**27**
Deduct:	
Sinking fund deposit	**(899)**
Total movement	**(435)**
Total cash available for debt service	**8,266**
Debt service	
Index linked debt principle repayment	**4,355**
Index linked debt interest	**1,116**
Total debt service	**5,471**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	**1.05**
ADSCR – lock up	**1.15**
ADSCR – actual	**1.51**
Headroom over default	**2,522**
Headroom over lock up	**1,975**

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

Key metrics

Area	Metric	2015	2014
Site operations	Occupancy	**100%**	100%
Finance	EBITDA*	**£9.1m**	£9.0m
	ADSCR	**1.51**	1.17
Health and safety	Accident frequency rate	**0.00**	0.00
Environment	Tonnes of CO2 emissions	**2,206**	2,292
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA before sinking fund expenditure*

UPP (Exeter) Limited, University of Exeter

Sinking fund

The sinking fund expenditure for the year was £437k (2014: £471k). 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 as well as mechanical plant works.

Outlook for the new financial year

The company has secured occupancy of 100% for 2015/16 which is above modelled expectations. Rents for the academic year 2016/17 will be set during Q2 of 2015/16.

University outlook

The University of Exeter is one of the most popular universities in the UK. It was ranked 7 in The Sunday Times Good University Guide 2016 and is within the top 100 institutions in the world for the first time, according to The Times Higher Education World University Rankings 2016. It is a member of the Russell Group of institutions further reinforcing its world class reputation.

The University has seen strong enrolment growth with a compound annual growth rate of 5.0% between 2008-09 and 2013-14, when it has 18,260 full time students enrolled. For 2013/14, it had a applications to acceptances ratio of 6.4:1. It experiences a high residential demand and has a students to bed ratio of 2.7:1

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

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

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

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

UPP Bond 1 Holdings Limited

Non-statutory consolidated financial statements for the year ended 31 August 2015

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

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

Directors' report for the year ended 31 August 2015

The directors present their non-statutory consolidated financial statements for the year ended 31 August 2015.

Principal activity of the business

The group's principal activity is of a holding company for its subsidiary undertakings. The subsidiary undertakings principal activity is the operation of student accommodation and the provision of related facilities management services for seven AssetsCos; consisting of 11,673 rooms achieving 99.7% occupancy for the 2014/15 financial year.

On 9 December 2014 the group acquired by way of share for share exchange the holdings in UPP (Exeter) Limited.

Financial risk management objectives and policies

The group's financial risk management objectives and policies are considered to be of strategic significance and are therefore detailed in the Strategic Report on pages 66 and 67.

Going concern

The directors have reviewed the group's projected profits and cash flows which they have prepared on the basis of a detailed analysis of the group's finances, contracts and likely future demand trends. After consideration of these projections the directors consider that the group will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis.

Dividend

The directors do not propose the payment of a dividend (2014: £Nil).

Directors and their interests

The directors holding office during the year ended 31 August 2015 and subsequently are:

G Behr
J Benkel
S O'Shea
SFM Directors Limited

At 31 August 2015 none of the directors had any beneficial interests in the shares of the company or in any of the group companies.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that year.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

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

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

Independent Auditors

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

On behalf of the Board

G Behr
Director
14 December 2015

Strategic report for the year ended 31 August 2015

Results and review of the business

The group incorporated wholly owned subsidiaries UPP Bond 1 Issuer plc and UPP Bond 1 Limited on 16 October 2012. The group commenced trading on 5 March 2013 when it acquired the entire issued share capital in UPP (Alcuin) Limited, UPP (Broadgate Park) Holdings Limited, UPP (Kent Student Accommodation) Limited, UPP (Nottingham) Limited, UPP (Oxford Brookes) Limited and UPP (Plymouth Three) Limited. On 9 December 2014 UPP Bond 1 Limited acquired the entire issued share capital in UPP (Exeter) Limited. The comparative results are for the year from that date to 31 August 2014.

The principal activity of these subsidiary undertakings is the operation and management of 11,673 student accommodation rooms owned by the companies listed above.

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

At the AssetCo at the University of Exeter, a latent defect in the newly built accommodation was recently identified relating to the external panel detailing around the buildings. This does not affect the operation of the accommodation which continues to be fully occupied at modelled rents. UPP (Exeter) Limited has been working with the contractor who built the accommodation to develop a programme of rectification works which will be undertaken over the course of subsequent summer vacation periods.

It is the intention of UPP (Exeter) Limited to ensure that its rights under the original construction contract are robustly applied. These place liability for latent defects firmly with the Contractor. The company has engaged with the University of Exeter who are supportive of the proposed approach.

The group's loss for the year attributable to shareholders and reported in the financial statements is £11,476,000 (2014: £15,797,000).

Key performance indicators

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

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

	2014/15	2013/14
Average Applications : Acceptance ratio	**5.79:1**	5.71:1

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

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

	2014/15	2013/14
Average occupancy across the facilities	**99.7%**	100.0%

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.

Principal risk and uncertainties

Demand risk

The group is subjected to risks arising from occupancy voids and no nominations by the university partners which can lead to uncertain revenues. This risk is managed by cementing relationships with the university, improved marketing of accommodation and improved third party revenues to compensate for any shortfalls in rental income.

Portfolio risk

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

On behalf of the Board

G Behr
Director
14 December 2015

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

We have audited the non-statutory consolidated financial statements of UPP Bond 1 Holdings Limited for the year ended 31 August 2015 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 on pages 2 and 3, 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 2015 and of its loss for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice.

Grant Thornton UK LLP
Statutory Auditor Central Milton Keynes

Consolidated profit and loss account for the year ended 31 August 2015

	Notes	Year ended 31 August 2015 £'000	Year ended 31 August 2015 £'000	Year ended 31 August 2014 £'000
Turnover	2			
Continuing operations		**45,877**		
Acquired operations		**9,796**		
			55,673	44,222
Cost of sales			**(17,427)**	(14,235)
Gross profit			**38,246**	29,987
Operating expenses			**(10,747)**	(9,243)
Operating profit				
Continuing operations		**21,499**		
Acquired operations		**6,000**		
	6		**27,499**	20,744
Interest receivable & similar income	7		**169**	124
Interest payable & similar charges	8		**(39,158)**	(36,689)
Loss on ordinary activities before taxation			**(11,490)**	(15,821)
Tax credit on loss on ordinary activities	9		**14**	24
Loss for the financial year	19 (a)		**(11,476)**	(15,797)

The above results all relate to continuing operations.

Consolidated statement of total recognised gains and losses for the year ended 31 August 2015

	Notes	**Year ended 31 August 2015** £'000	Year ended 31 August 2014 £'000
Loss for the financial year	19(a)	**(11,476)**	(15,797)
Revaluation of principal asset	19(a)	**(444)**	3,667
Actuarial loss relating to pension scheme	20	**(32)**	(49)
Deferred tax attributable to actuarial gain / (loss)	20	**-**	(2)
Total recognised gains and losses relating to the year		**(11,952)**	(12,181)

Consolidated balance sheet as at 31 August 2015

	Notes	31 August 2015 £'000	31 August 2014 £'000
Fixed assets			
Intangible assets	10	**137,608**	97,815
Tangible assets	11	**548,008**	417,300
		685,616	515,115
Current assets			
Debtors: amounts falling due within one year	13	**424**	430
Cash at bank and in hand		**39,251**	22,972
		39,675	23,402
Creditors: amounts falling due within one year	15	**(50,670)**	(25,647)
Net current (liabilities) / assets		**(10,995)**	(2,245)
Total assets less current liabilities		**674,621**	512,870
Creditors: amounts falling due after more than one year	16	**(647,897)**	(492,971)
Provisions for liabilities and charges	17	**-**	-
Net assets excluding pension liability		**26,724**	19,899
Pension liability	20	**(1,021)**	(965)
		25,703	18,934
Share capital and reserves			
Called up share capital	18	**55,570**	36,849
Revaluation reserve	19(a)	**5,281**	5,725
Profit and loss account	19(a)	**(35,148)**	(23,640)
		25,703	18,934

The financial statements were approved by the board on 14 December 2015 and were signed on its behalf by:

G Behr
Director

Company balance sheet as at 31 August 2015

	Notes	31 August 2015 £'000	31 August 2014 £'000
Fixed assets			
Investments	12	**55,570**	36,849
		55,570	36,849
Current assets			
Debtors: amounts falling due within one year	13	**36,481**	17,109
Debtors: amounts falling due after one year	14	**146,669**	125,361
		183,150	142,470
Creditors: amounts falling due within one year	15	**(35,662)**	(16,642)
Net current assets		**147,488**	125,828
Total assets less current liabilities		**203,058**	162,677
Creditors: amounts falling due after more than one year	16	**(146,669)**	(125,361)
Provisions for liabilities and charges	17	**-**	-
		56,389	37,316
Share capital and reserves			
Called up share capital	18	**55,570**	36,849
Profit and loss account	19(b)	**819**	467
		56,389	37,316

The financial statements were approved by the board on 14 December 2015 and were signed on its behalf by:

G Behr
Director

Registered No: 08253967

Consolidated statement of cash flows for the year ended 31 August 2015

	Notes	Year ended 31 August 2015 £'000	Year ended 31 August 2014 £'000
Net cash flow from operating activities	21(a)	**32,888**	25,705
Returns on investments and servicing of finance			
Interest received		**169**	124
Interest paid		**(18,078)**	(25,595)
Costs associated with issue of debt		**(6,519)**	-
Net cash flow from returns on investments and servicing of finance		**(24,428)**	(25,471)
Acquisitions and disposals			
Cash balances acquired with subsidiary undertakings		**8,445**	-
Hedging termination payments		**(45,014)**	-
Net cash flow from acquisitions and disposals		**(36,569)**	-
Net cash flow before financing		**(28,109)**	234
Financing			
Cash outflow from repayment of senior debt		**(109,214)**	(3,017)
Cash outflow from repayment of subordinated debt		**(17,407)**	-
Cash inflow from increase in senior secured notes		**149,700**	-
Cash inflow from increase in subordinated debt		**21,309**	-
Net cash flow from financing		**44,388**	(3,017)
Increase / (decrease) in cash during year	21(c)	**16,279**	(2,783)

Notes to the non-statutory consolidated financial statements for the year ended 31 August 2015

1. Principal accounting policies

(a) Basis of accounting

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

The financial information included in these non-statutory consolidated financial statements do not constitute the Company's statutory accounts for the year ended 31 August 2015 but is derived from the statutory accounts of the entity and its subsidiary undertakings for the year ended 31 August 2015. Statutory accounts for the individual entity will be delivered to the Registrar of Companies in due course. The auditor has reported on those accounts; its report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and (iii) did not contain a statement under section 498(2) or section 498(3) of the Companies Act 2006.

(b) Going concern

The directors have reviewed the group's projected profits and cash flows which they have prepared on the basis of a detailed analysis of the group's finances, contracts and likely future demand trends. After consideration of these projections the directors consider that the group will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis.

(c) Basis of consolidation

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

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

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

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

No profit and loss account is presented for UPP Bond 1 Holdings Limited as permitted by section 408 of the Companies Act 2006. The profit dealt with in the company for the financial year was £352,000 (2014: £314,000).

d) Intangible assets

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

(e) Presentation of principal asset

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

Each year the group reviews the status of these interests, in accordance with the provisions of FRS 5 (Application Note F), assessing the balance of the significant risks and rewards of ownership of the asset. The appropriate balance

sheet treatment of these interests is to treat the asset as a finance receivable asset where the company does not have the majority of significant risks and rewards. Where it does, the asset is treated as a tangible fixed asset.

The directors consider the balance of the risks and rewards lies with the group and therefore the assets are treated as a tangible fixed assets.

(f) Tangible fixed assets

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

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

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

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

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

(g) Investments

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

(h) Impairment reviews

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

(i) Income recognition

Rent receivable is recognised on the basis of the amount receivable in respect of the accounting year. 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 year is based on the result for the year, 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 / year end. Where no policy is in place, current and deferred tax is measured before benefits which may arise from a formal group relief policy.

(m) Related party transactions

The group is a wholly owned subsidiary of UPP Group Holdings Limited and as such the company has taken advantage of the terms of FRS 8 not to disclose related party transactions which are eliminated on consolidation.

(n) Defined contribution pension scheme

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

(o) Defined benefit pension scheme

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

The amounts charged to the operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the year 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 £18,000 (2014: £11,000) to Structured Finance Management Limited in respect of services performed in connection with the management of the affairs of the group for the year ended 31 August 2015. An amount of £4,000 (2014: £3,000) related to the services provided to the company during the year.

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

4. Auditor remuneration

	Year ended 31 August 2015	Year ended 31 August 2014
	£'000	£'000
Fees payable to the Company's auditor for the audit of the company's annual accounts	**9**	9
Fees payable to the Company's auditor and its associates for other services:		
Audit of the company's subsidiaries	**129**	117
Tax services	**32**	32
	170	158

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

5. Employee information

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

	Year ended 31 August 2015	Year ended 31 August 2014
	Number	Number
Site managers (full time)	**11**	11
Administration, maintenance and cleaning (full and part time)	**288**	244
	299	255

The employment costs of all employees included above were:

	Year ended 31 August 2015	Year ended 31 August 2014
	£'000	£'000
Wages and salaries	**4,967**	4,119
Social security costs	**361**	312
Other pension costs	**263**	210
	5,591	4,641

6. Operating profit

The operating profit is stated after charging:

	Year ended 31 August 2015	Year ended 31 August 2014
	£'000	£'000
Depreciation	**2,596**	2,107
Amortisation of goodwill	**3,276**	2,769

7. Interest receivable and similar income

	Year ended 31 August 2015	Year ended 31 August 2014
	£'000	£'000
Bank interest	**169**	124

8. Interest payable and similar charges

	Year ended 31 August 2015	Year ended 31 August 2014
	£'000	£'000
Interest payable on senior secured notes	**18,078**	17,074
Indexation of index-linked senior secured notes	**1,144**	1,929
Subordinated loan interest	**19,019**	16,924
Pension finance costs (note 20)	**(4)**	25
Amortisation of debt issue costs	**921**	737
	39,158	36,689

9. Tax on loss on ordinary activities

	Year ended 31 August 2015	Year ended 31 August 2014
	£'000	£'000
a) Analysis of tax credit for the year		
Current tax on income for the year (note 9b)	**-**	-
Deferred tax:		
Current year – defined pension scheme relief	**(8)**	(13)
Rate difference – defined pension scheme relief	**(7)**	(11)
Total deferred tax	**(14)**	(24)
Tax credit on losses on ordinary activities	**(14)**	(24)

(b) Factors affecting current tax credit for the year

The tax assessed for the year is higher (2014: higher) than the standard rate of corporation tax in the UK 21% (2014: 23%). The differences are explained below:

	Year ended 31 August 2015	Year ended 31 August 2014
	£'000	£'000
Loss on ordinary activities before tax	**(11,490)**	(15,821)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2014: 23%)	**(2,365)**	(3,507)
Effects of:		
Disallowable expenses	**3,886**	3,874
Capital allowances in excess of depreciation	**(26)**	(47)
Defined benefit pension relief	**8**	13
Non-taxable income	**(2,162)**	(2,091)
Unutilised tax losses	**659**	1,758
Current tax credit for the year (note 9a)	**-**	-

(c) Factors that may affect future tax charges

A deferred tax asset of £33,551,000 (2014: £25,763,000) in respect of available tax losses has not been recognised at 31 August 2015. This is due to there being no persuasive and reliable evidence available at this time of suitable profits to offset these losses.

10. Intangible fixed assets

	Positive Goodwill
	£'000
Cost	
At 1 September 2014	101,967
Additions	43,068
At 31 August 2015	**145,035**
Amortisation	
At 1 September 2014	(4,152)
Charge for the year	(3,276)
At 31 August 2015	**(7,428)**
Net book value	
At 31 August 2015	**137,607**
At 31 August 2014	97,815

As at 1 September 2014 goodwill relates to 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.

On 9 December 2014 goodwill at £43,068,000 arose on the aquisition of UPP (Exeter) Limited by UPP Bond 1 Limited, a subsidiary undertaking, and is the difference between the consideration given and the fair value of the net assets aquired (refer to note 21).

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

11. Tangible fixed assets

	Assets for use in operating leases
	£'000
Cost or valuation	
At 1 September 2014	417,300
Additions	71
Acquired through acquisition of subsidiary undertaking	133,677
Revaluation	(444)
At 31 August 2015	**550,604**
Depreciation	
At 1 September 2014	-
Charge during the year	(2,596)
At 31 August 2015	**(2,596)**
Net book value	
At 31 August 2015	**548,008**
At 31 August 2014	417,300

The fixed asset includes finance costs up to the date of completion of £16,771,000 (2014: £12,117,000).

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	Assets for use in operating leases
	31 August 2015	31 August 2014
	£'000	£'000
Cost	548,504	414,756
Depreciation	(5,778)	(3,182)
Net book value	**542,726**	411,574

12. Investments

	Interest in subsidiary undertakings
	£'000
Company	
At 1 September 2014	36,849
Additions	18,721
At 31 August 2015	**55,570**

On 9 December 2014, the company acquired the entire share capital in UPP (Exeter) Limited from UPP Group Limited by way of a share for share exchange. On the same day, the company then transferred this shareholding to its wholly owned subsidiary UPP Bond 1 Limited again by way of a share for share exchange.

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

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

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

13. Debtors: amounts falling due within one year

	31 August 2015	31 August 2015	31 August 2014	31 August 2014
	£'000	£'000	£'000	£'000
	Group	Company	Group	Company
Trade debtors	121	-	229	-
VAT receivable	32	-	43	-
Amounts owed to related parties	40	-	-	-
Amounts owed by subsidiary companies	-	36,481	-	17,109
Prepayments and accrued income	231	-	326	-
	424	36,481	430	17,109

14. Debtors: amounts falling due after one year

	31 August 2015	31 August 2015	31 August 2014	31 August 2014
	£'000	£'000	£'000	£'000
	Group	Company	Group	Company
Amounts owed by subsidiary companies	-	146,669	-	125,361

15. Creditors: amounts falling due within one year

	31 August 2015	31 August 2015	31 August 2014	31 August 2014
	£'000	£'000	£'000	£'000
	Group	Company	Group	Company
Senior secured notes	6,544	-	1,830	-
Trade creditors	277	-	96	-
Amounts owed to related parties	4,617	-	3,904	-
Amounts owed to immediate parent company	35,662	35,662	16,642	16,642
VAT payable	-	-	4	-
Accruals and deferred income	3,573	-	3,171	-
	50,673	35,662	25,647	16,642

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

	31 August 2015	31 August 2015	31 August 2014	31 August 2014
	£'000	£'000	£'000	£'000
	Group	Company	Group	Company
Fixed rate senior secured notes	300,812	-	303,372	-
Index-linked senior secured notes	224,405	-	77,916	-
Unsecured loan notes	146,669	146,669	125,361	125,361
Less: unamortised debt issue costs	(17,445)	-	(11,848)	-
	654,441	146,669	494,801	125,361
Less: included in creditors amounts falling due within one year	(6,544)	-	(1,830)	-
	647,897	146,669	492,971	125,361
Maturity of debt				
Repayable within one year or on demand	7,461	-	2,560	-
Repayable in more than one year but less than two years	8,215	-	3,067	-
Repayable in more than two years but less than five years	33,189	-	14,684	-
Repayable in more than five years	623,021	146,669	486,338	125,361
Less: unamortised debt issue costs	(17,445)	-	(11,848)	-
	654,441	146,669	494,801	125,361
Less: included in creditors amounts falling due within one year	(6,544)	-	(1,830)	-
	647,897	146,669	492,971	125,361

Senior secured notes

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

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

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

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

On 9 December 2014 one of the group's subsidiary undertakings issued £149,700,000 of fully amortising RPI index-linked senior secured notes, listed on the Irish Stock Exchange, ranking pari-passu with the initial senior notes. The proceeds of this issuance were on-lent to a sister company, UPP (Exeter) Limited, to enable that company to refinance its senior bank facilities and some associated costs.

These index-linked senior secured notes are fully amortising by 2049 with a real interest rate of 1.037% increasing semi-annually by RPI. The principal amounts repayable increase semi-annually by RPI with repayments commencing in August 2015.

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

Unsecured loan notes

UPP Group Limited provided unsecured loan notes of £146,669,000 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 2015**	**31 August 2015**	31 August 2014	31 August 2014
	£'000	**£'000**	£'000	£'000
	Group	**Company**	Group	Company
At 1 September 2014	**-**	**-**	-	-
Charged to profit and loss account	**-**	**-**	-	-
At 31 August 2015	**-**	**-**	-	-

Deferred tax	**31 August 2015**	**31 August 2015**	31 August 2014	31 August 2014
	£'000	**£'000**	£'000	£'000
	Group	**Company**	Group	Company
The deferred tax liability consists of:				
Accelerated capital allowances	**7,970**	**-**	5,518	-
Other timing differences	**(7,970)**	**-**	(5,518)	-
Total deferred tax liability	**-**	**-**	-	-

18. Called up share capital

	31 August 2015	31 August 2014
	£'000	£'000
Issued, allotted, called up and fully paid		
55,570,409 Ordinary shares of £1 each	**55,570**	36,849

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

19. Reconciliation of shareholders' funds and movement on reserves

(a) Group

	Share capital	Revaluation reserve	Profit & loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000
At 1 September 2014	36,849	5,725	(23,640)	18,934
Share capital issued	18,721	-	-	18,721
Loss for the year	-	-	(11,476)	(11,476)
Actuarial loss on pension scheme	-	-	(32)	(32)
Revaluation	-	(444)	-	(444)
At 31 August 2015	**55,570**	**5,281**	**(35,148)**	**25,703**

(b) Company

	Share capital	Profit & loss account	Total shareholders' funds
	£'000	£'000	£'000
At 1 September 2014	36,849	467	37,316
Share capital issued	18,721	-	18,721
Profit for the year	-	352	352
At 31 August 2015	**55,570**	**819**	**56,389**

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 credit charged to the profit and loss account of £4,000 (2014: cost of £25,000) represents a pre-determined amount of the employee's salary paid into the scheme. As at 31 August 2015 £Nil (2014: £Nil) contributions remained outstanding.

Defined benefit scheme

One of the group's subsidiary undertakings, UPP (Nottingham) Limited provides retirement benefits for 56 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 year 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 2015 were:

	31 August 2015	31 August 2014
Rate of inflation	**3.4%**	3.4%
Rate of increase in salaries	**4.3%**	4.4%
Rate of increase in pensions	**2.5%**	2.6%
Discount rate for liabilities	**3.8%**	3.8%

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

	31 August 2015	31 August 2014
	Years	Years
Retiring today		
Males	**22.1**	22.0
Females	**25.2**	25.1
Retiring in 20 years		
Males	**24.2**	24.1
Females	**27.6**	27.4

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

	31 August 2015	31 August 2014
	£'000	£'000
Current service cost	107	95
Past service cost	-	-
	107	95

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

	31 August 2015	31 August 2014
	£'000	£'000
Interest cost	**141**	162
Expected return on scheme assets	**(145)**	(137)
	(4)	25

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

	31 August 2015	31 August 2014
	£'000	£'000
Actual return less expected return on pension scheme assets	**(102)**	114
Experience gains	**-**	221
Changes in assumptions underlying the present value of scheme liabilities	**70**	(384)
	(32)	(49)

The actual return on scheme assets was £43,000 (2014: £251,000).

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 2015	31 August 2014
	£'000	£'000
Present value of defined benefit obligations	**(3,818)**	(3,688)
Fair value of scheme assets	**2,542**	2,482
	(1,276)	(1,206)
Past service cost not yet recognised in balance sheet	**-**	-
Deficit	**(1,276)**	(1,206)
Related deferred tax asset	**255**	241
Net liability recognised	**(1,021)**	(965)

Defined benefit obligation reconciliation is as follows:

	31 August 2015	31 August 2014
	£'000	£'000
At 1 September	**3,688**	3,506
Current service cost	**107**	95
Interest cost	**141**	162
Actuarial loss	**(70)**	(30)
Estimated benefits paid net of transfers in	**(70)**	(66)
Contributions by scheme participants	**22**	21
At 31 August	**3,818**	3,688

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

	31 August 2015	31 August 2014
	£'000	£'000
At 1 September	**1,206**	1,097
Current service cost	**107**	95
Contributions	**(65)**	(60)
Interest cost	**(4)**	25
Actuarial gain	**32**	49
At 31 August	**1,276**	1,206

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

	31 August 2015	31 August 2014
	£'000	£'000
At 1 September	**2,482**	2,409
On acquisition of subsidiary undertaking	**145**	137
Expected return on scheme assets	**(102)**	(79)
Actuarial gains and losses	**65**	60
Employer contributions	**22**	21
Employee contributions	**(70)**	(66)
Benefits paid		
At 31 August	**2,542**	2,482

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

	2015		2014	
	Long term rate of return expected at 31 August	**Value at 31 August**	Long term rate of return expected at 31 August	Value at 31 August
	%	**£'000**	%	£'000
Equities	**71**	**1,808**	72	1,787
Government bonds	**3**	**68**	6	142
Other bonds	**7**	**176**	7	170
Property	**13**	**319**	11	279
Cash	**3**	**88**	4	104
Other	**3**	**83**	-	-
Total market value of assets	**100**	**2,542**	100	2,482

The estimated amounts of contributions expected to be paid to the scheme during the 2015 financial year is £65,000 (2014: £60,000).

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

21. Acquisition of subsidiary undertakings

On 9 December 2014, UPP Bond 1 Limited, a subsidiary company, acquired 100% of the issued share capital in UPP (Exeter) Limited.

For the period since 1 September 2014 to the date of acquisition the consolidated financial position of the company is as follows:

	£'000
Turnover	**3,562**
Cost of sales	**(967)**
Gross profit	**2,595**
Operating expenses	**(347)**
Operating profit	**2,248**
Interest payable & similar charges	**(44,722)**
Loss on ordinary activities before taxation	**(42,474)**
Tax credit on loss on ordinary activities	**-**
Loss for the financial period	**(42,474)**

	Book value of assets acquired	Fair value adjustment	Fair value of assets acquired
	£'000	£'000	£'000
Tangible assets	133,677		133,677
Current assets	179		179
Cash	8,445		8,445
Current liabilities	(1,928)	(45,014)	(46,942)
Senior bank debt	(102,299)		(102,299)
Subordinated loan note funding	(17,407)		(17,407)
Net assets / (liabilities) assumed	**20,667**	**(45,014)**	**(24,347)**
Consideration paid by issue of shares			18,721
Goodwill			**43,068**

The fair value adjustment to current liabilities relates to a provision of £45,014,000 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:

	Year ended 31 August 2015	Period ended 31 August 2014
	£'000	£'000
Operating profit	**27,499**	20,744
Depreciation	**2,594**	2,107
Goodwill amortisation	**3,276**	2,769
Pension liability costs	**32**	36
Decrease in debtors due within one year	**6**	111
Decrease in creditors due within one year	**(519)**	(62)
Net cash inflow from operating activities	**32,888**	25,705

(b) Analysis of changes in net debt

	At 1 September 2014	Acquired with subsidiary undertakings	Cash flow	Other changes	**At 31 August 2015**
	£'000	£'000	£'000	£'000	**£'000**
Cash at bank and in hand	22,972	8,445	7,834	-	**39,251**
Debt due within one year	(1,830)	(119,706)	126,621	(11,629)	**(6,544)**
Debt due after one year	(492,971)	-	(171,009)	16,083	**(647,897)**
	(471,829)	(111,261)	(36,554)	4,454	**(615,190)**

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

	Year ended 31 August 2015	Year ended 31 August 2014
	£'000	£'000
Increase / (decrease) in cash	**16,279**	(2,783)
Cash inflow from increase in loans	**(171,009)**	-
Cash outflow from decrease in loans	**126,621**	3,017
Movement in net debt resulting from cash flows	**(28,109)**	234
Indexation uplift on index-linked loans	**(1,144)**	(1,989)
Loans acquired with subsidiary undertakings	**(119,706)**	-
New debt issue costs incurred	**6,519**	-
Amortisation of debt issue costs	**(921)**	(737)
Movement in net debt	**(143,361)**	(2,492)
Net debt at 1 September	**(471,829)**	(469,337)
Net debt at 31 August	**(615,190)**	(471,829)

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.

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 CF14 3UZ, once they have been filed.

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

Notes

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