UPP Bond 1 Limited Half Year Summary

For the six months ended 28 February 2019

This Half Year summary is being published by UPP Bond 1 Limited ("The Group Agent") on behalf of UPP Bond 1 Holdings Limited ("HoldCo"), UPP Bond 1 Issuer Plc ("Issuer"), UPP (Alcuin) Limited, UPP (Broadgate Park) Holdings Limited, UPP (Kent Student Accommodation) Limited, UPP (Nottingham) Limited, UPP (Oxford Brookes) Limited, UPP (Exeter) Limited and UPP (Plymouth Three) Limited ("The AssetCos") (together the "Obligors") pursuant to the Common Terms Agreement ("CTA").

Important Note Regarding Confidentiality

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Disclaimer

Forward-looking statements

Unless otherwise stated, the figures in the Summary reflect the position as at 28 February 2019. In addition, the Summary 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

This document includes information derived from third-party reports or publicly available information. This information has not been independently verified and no representation is being made as to the accuracy, fairness and completeness. Notwithstanding, the third-party sources of information generally state that the information is derived from reliable sources.

This report is not intended as an offer for sale or subscription of, or solicitation of any offer to buy or subscribe, any security of UPP Bond 1 Issuer Plc or any other member of the UPP Group nor should it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whomsoever.

HALF YEAR SUMMARY

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Unaudited consolidated financial statements for UPP Bond 1 Holdings Limited

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 ("the Programme"), and as updated on 1 December 2014.

1.0

General overview

GENERAL OVERVIEW

UPP Bond 1 Holdings Limited

UPP Bond 1 Holdings Limited results for the six months ended 28 February 2019

Financial highlights for the six months ended 28 February 2019

£'000	February 2019	February 2018	Change %
Turnover	32,772	31,895	2.7%
Gross profit	23,307	22,412	4.0%
EBITDA*	22,009	20,809	5.8%
EBITDA margin*	67.2%	65.2%	

**Earnings before interest, tax, depreciation and amortisation (EBITDA) before sinking fund expenditure*

Business highlights

- Occupancy for 2018/19 of 99.4% (2017/18: 100.0%)
- Turnover of £32.8 million up 2.7%
- Gross profit of £23.3 million up 4.0%
- Historic and Projected Senior Annual Debt Service Coverage Ratios comfortably above lock-up triggers
- Full room nominations at Exeter and Oxford Brookes for 2019/20 academic year, meaning 29% of rental receipts have been secured

Richard Bienfait
Chief Executive Officer

I am very pleased to report a strong performance by UPP Bond 1 Holdings Limited for the half year ended 28 February 2019. The consolidated accounts for the period saw increases in turnover of 2.7% to £32.8 million and an increase in EBITDA of 5.8% to £22.0 million.

This performance underlines the stability and quality of returns generated by the bespoke partnerships developed by UPP. UPP Bond 1 Holdings Limited continues to secure sector-leading levels of occupancy at a time when UK higher education is evolving, but where demand for on-campus residential accommodation remains resilient. The structural undersupply of high-quality accommodation remains acute and therefore a priority for many universities who recognise that these facilities represent a critical element in the decision-making processes of students.

The Executive Leadership Team at UPP therefore remain confident about our prospects for growing the portfolio and further strengthening our market-leading position.

Enquiries

UPP	Henry Gervaise-Jones	Chief Financial Officer	Tel: 020 7398 7200
	Jon Wakeford	Group Corporate Affairs Director	Tel: 020 7398 7200

1.1 Summary of the UPP Group business

UPP Group (defined as UPP Group Holdings Limited and its subsidiaries) is the leading provider of on-campus student accommodation infrastructure and support services within the UK. We have over 35,000 rooms under management or in construction through long-term partnerships with 15 leading UK universities, of which 11,693 are rooms operated by the AssetCos.

The key features of UPP Group's cash-generative business model, based on bespoke partnerships with the universities and 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")
- A restrictive covenant regime that limits long-term competing university supply in order to maintain healthy demand dynamics
- 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 99.4 per cent 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 £382.1 million secured bond listed on the Irish Stock Exchange. The bond was secured against the income from the properties at the University of York, the University of Nottingham, Nottingham Trent University, the University of Kent, Oxford Brookes University and the University of Plymouth ("the AssetCos"). UPP Bond 1 Holdings Limited is a wholly-owned subsidiary of UPP Group and was initially set up to be the intermediate holding Company for the six AssetCos.

This issuance comprised two tranches:

- £307.1 million 4.9023% amortising fixed-rate bond due 2040
- £75.0 million 2.7921% amortising index-linked bond due 2047

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

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

- Repay existing senior bank facilities owed by the seven AssetCos
- Fund the payment of break costs crystallised on the terminationof 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 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

2.0

Trading update

Trading Update

The principal activities of the Group during the year continues to be the development, funding, construction and operation (including facilities management) of student accommodation under the University Partnerships Programme ('UPP'). During the six months ended 28 February 2019, the Company reached financial close on a further scheme with the University of Exeter and continued to progress construction activities relating to schemes with the University of Hull and the University of London.

In January 2019, the Group successfully reached financial close on the East Park project as part of its partnership with the University of Exeter. Having secured planning permission during October 2018 for the 1,182-bed scheme on the University's Streatham Campus, the Group procured a total of £139.7 million of senior debt, subordinated debt and equity. Pension Insurance Corporation plc (PIC) provided £125.1 million of index-linked debt financing with a tenor of circa 48 years, with £14.6 million of subordinated debt and equity provided by UPP Group and its Shareholders. This investment is the sixth scheme PIC has completed with UPP on a bilateral basis, taking the total it has invested directly in UPP schemes to circa £530 million.

In addition to the £41.4 million redevelopment of the Moberly and Spreytonway residences consisting of 250 and 131 beds respectively - already under construction and due for occupation by September 2020 – construction has commenced on the East Park scheme. UPP has appointed top-tier contractor Vinci Construction UK Limited to deliver the development, which has a construction value of £91 million.

The East Park development is set to become operational over two phases in September 2020 and September 2021. When complete the Group will be operating 4,156 rooms on campus.

Further construction activity has continued at the University of Hull, where phase one of the £155 million Westfield Court development was completed for the start of the academic year during September 2018. Construction began in May 2017, with the first phase delivering 478 high-quality bedrooms on the University campus. Phase Two – a further 124 bedrooms - became operational as planned for January 2019, with the third and final phase on target for completion in August 2019.

In total the nine-block development will feature 1,462 brand new single rooms and one-bedroom apartments. Alongside this development, an urban green and avenue will offer a range of facilities including laundry facilities and formal and informal outdoor areas. UPP has also assumed the operation of the existing 288 rooms at the University's Taylor Court residences.

In partnership with the University of London, the Group remains on programme to deliver a further 511 rooms. Constructed by Watkin Jones and forward-funded by UPP, the scheme in Stratford, East London, will provide a mixed-use, 33-storey landmark building delivering over 18,000 square metres of new student accommodation. On completion, UPP will operate all study bedrooms and associated communal space. During October 2018, the development celebrated its "topping-out" ceremony and remains on target for delivery for the academic term 2019.

Eleanor Rosa House is the result of UPP's second transaction with the University of London, reinforcing UPP's bespoke, long-term partnership with the University which is enhancing and increasing the accommodation available to students at the University and its affiliated institutions. The new development follows the successful completion of the flagship Garden Halls scheme in September 2016 located in Cartwright Gardens, Bloomsbury.

More widely, the UK higher education sector remains a global destination for students, with demand for UK institutions having grown exponentially, with both EU and international applicant numbers remaining strong. Full-time student enrolments to UK institutions grew by 2.6% year-on-year for 2017/18 to more than 1.8 million. There are now over 600,000 more full-time students at UK universities each year than was the case in 2000/01. Given that the supply of Purpose-Built Student Accommodation (PBSA) has increased by less than 300,000 units over the same period, demand for accommodation remains robust.

Data from UCAS also identifies continued levels of demand from new applicants to UK institutions for the academic term 2019/20. The 15 January 2019 deadline data set (see table below) identifies a 1% fall in applicants from the UK to a total of 453,840. This is a decline of less than 1%, against a backdrop of an almost 2% fall in the UK's 18-year-old population. Student applicants from the EU (excluding the UK) increased by 1% to 43,890. The data also underlines the continuing popularity of UK higher education with applicant numbers increasing by 9% to 63,690 – an increase of more than 5,000 applicants. A total of 561,420 people have applied to start a course in 2019 – almost 2,500 more than at the equivalent point last year.

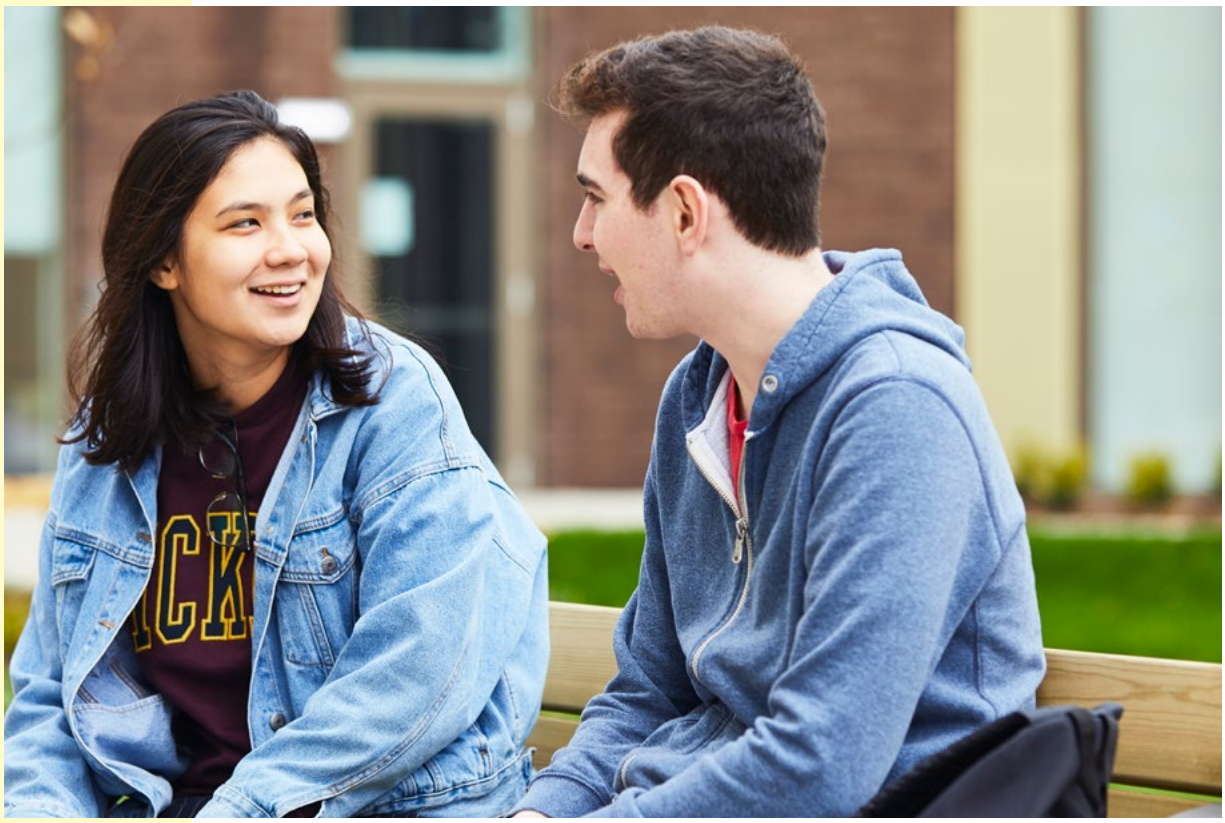
Particularly encouraging were applicant numbers from the 18-year-old population, which increased to a record 38.8%. This represents a 1.4 percentage point increase for 2019 year-on-year. The increase in the application rate comes alongside a 1.8% fall in the total number of 18-year-olds in England. This pattern indicates that, across the UK as a whole, 18-year-olds are more likely than ever before to apply to higher education – 1% more likely than was the case in 2018.

UCAS: Applicants for all courses by domicile group (15 January 2019 deadline)

App. Domicile	2015/16	2016/17	2017/18	2018/19	2019/20
England	411,420	408,990	385,870	374,440	373,730
Northern Ireland	20,040	20,400	19,479	18,530	17,910
Scotland	45,100	45,420	44,530	44,900	43,340
Wales	21,000	21,130	19,620	19,100	18,850
UK	**497,550**	**495,940**	**469,490**	**457,070**	**453,840**
EU (excl. UK)	42,720	45,220	42,070	43,510	43,890
Non-EU	52,020	52,560	52,630	58,450	63,690
Total	**592,290**	**593,720**	**564,190**	**559,030**	**561,420**

Whilst overall applicant numbers for 2019/20 have increased by 0.5%, the total number of acceptances made by universities has remained relatively stable. The UCAS 2018 End of Cycle Report noted just 525 fewer acceptances (-0.1%) on 2017, bringing the total to 533,360. Therefore, overall the acceptance rate across the sector has increased by 0.4 percentage points, to reach 76.7%, the highest seen since 2008. This suggests that universities are choosing to expand the range of their usual entry requirements, to accept applicants with different grade profiles or qualifications. As well as the increase in acceptance rates, in 2018 there was also an increase in the entry rate i.e. the proportion of the population who are placed in higher education by the end of the cycle. The entry rate for UK 18-year-olds increased by 0.4 percentage points, to reach 33% in 2018, suggesting that despite decreases in applicant and acceptance numbers for the current academic year, the appetite for higher education remains strong, and continues to grow year-on-year among the largest group of applicants.

On this basis, the Board remains confident both in the robust nature of domestic and international demand for UK higher education, the Company pipeline and the capacity of the Company to secure and deliver transactions coming to market on the basis of its unique selective approach to partnerships. The Board remains cognisant of the attendant risks relating to this approach and will continue to actively manage these where they arise.



3.0

Financial highlights

For the six months ended 28 February 2019

FINANCIAL HIGHLIGHTS

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

- Occupancy of 99.4% achieved across the seven AssetCos
- Turnover of £32.8 million, up 2.7% on a like-for-like basis
- EBITDA before sinking fund of £22.0 million
- Increase in EBITDA before sinking fund of 5.8%
- Healthy cash balance of £50.1 million made up largely of liquidity reserve accounts and amounts payable to the holder of subordinated loan notes

For the period from 1 September 2018 through to 28 February 2019, the Bond portfolio has performed in line with expectations. The historic Average Debt Service Coverage Ratio (ADSCR) of 1.35 for the 12-month period to 28 February 2019 was comfortably above lock-up triggers set at 1.15.

Occupancy for the 2018/19 academic year has been secured at 99.4% across the portfolio. As such, rental receipts are now fixed for the year, as are the majority of costs with the exception of utilities.

3.1 AssetCo Consolidated Profit and Loss Account for the six months ended 28 February 2019

	Feb 2019	Feb 2018	Change %
	£'000	£'000	
Turnover	32,772	31,895	2.7%
Cost of sales	(9,465)	(9,483)	0.2%
Gross profit	23,307	22,412	4.0%
Gross profit margin	71.1%	70.3%	
Overheads	(1,298)	(1,604)	19.1%
EBITDA before sinking fund expenditure	22,009	20,809	5.8%
EBITDA margin	67.2%	65.2%	
Sinking Fund expenditure	(1,367)	(1,674)	18.4%
EBITDA	20,642	19,134	7.9%

Financial highlights

- Turnover up 2.7%, primarily due to RPI-linked rental increases
- Occupancy for 2018/19 of 99.4% (2017/18: 100.0%)
- Strong gross profit and EBITDA margins in line with expectations

Turnover is defined as rental receipts from students net of contractual amounts deducted by university partners for taking credit and void risk, incentives offered to returning students, plus commercial and vacation income derived from other activities at each AssetCo and any payments or receipts under the relevant inflation-linked swaps.

Turnover increased by 2.7% on a like-for-like basis primarily due to contractual rental increases. For the six months ended 28 February 2019, occupancy was 99.4% across the portfolio which is in excess of modelled expectations. Turnover for the period is £32.8 million.

Cost of sales is made up of facilities management costs, employee costs, utilities and internet access costs which decreased marginally by 0.2% to £9.5 million (2018: £9.5 million). Facilities management costs and employee costs are subject to RPI increases year-on-year however this has been offset by savings on utility expenditure.

Overheads have decreased by 19.1% cent to £1.3 million (2018: £1.6 million) due to a reduction in one-off costs in comparison to the same period last year. Savings have also been realised on tax fees where the function has been provided by UPP Group Holdings Limited.

In total, EBITDA before sinking fund increased by 5.8% to £22.0 million (February 2018: £20.8 million).

Sinking fund costs consist of items throughout the accommodation that reach the end of their economic life and require replacement. While sinking fund expenditure is highly predictable and modelled in line with the relevant replacement period for each item, they are not necessarily comparable from one year to the next. Accordingly, the amount charged to the Profit and Loss account, while visible, can vary substantially between years and as such EBITDA before sinking fund expenditure is the preferred key performance indicator.

3.2 Update on Latent Defect at Exeter accommodation

At UPP (Exeter) Limited, the Group is continuing its remediation work in relation to latent defects identified in its newly-built accommodation during the year ended 31 August 2015. Remediation works are progressing well through a four year programme which is expected to complete 2020/21, with no financial impact on the performance of the subsidiary undertaking.

The Bond Monitoring Advisor receives monthly reports from the Employers Agent on the quality of works and progress.

3.3 Additional investment at Plymouth

UPP (Plymouth Three) Limited attributes the small shortfall in occupancy in the 2018/19 academic year compared to historic levels due to an increase in the supply of Purpose-Built Student Accommodation.

There remains a risk to occupancy for the 2019/20 academic year and, in response, rents are being held at 2018/19 levels for the 2019/20 year and we are considering options to increase or accelerate sinking fund expenditure in the accommodation.

The accommodation is well located, and we believe that additional investment may help to maintain the attractiveness of the rooms to students. Consent for any additional investment will be sought as required.

The calculation of Projected AssetCo DSCR for UPP (Plymouth Three) Limited assumes 98% occupancy for the 2019/20 academic year and an additional investment of £500k in maintenance and refurbishment activity.

3.4 Update on accommodation at Nottingham Trent University (NTU)

NTU is an institution that has seen strong growth in applications and student numbers in recent years. The University has notified us that it has entered into a Relevant Arrangement for circa 500 rooms in Nottingham for the 2019/20 AY . We are currently working with the University to ensure that the relevant restrictive covenants tests have been satisfied, however, we reserve our right to seek remedy under the relevant project agreement should this prove not to be the case.

4.0

Ratio calculations

As set out in Paragraph 2 of Part 2 of Schedule 9 of the CTA the ratio calculations as at 28 February 2019 are:

4.1 Historic Senior DSCR (for the 12 months to 28 February 2019)

£'000	Consolidated
Turnover	65,207
Cost of sales	(19,239)
Overheads	(2,695)
EBITDA pre sinking fund	**43,273**
Sinking fund	(4,992)
EBITDA	**38,281**
CAFDS adjustment [1]	762
CAFDS	39,043
Debt service	28,855
Historic Senior DSCR	**1.35**

4.2 Projected Senior DSCR (for the 12 months to 29 February 2020)

£'000	Consolidated
Turnover	66,721
Cost of sales	(19,611)
Overheads	(2,522)
EBITDA pre sinking fund	**44,588**
Sinking fund	(6,819)
EBITDA	**37,769**
CAFDS adjustment [1]	2,159
CAFDS	39,928
Debt service	29,834
Projected Senior DSCR	**1.34**

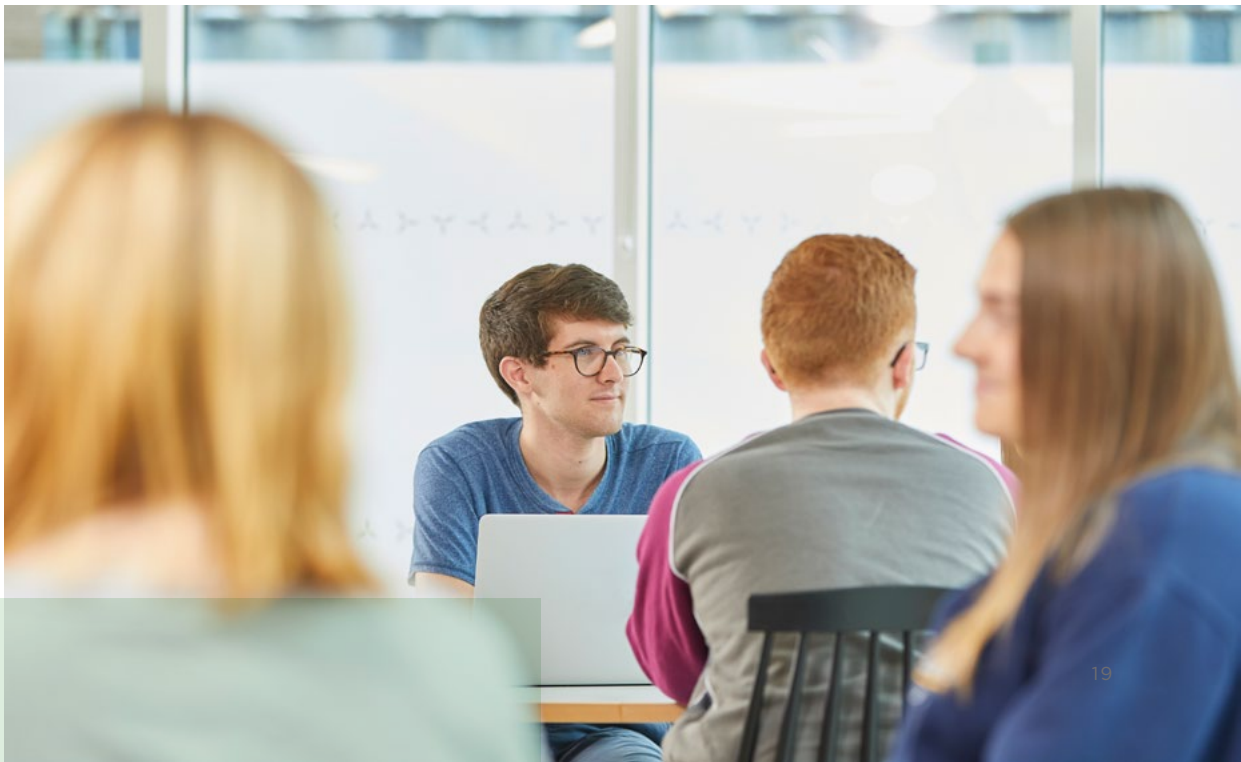
[1] The Cash Available for Debt Service (CAFDS) adjustment adds back sinking fund expenditure and deducts the sinking fund deposit to get to the net sinking fund cash position in the year. Interest receivable is also added to get to the final CAFDS figure.

4.3 Historic senior DSCR

UPP (Alcuin) Limited	1.37
UPP (Broadgate Park) Holdings Limited	1.40
UPP (Kent Student Accommodation) Limited	1.45
UPP (Nottingham) Limited	1.30
UPP (Oxford Brookes) Limited	1.42
UPP (Plymouth Three) Limited	1.27
UPP (Exeter) Limited	1.37

4.4 Projected senior DSCR

UPP (Alcuin) Limited	1.37
UPP (Broadgate Park) Holdings Limited	1.40
UPP (Kent Student Accommodation) Limited	1.48
UPP (Nottingham) Limited	1.29
UPP (Oxford Brookes) Limited	1.40
UPP (Plymouth Three) Limited	1.17
UPP (Exeter) Limited	1.37



Compliance Certificate

To: U.S. Bank Trustees Limited as Issuer Security Trustee and the Issuer Note Trustee and any Private Placement Noteholder (or its representative)

c.c. Bishopsfield Capital Partners Limited as Monitoring Adviser

From: UPP Bond 1 Limited ("the Group Agent")
UPP Bond 1 Issuer PLC as the Issuer ("the Issuer")

Date: 28 April 2019

Dear Sirs

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

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

1. We refer to the Common terms Agreement. This is a Compliance Certificate is delivered by the Issuer and the Group Agent pursuant to:
   (a) Paragraph 7.3 of Part 1 of Schedule 6; and
   (b) Paragraph 2 of Part 1 of Schedule 7
2. We confirm that the ratios (together the "Ratios") are as detailed in the tables below:

Historic Ratios	Historic for Relevant Calculation Period/Date	
	Applicable Ratio	Actual Ratio
UPP (Alcuin) Limited	1.15	1.37
UPP (Broadgate Park) Holdings Limited	1.15	1.40
UPP (Kent Student Accommodation) Limited	1.15	1.45
UPP (Nottingham) Limited	1.15	1.30
UPP (Oxford Brookes) Limited	1.15	1.42
UPP (Plymouth Three) Limited	1.15	1.27
UPP (Exeter) Limited	1.15	1.37
Senior DSCR	1.15	1.35

Projected Ratios	Projected for Relevant Calculation Period/Date	
	Applicable Ratio	Actual Ratio
UPP (Alcuin) Limited	1.15	1.37
UPP (Broadgate Park) Holdings Limited	1.15	1.40
UPP (Kent Student Accommodation) Limited	1.15	1.48
UPP (Nottingham) Limited	1.15	1.29
UPP (Oxford Brookes) Limited	1.15	1.40
UPP (Plymouth Three) Limited	1.15	1.17
UPP (Exeter) Limited	1.15	1.37
Senior DSCR	1.15	1.34

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

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

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

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

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

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

   (a) Historic AssetCo DSCR means, in respect of any AssetCo as at 28 February 2019 ("the Test Date"), the ratio of:

      i. the aggregated Net Cash Flow in respect of such AssetCo for the 12 months ("the Test Period"): ended on 28 February 2019; to

      ii. the AssetCo Debt Service Requirement in respect of such AssetCo for the Test Period ended on 28 February 2019.

   (b) Historic Senior DSCR means, as at the Test Date, the ratio of:

      i. the aggregated Net Cash Flow in respect of all AssetCos for the Test Period ended on 28 February 2019; to

      ii. the aggregated AssetCo Debt Service Requirement in respect of all AssetCos for the Test Period ended on 28 February 2019.

(c) Projected AssetCo DSCR means, in respect of any AssetCo as at the Test Date, the ratio of:

i. the aggregated Net Cash Flow in respect of such AssetCo projected for the Test Period following 28 February 2019; to

ii. the AssetCo Debt Service Requirement of such AssetCo projected for the Test Period immediately following such 28 February 2019.

(d) Projected Senior DSCR means, as at the Test Date, the ratio of:

i. the aggregated Net Cash Flow in respect of all AssetCos projected for the Test Period immediately following 28 February 2019; to

ii. the aggregated AssetCos Debt Service Requirement in respect of all AssetCos projected for the Test Period immediately following such 28 February 2019.

6. We also confirm that:

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

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

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

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

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

Yours faithfully

Richard Bienfait
Group Chief Executive Officer

For and on behalf of UPP Bond 1 Issuer PLC

Henry Gervaise-Jones
Chief Financial Officer

For and on behalf of UPP Bond 1 Limited

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UPP Bond 1 Holdings Limited Unaudited consolidated financial statements

For the six months ended 28 February 2019

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Unaudited consolidated financial statements

For the six months ended 28 February 2019

Basis of reporting

The Company commenced trading on 5 March 2013 by acquiring six subsidiary companies from its parent company, UPP Group Limited. The Company acquired an additional company UPP (Exeter) Limited on 9 December 2014.

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

Group income statement

For the six months ended 28 February 2019

	Notes	**Unaudited Six months ended 28 February 2019**	Unaudited Six months ended 28 February 2018
		£'000	£'000
Turnover	5	**32,772**	31,895
Cost of sales		**(9,465)**	(9,483)
Gross profit		**23,307**	22,412
Operating expenses		**(6,429)**	(6,915)
Operating profit	7	**16,878**	15,497
Interest receivable and similar income	8	**89**	95
Interest payable and similar charges	9	**(21,741)**	(22,600)
Loss on ordinary activities before taxation		**(4,774)**	(7,008)
Tax credit/(charge) on loss on ordinary activities	10	**1,925**	941
Loss for the financial period		**(2,849)**	(6,067)

The above results all relate to continuing operations.

Group statement of comprehensive income

For the six months ended 28 February 2019

	Unaudited Six months ended 28 February 2019	Unaudited Six months ended 28 February 2018
	£'000	£'000
Loss for the financial period	**(2,849)**	(6,067)
Fair value movements on RPI swaps	**(1,456)**	(216)
Deferred tax on fair value of RPI swaps	**-**	2,640
Deferred tax on revaluation of principal asset	**-**	19,494
Re-measurement (loss)/gain recognised on defined benefit pension scheme*	**-**	-
Movement on deferred tax relating to pension liability*	**-**	-
Total other comprehensive income	**(1,456)**	21,918
Total comprehensive income for the period	**(4,305)**	15,851

*Year end adjustment only.

Group statement of changes in equity

For the six months ended 28 February 2019

Attributable to owners of the Parent

	Share capital	Revaluation reserve	Other reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 September 2017	55,570	16,309	(21,462)	12,881	(41,477)	21,821
Loss for the financial period	-	-	-	-	(6,067)	(6,067)
Other comprehensive income	-	19,494	-	2,424	-	21,918
Balance at 28 February 2018	55,570	35,803	(21,462)	15,305	(47,544)	37,672
At 1 March 2018	**55,570**	**35,803**	**(21,462)**	**15,305**	**(47,544)**	**37,672**
Loss for the financial period	-	-	-	-	(4,978)	(4,978)
Reclassification	-	(21,462)	21,462	-	-	-
Other comprehensive income	-	5,907	-	1,204	-	7,111
At 31 August 2018	55,570	20,248	-	16,509	(52,522)	39,805
At 1 September 2018	55,570	20,248	-	16,509	(52,522)	39,805
Loss for the financial period	-	-	-	-	(2,849)	(2,849)
Other comprehensive income	-	-	-	(1,456)	-	(1,456)
Balance at 28 February 2019	**55,570**	**20,248**	**-**	**15,053**	**(55,371)**	**35,500**

Other reserve

Other reserve relates to deferred tax liability on fair value adjustments arising on business combinations.

Group statement of financial position

As at 28 February 2019

	Notes	**Unaudited Six months ended 28 February 2019**	Unaudited Six months ended 28 February 2018
		£'000	£'000
Fixed assets			
Intangible assets	11	**123,209**	127,151
Tangible assets	12	**552,821**	549,863
		676,030	677,014
Current assets			
Debtors: amounts falling due within one year	13	**4,468**	1,099
Debtors: amounts falling due after one year	14	**20,380**	20,704
Cash at bank and in hand		**50,129**	48,857
		74,977	70,660
Creditors: amounts falling due within one year	15	**(34,667)**	(32,715)
Net current liabilities		**40,310**	37,945
Total assets less current liabilities		**716,340**	714,959
Creditors: amounts falling due after more than one year	16	**(679,345)**	(675,633)
Net assets excluding pension liability		**36,995**	39,326
Provisions for liabilities	17	**(1,495)**	(1,654)
Net assets		**35,500**	37,672

Group statement of financial position (continued)

Share capital and reserves			
Called-up share capital	18	**55,570**	55,570
Revaluation reserve		**20,248**	35,803
Other reserve		**-**	(21,462)
Cash flow hedge reserve		**15,053**	15,305
Profit and loss account		**(55,371)**	(47,554)
		35,500	37,672

Group statement of cash flows

For the six months ended 28 February 2019

	Notes	**Unaudited Six months ended 28 February 2019**	Unaudited Six months ended 28 February 2018
		£'000	£'000
Net cash flow inflow from operating activities	19(a)	**30,790**	28,686
Investing activities			
Interest received		**89**	95
Interest paid		**(9,032)**	(9,119)
Net cash flow from investing activities		**(8,943)**	(9,024)
Financing activities			
Cash outflow from repayment of fixed-rate debt		**(5,196)**	(4,117)
Cash outflow from repayment of index-linked debt		**(2,445)**	(2,317)
Net cash flow from financing activities		**(7,641)**	(6,434)
Increase in cash and cash equivalents		**14,206**	13,228
Cash and cash equivalents at 1 September 2018		**35,923**	35,629
Cash and cash equivalents at 28 February 2019	19(b)	**50,129**	48,857

The above results all relate to continuing operations.

Notes to the unaudited consolidated financial statements

For the six months ended 28 February 2019

1. Company information

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

2. Basis of preparation

These interim financial statements have been prepared in accordance with The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for all derivative instruments and revaluation of fixed assets as specified in the accounting policies below.

The financial statements are presented in Sterling (£) which is the Group's functional currency, rounded to the nearest thousand.

Basis of consolidation

The non-statutory consolidated financial statements consolidate the financial statements of UPP Bond 1 Holdings Limited and its subsidiaries 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 and 9 December 2014 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.

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.

3. Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. However, the nature of estimation means that actual outcomes could differ from those estimates.

Estimates and assumptions are reviewed on an ongoing basis with revisions recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving the most sensitive estimates and assumptions that are significant to the financial statements are set out below:

Revaluation of the principal assets

The Group has adopted a policy to revalue the principal assets every five years with an interim valuation performed in year three of the cycle and in other years if there is evidence that the value has changed significantly. The Group engages independent valuation specialists to determine the fair value of the assets every five years, with a Directors' valuation performed at any other interim period. The valuation technique employed by both the independent valuers and Directors is based on a discounted cash flow model as there is a lack of comparable market data due to the specific nature of the property assets. The determined fair value of the principal assets is most sensitive to the estimated rental growth, discount rate, as well as the long-term occupancy rates.

Valuation of RPI swaps

Derivatives are initially recognised at fair value at the date a derivative is entered into and are subsequently re-measured to their fair value at each reporting date. The fair value of the derivatives has been determined on a transfer-value basis, which takes into consideration the price the hedging instrument could be replaced with by another one with the same remaining terms. To that end, a calibration of usual valuation models has been performed on the trade date for each derivative to determine an initial spread to be added onto market conditions applied at each year end. Those market interest rate and inflation curves for a replacement have been used, deriving future cash flows based on forward rates and discounting them to produce their reported value. The Group has used a third-party expert to assist with valuing such instruments.

Goodwill useful economic life

The Group establishes a reliable estimate of the useful economic life of goodwill arising on business combinations. Goodwill attributed to subsidiary undertakings is amortised on a straight-line basis over the remaining lease period on the principal asset held by each subsidiary. This period of amortisation represents the period over which each subsidiary undertaking acquired will continue to generate operating cash flows. For further details refer to note 10.

Impairment of non-financial assets

The Group assesses at each reporting date whether an asset may be impaired. If any such indication exists the Group estimates recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through impairment in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.
An impairment loss recognised for all assets, including goodwill, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

Deferred taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Defined benefit pension scheme

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

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

Presentation of the principal asset

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

These interests fall within the scope of Section 34 of FRS 102, however, due to the transitional relief adopted in relation to service concession arrangements, the Group continues to account for all its principal assets applying the policies under the extant UK GAAP, FRS 5 (Application Note F).

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

The Directors consider the balance of the risks and rewards lies with the Group and therefore the assets are treated as tangible fixed assets.

Classification of index-linked financial instruments

The Group's index-linked senior secured notes are fully amortising with both principal repayments and real interest adjusted semi-annually by the change in the RPI index. Management has concluded that despite both principal and interest being linked to RPI, these links are not leveraged because both principal and interest repayment obligations change in the same proportion and therefore the condition in paragraph 11.9(a) and (aA) is met and the Group's index-linked financial instruments are classified as basic and carried at amortised cost

Hedge accounting for inflation swaps

The Group has chosen to apply hedge accounting for all hedging instruments which are in a qualifying hedging relationship under FRS 102 Section 12. Significant judgement is exercised in concluding that future inflationary increases or decreases in rent receivable from university partners are separately-identifiable and reliably-measurable components of the rental income which ensures the inflation component of rental income and the related RPI swaps are in a hedging relationship which meets the qualifying criteria for hedge accounting under Section 12 of FRS 102.

4. Principal accounting policies

a) Tangible fixed assets

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

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

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.

At each reporting date the Group assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

b) Turnover

Turnover consists of rent receivable that is recognised on a straight-line the basis of the amount receivable in respect of the accounting period. Amounts received in advance are included within deferred income.

c) Intangible assets

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

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

d) Valuation of investments

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

(e) Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Impairment is determined by making an estimate of the likely recoverable value of short-term debtors by considering factors such as the credit rating, the aging profile and the historic experience of the respective debtor

(f) Cash and cash equivalents

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

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

(g) Interest bearing loans and borrowings

Loans, secured and unsecured notes

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year.

The effective interest rate is the rate that exactly discounts estimatedfuture cash flows through the effected life of the financial liability, or (where appropriate) a shorter year, to the net carrying amount on initial recognition.

Where the financial liability has variable index-linked interest and principal repayments the change in RPI is charged to the profit and loss in the period to which it relates.

(h) Creditors

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

(i) Derivative instruments

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

To mitigate its exposure to changes in inflation, the Group has entered into inflation-linked swaps ('RPI swaps') with external counterparties. All derivative instruments are initially measured at fair value on the date the contract is entered into and subsequently re measured to fair value at each reporting date. The gain or loss on re measurement is taken to the income statement in finance cost or finance income as appropriate, unless they are included in a hedging arrangement.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair values of inflation swap contracts are determined by calculating the present value of the estimated future cash flows using observable yield curves.

(j) Finance costs

Financing costs, comprising interest payable on loans and subordinated loan notes and the costs incurred in connection with the arrangement of borrowings, are recognised in the income statement using the effective interest method. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument unless the capital instrument is subsequently carried at fair value, in which case the initial issue costs are expensed in the profit and loss account.

Financing costs also include losses or gains arising on any ineffective portion of fair value changes of designated for hedge accounting derivative instruments. Any movements in fair value of derivative instruments designated for hedge accounting that are effective are recognised in other comprehensive income as finance gains or losses.

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(l) Hedge accounting

The Group applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings and rental income. The Group designates all its derivative financial instruments, which meet the qualifying conditions for hedge accounting, as cash flow hedges:

Inflation swaps are held to manage the Group's exposure to changes in RPI. The Group's rental income from student accommodation is linked to RPI and the swap contacts manage the exposure to RPI by swapping RPI annual rate changes with a fixed rate.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised in other comprehensive income directly in cash flow hedge reserve. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the profit and loss account.

The gain or loss recognised in other comprehensive income is reclassified to the profit and loss when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

The Group has elected to adopt hedge accounting for all its swaps which meet the qualifying criteria for hedge accounting under Section 12 of FRS 102.

(m) Taxation

(i) Current tax

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

(i) Deferred tax

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

Deferred tax assets that arise from trading operations of the Group are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

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

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

With effect from 1 March 2018, the ultimate parent company of the Group has elected for Real Estate Investment Trust ('REIT') status to apply to the Group companies. As a result, the Group no longer pays income tax on profits and gains from qualifying property rental business providing it meets certain conditions. Deferred tax accrued to the date of conversion in respect of assets and liabilities of the qualifying property rental business will no longer be provided for as the relevant temporary differences will no longer be taxable on reversal.

Deferred tax is calculated on a non-discounted basis using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference. Group relief is only accounted for to the extent that a formal policy is in place at the reporting period end. Where no policy is in place, current and deferred tax is measured before benefits which may arise from a formal group relief policy.

(n) Related party transactions

The Group is a wholly-owned subsidiary of UPP REIT Holdings Limited and as such the Company has taken advantage of the terms of FRS 102.33.1A not to disclose related party transactions which are eliminated on consolidation, from the date that the Group was acquired by UPP Bond 1 Holdings Limited.

(o) Defined contribution pension scheme

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

(p) Defined benefit pension scheme

The Group makes contributions to the Nottinghamshire County Council Pension Fund ('NCCPF') in respect of 57 employees at UPP (Nottingham) Limited.

The cost of providing benefits under the defined benefit plan is determined by using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. When a settlement or a curtailment occurs the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement during the period in which it occurs.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, at the start of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability (excluding amounts included in net interest) are recognised immediately in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit and loss in subsequent periods.

The defined net benefit pension asset or liability in the statement of financial position comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high-quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and, in the case of, quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

5. Turnover

Turnover represents income, on the basis of accounting policy 4(b), attributed to the provision of student accommodation. All turnover arose within the United Kingdom.

6. Directors' remuneration

The immediate subsidiary undertaking, UPP Bond 1 Limited, paid fees of £6,142 (2018: £7,577) to Intertrust Management Limited in respect of services performed in connection with the management of the affairs of the Group for the period up to 28 February 2019.

All Directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel.

No Directors or other key management personnel of the Group received payment for services performed in relation to the management of the Group other than already mentioned above.

7. Operating profit

The operating profit is stated after charging:

	Unaudited Six months ended 28 February 2019	Unaudited Six months ended 28 February 2018
	£'000	£'000
Depreciation	**1,793**	1,666
Amortisation of goodwill	**1,971**	1,971

8. Interest receivable and similar income

	Unaudited Six months ended 28 February 2019	Unaudited Six months ended 28 February 2018
	£'000	£'000
Bank interest	**89**	95

9. Interest payable and similar charges

	Unaudited Six months ended 28 February 2019	Unaudited Six months ended 28 February 2018
	£'000	£'000
Financial liabilities measured at amortised cost		
Fixed-rate senior secured notes	**7,122**	7,371
Index-linked senior secured notes	**5,229**	6,643
Unsecured loan notes	**8,864**	8,499
	21,215	22,513
Financial liabilities measured at fair value through profit or loss		
Fair value movement on RPI swaps	**526**	87
Interest on net defined pension liability*	**-**	-
	21,741	22,600

*Year end adjustment only.

10. Tax on loss on ordinary activities

	Unaudited Six months ended 28 February 2019	Unaudited Six months ended 28 February 2018
	£'000	£'000
a) Analysis of tax credit for the year		
Current tax on income for the year	**(1,925)**	-
Deferred tax:		
Movement on fair value of swaps	**-**	(941)
Total deferred tax	**-**	(941)
Total tax (credit)/charge on losses on ordinary activities	**(1,925)**	(941)

With effect from 1 March 2018, the ultimate parent company of the Group has elected for Real Estate Investment Trust ('REIT') status to apply to the Group companies. As a result, the Group no longer pays income tax on profits and gains from qualifying property rental business providing it meets certain conditions. Non-qualifying profits and gains of the Group companies continue to be subject to income tax as normal.

b) Factors that may affect future tax charges

There will be a reduction in corporation tax from 19% to 17% with effect from 1 April 2020.

11. Intangible fixed assets

	Goodwill
	£'000
Cost	
At 1 September 2018 and at 28 February 2019	**145,035**
Amortisation	
At 1 September 2018	(19,855)
Charge for the period	(1,971)
At 28 February 2019	**(21,826)**
Net book value	
At 28 February 2019	**123,209**
At 31 August 2018	125,180

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

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

12. Tangible fixed assets

	Assets for use in operating leases
	£'000
Cost or valuation	
At 1 September 2018 and at 28 February 2019	**554,671**
Depreciation	
At 1 September 2018	(57)
Charge during the period	(1,793)
At 28 February 2019	**(1,850)**
Net book value	
At 28 February 2019	**552,821**
At 31 August 2018	554,614

Assets used in operating leases were independently valued by Jones Lang LaSalle ('JLL'), Chartered Surveyors, on an existing-use basis at 31 August 2018 in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. JLL have confirmed that the value as at that date was £554,600,000.

Following an internal review of the assets used in operating leases, the Directors have concluded there is no impairment to the value as determined by JLL in 2018.

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

At 28 February 2019	**533,366**
At 31 August 2018	535,159

13. Debtors: amounts falling due within one years

	Unaudited Six months ended 28 February 2019	Unaudited Six months ended 28 February 2018
	£'000	£'000
Trade debtors	**285**	290
VAT receivable	**-**	39
Amounts owed by subsidiary companies	**47**	47
Prepayments and accrued income	**4,136**	723
	4,468	1,099

14. Debtors: amounts falling due after one year

	Unaudited Six months ended 28 February 2019	Unaudited Six months ended 28 February 2018
	£'000	£'000
Derivative financial instruments	**20,380**	20,704
	20,380	20,704

15. Creditors: amounts falling due within one year

	Unaudited Six months ended 28 February 2019	Unaudited Six months ended 28 February 2018
	£'000	£'000
Fixed-rate senior secured notes	**6,816**	5,974
Index-linked senior secured notes	**5,219**	4,916
Trade creditors	**666**	588
Amounts owed to related parties	**4,208**	4,032
VAT payable	**17**	-
Accruals and deferred income	**17,741**	17,205
	34,667	32,715

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

	Unaudited Six months ended 28 February 2019	Unaudited Six months ended 28 February 2018
	£'000	£'000
Fixed-rate senior secured notes	**276,487**	286,809
Index-linked senior secured notes	**223,325**	215,889
Unsecured loan notes	**191,568**	183,825
	691,380	686,523
Less: included in creditors amounts falling due within one year	**(12,035)**	(10,890)
	679,345	675,633

Maturity of debt		
Repayable within one year or on demand	**12,035**	10,890
Repayable in more than one year but less than two years	**12,697**	12,035
Repayable in more than two years but less than five years	**42,091**	39,937
Repayable in more than five years	**624,557**	623,661
	691,380	686,523
Less: included in creditors amounts falling due within one year	**(12,035)**	(10,890)
	679,345	675,633

Senior secured notes

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

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

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

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

On 9 December 2014, UPP Bond 1 Issuer plc, issued £149,700,000 of fully-amortising RPI index-linked senior secured notes, listed on the Irish Stock Exchange. The proceeds of this issuance were on-lent on the same terms and conditions to UPP (Exeter) Limited to enable the Company to repay its previous bank facilities and associated costs.
The index-linked senior secured notes are fully-amortising by 2049 with a real interest rate of 1.037% increasing semi-annually by RPI. The notional amount of these notes at issuance was £149,700,000 with repayments commencing in February 2015.

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

Unsecured loan notes

UPP Group Limited has provided unsecured loan notes of £146,669,000 (£21,308,000 issued on 9 December 2014) to the Group. These loan notes bear interest at 13.5% and are repayable by 2057. Payment of interest is subject to the Group passing lock-up tests and availability of cash reserves.

Derivative financial instruments

	Cash flow hedge reserve	**Profit and loss account**	**Total**
	£'000	**£'000**	**£'000**
Fair value of RPI swaps at 1 September 2018	16,509	5,853	22,362
Fair value movement in the period	(1,456)	(526)	(1,982)
Fair value of RPI swaps at 28 February 2019	**15,053**	**5,327**	**20,380**
Fair value at 1 September 2018, net of deferred tax	**16,509**	**5,853**	22,362
Fair value at 28 February 2019, net of deferred tax	**15,053**	**5,327**	**20,380**

17. Provisions for liabilities

	Pension Liability	Total
	£'000	£'000
At 1 September 2018	**1,495**	1,495
At 28 February 2019	**1,495**	1,495

18. Called-up share capital

	28 February 2019	28 February 2018
	£'000	£'000
Issued, allotted, called-up and fully-paid		
55,570,409 Ordinary shares of £1 each	**55,570**	55,570

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

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

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

19. Notes to the statement of cash flows

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

	Unaudited Six months ended 28 February 2019	Unaudited Six months ended 28 February 2018
	£'000	£'000
Operating profit	**16,878**	15,497
Depreciation	**1,793**	1,666
Goodwill amortisation	**1,971**	1,971
(Increase)/decrease in debtors due within one year	**(360)**	300
Increase in creditors due within one year	**10,508**	9,252
Net cash inflow from operating activities	**30,790**	28,686

(b) Cash and cash equivalents comprise the following:

	At 28 February 2019	At 28 February 2018
	£'000	£'000
Cash at bank and in hand	**21,964**	37,872
Short-term deposits	**28,165**	10,985
Cash and cash equivalents	**50,129**	48,857

20. Financial risk management

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

Interest rate risk

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

Inflation rate risk

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

To mitigate the impact of inflation movements on future rental income, UPP Bond 1 Issuer Plc, a fellow Group undertaking, has entered into RPI swaps with external counterparties all initially entered into on 5 March 2013, details of which are as follows:

Hedge arrangements with external parties:

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

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

These instruments are mirrored with matching derivative instruments on–lent to six subsidiary undertakings ('AssetCos') as follows:

Hedge arrangements with AssetCos

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

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

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

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and debt servicing and by investing cash assets safely and profitably. The maturity of borrowings is set out in note 15 to the financial statements.

Terms and debt repayment schedule

	Currency	Effective interest rate (%)	Year of maturity	**Book value 2019**
				£'000
Fixed-rate senior secured notes	£	4.9023%	2040	**276,487**
Index-linked senior secured notes (issued 2013)	£	2.9105%	2047	**85,134**
Index-linked senior secured notes (issued 2014)	£	1.0520%	2049	**138,191**
Unsecured loan notes (issued 2013)	£	9.3700%	2056	**166,618**
Unsecured loan notes (issued 2014)	£	11.3800%	2051	**24,950**
				691,380

Demand risk

The Group is subjected to risks arising from occupancy voids and lack of nominations by the university partners which can lead to uncertain revenues. This risk is managed by cementing relationships with the university, improved marketing of accommodation and improved third-party revenues to compensate for any shortfalls in rental income.

Portfolio risk

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

Capital risk management

The Group maintains a debt service reserve account to cover the next six months of service costs of both tranches of the senior secured notes. The Group manages its capital to ensure it will be able to continue as a going concern.

21. Financial instruments

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

	Carrying amount At 28 February 2019	Carrying amount At 28 February 2018
	£'000	£'000
Financial assets		
Financial assets measured at fair value:		
Derivative financial liabilities – RPI swaps	**20,380**	20,704
Financial liabilities		
Financial liabilities measured at amortised cost:		
Fixed-rate senior secured notes	**276,487**	286,809
Index-linked senior secured notes	**223,325**	215,889
Unsecured loan notes	**191,568**	183,825
Trade creditors	**666**	588
Other related party loans	**4,208**	4,032
Total financial liabilities measured at amortised cost	**696,254**	691,143

22. Parent undertaking and controlling party

UPP Bond 1 Holdings Limited is a wholly-owned subsidiary of UPP REIT Holdings Limited.

UPP REIT Holdings Limited is controlled by a 60% stake held by PGGM Vermogensbeheer BV ("PGGM"), a company incorporated in The Netherlands.

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

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