Registered number: 04288837

UPP (NOTTINGHAM) LTD

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019

UPP (NOTTINGHAM) LTD

COMPANY INFORMATION

Directors	R Bienfait S Denton H Gervaise-Jones (appointed 1 January 2019) M Swindlehurst (appointed 1 January 2019)
Registered number	04288837
Registered office	40 Gracechurch Street London EC3V 0BT
Independent auditor	Grant Thornton UK LLP Chartered Accountants and Statutory Auditor Victoria House 199 Avebury Boulevard Milton Keynes MK9 1AU

UPP (NOTTINGHAM) LTD

CONTENTS

	Page
Strategic Report	1 - 3
Directors' Report	4 - 6
Independent Auditor's Report	7 - 9
Consolidated Profit and Loss Account	10
Consolidated Statement of Comprehensive Income	11
Consolidated Balance Sheet	12
Company Balance Sheet	13 - 14
Consolidated Statement of Changes in Equity	15 - 16
Company Statement of Changes in Equity	17 - 18
Consolidated Statement of Cash Flows	19
Notes to the Financial Statements	20 - 48

STRATEGIC REPORT
FOR THE YEAR ENDED 31 AUGUST 2019

Business review

The principal activity of the group is the development, funding, construction and operation of university accommodation under the University Partnerships Programme, in partnership with Nottingham Trent University.

The project comprises new build and estate transfer of 2,768 student residential accommodation bedrooms for Nottingham Trent University both within the city centre and at out of town locations.

The properties have achieved full occupancy during the financial year. The year-end financial position was in accordance with the directors' expectations. The directors anticipate that the future level of activity will be in accordance with their expectations and consider that the project will yield returns in line with current forecasts.

The robust characteristics of this market remain, with strong levels of student demand resulting from greater institutional autonomy and a recognition of the importance of high quality facilities as a central element of improving the experience of students.

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.
With the deadline for Brexit extended until 31 January 2020 the exit of the United Kingdom from the European Union (EU) continues to cast uncertainty across numerous sectors of the economy. Whilst there have been some concerns how this might impact EU and International student enrolment post-Brexit, demand modelling by the Higher Education Policy Institute and London Economics suggests any fall in EU numbers will be largely offset by an increase in the population of International students; an estimated net fall in the full time student population of 0.6 per cent.

The Board remain cognisant of the attendant risks relating to this process and will continue to actively manage these where they arise.

Principal risks and uncertainties

Financial risk management objectives and policies

The Company and Group use various financial instruments including loans, inflation swaps, 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 Company's and Group's operations. All of the Company's and Group's financial instruments are of sterling denomination and the Company and Group do not trade in financial instruments or derivatives.

The existence of these financial instruments exposes the Company and 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. These policies have remained unchanged from the previous year.

Interest rate risk

The Company and Group finances its operations through a mixture of retained profits, related party borrowings and fixed rate and inflation linked on-loans from a fellow group undertaking.

Through the use of the fixed rate tranche of the on-loan the Company and Group has mitigated its negative exposure to interest rate fluctuations on that portion of its borrowings. The index-linked tranche of the on-loan has a nominal fixed rate that is linked to RPI (see below).

Inflation risk

Growth in rental income is linked to the movement in RPI and the Company and Group manage the exposure to this index through a mix of inflation linked debt on-lent from the fellow group undertaking and the use of RPI swaps to hedge a portion of the fixed rate on-loan servicing costs.

Liquidity risk

The Company and Group seek 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 19 to the financial statements.

Demand risk

The Company and Group are subjected to risks arising from occupancy voids and nominations by the university partner, which can lead to uncertain revenues. This risk is managed by maintaining 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 Company and Group are in the student market and reduced student numbers could impact upon financial performance. The Company and Group seek to mitigate this risk by building excellent long term relationships with their university partner and ensuring up to date in-depth market analysis is completed each year to enable the company and group to review their strategic position.

Key performance indicators

The following are considered by the Directors to be indicators of average performance of the Group that are not necessarily evident from the financial statements but provide insight into the quality of underlying cash flows for the borrowers.

	2018/19	2017/18
Applications : Acceptance ratio	5:1	4:1
Core demand pool (no. of students)	18,485	17,725

The indicators above are directly related to performance of the university partner of the Group and any changes in these statistics may potentially affect the performance of the company and in turn, the economic viability of this company.

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

	2018/19	2017/18
Average occupancy across the facilities	100.0%	100.0%

The target occupancy level is 98-99%. As such the directors are satisfied that the occupancies noted above are within tolerable limits for the recovery of credit extended to the company. In addition, the Group met its on-loan obligations in the period.

The Group has to adhere to financial covenants on the associated senior debt financial instruments, such as debt service cover ratio. All of the financial covenants have been met during the financial year.

This report was approved by the board on 11 December 2019 and signed on its behalf.

H Gervaise-Jones
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2019

The directors present their report and the consolidated financial statements for the year ended 31 August 2019.

Directors' responsibilities statement

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

Company law requires the directors to prepare consolidated financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these consolidated 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;
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 the Group and to enable them to ensure that the consolidated financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity of the business

The Group's principal activity is the development, funding, construction and operation of university accommodation under the University Partnerships Programme.

Financial risk management objectives and policies

The company's financial risk management objectives and policies are considered to be of strategic significance and are therefore detailed in the Strategic Report on page 2.

Going concern

The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic Report.

The directors have prepared cashflow forecasts, which are based on detailed financial models and reflect contractual commitments, estimated future demand trends and the expected cashflows arising from the Group's financial instruments, which show that the Group is able to meet its liabilities as they fall due.

On this basis, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of approval of these financial statements, and therefore continue to adopt the going concern basis in preparing these financial statements.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Results and dividends

The profit for the year, after taxation, amounted to £2,213k *(2018 - loss £895k)*.

The directors did not declare any dividends for the year (2018 - £nil).

Directors

The directors who served during the year were:

R Bailey-Watts (resigned 31 December 2018)
J Benkel (resigned 31 January 2019)
R Bienfait
J Wakeford (resigned 31 January 2019)
S O'Shea (resigned 31 December 2018)
S Denton
H Gervaise-Jones (appointed 1 January 2019)
M Swindlehurst (appointed 1 January 2019)

Future developments

Occupancy for the 2019/20 financial year has been secured at 100% which has exceeded the directors' expectations.

Qualifying third party indemnity provisions

During the year and up to the date of this report, the Company and Group maintained liability insurance and third-party indemnification provisions for its directors, under which the Company and Group has agreed to indemnify the directors to the extent permitted by law in respect of all liabilities to third parties arising out of, or in connection with, the execution of their powers, duties and responsibilities of the Company and Group.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as each director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- each director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's 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 website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Post balance sheet events

There have been no significant events affecting the Group or Company since the year end.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

This report was approved by the board on 11 December 2019 and signed on its behalf.

H Gervaise-Jones
Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UPP (NOTTINGHAM) LTD

Opinion

We have audited the financial statements of UPP (Nottingham) Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 August 2019, which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statment of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 August 2019 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's Report thereon. Our opinion on the financial statements does not cover the information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UPP (NOTTINGHAM) LTD (CONTINUED)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by the Companies Act 2006

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UPP (NOTTINGHAM) LTD (CONTINUED)

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

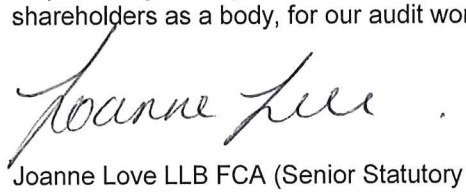
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our auditor's Report.

Use of our report

This report is made solely to the Group and Parent Company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Group and Parent Company's shareholders 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 Group and Parent Company and the Group and Parent Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.



Joanne Love LLB FCA (Senior Statutory Auditor)

for and on behalf of
Grant Thornton UK LLP

Chartered Accountants
Statutory Auditor

Milton Keynes

11 December 2019

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2019

	Note	2019 £000	*2018 £000*
Turnover	4	**14,825**	*14,233*
Cost of sales		**(4,854)**	*(5,231)*
Gross profit		**9,971**	*9,002*
Administrative expenses		**(2,633)**	*(2,898)*
Operating profit	5	**7,338**	*6,104*
Interest receivable and similar income	8	**129**	*72*
Interest payable and similar expenses	9	**(5,085)**	*(7,151)*
Other finance income		**(39)**	*(50)*
Profit/(loss) before tax		**2,343**	*(1,025)*
Tax on profit/(loss)	11	**(130)**	*130*
Profit/(loss) for the financial year		**2,213**	*(895)*
Profit/(loss) for the year attributable to:			
Owners of the parent		**2,213**	*(895)*
		2,213	*(895)*

The notes on pages 20 to 48 form part of these financial statements.

The amounts relate to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2019

	Note	2019 £000	*As restated 2018 £000*
Profit/(loss) for the financial year		**2,213**	*(895)*
Other comprehensive income			
Unrealised surplus on revaluation of tangible fixed assets	14	**958**	*66*
Fair value movement on swaps	21	**(1,128)**	*359*
Deferred tax on movement on swaps	22	**-**	*933*
Actuarial (loss)/gain on defined benefit schemes	25	**(323)**	*563*
Deferred tax on actuarial (loss) on defined benefit schemes	22,25	**-**	*(338)*
Capital contribution	20	**-**	*47,049*
Other comprehensive income for the year		**(493)**	*48,632*
Total comprehensive income for the year		**1,720**	*47,737*
Profit/(loss) for the year attributable to:			
Owners of the Parent Company		**2,213**	*(895)*
		2,213	*(895)*
Total comprehensive income attributable to:			
Owners of the parent Company		**1,720**	*47,737*
		1,720	*47,737*

The notes on pages 20 to 48 form part of these financial statements.

The 2018 restatement is due to a typographical error within the Statement of Comprehensive Income and as such does not constitute a prior period adjustment. There has been no impact on the net asset position of the company as a result of the restatement. Capital contribution has been retated to £47,049k.

UPP (NOTTINGHAM) LTD
REGISTERED NUMBER: 04288837

CONSOLIDATED BALANCE SHEET
AS AT 31 AUGUST 2019

	Note		2019 £000		2018 £000
Fixed assets					
Intangible assets	13		**247**		*256*
Tangible assets	14		**95,900**		*95,900*
			96,147		*96,156*
Current assets					
Debtors	16	**15,876**		*14,735*	
Cash at bank and in hand	17	**620**		*599*	
		16,496		*15,334*	
Creditors: amounts falling due within one year	18	**(7,652)**		*(7,536)*	
Net current assets			**8,844**		*7,798*
Total assets less current liabilities			**104,991**		*103,954*
Creditors: amounts falling due after more than one year	19		**(93,028)**		*(94,094)*
Provisions for liabilities					
Net assets excluding pension liability			**11,963**		*9,860*
Pension liability	25		**(1,882)**		*(1,495)*
Net assets			**10,081**		*8,365*
Capital and reserves					
Called up share capital	23		**5,597**		*5,597*
Revaluation reserve	24		**7,827**		*6,942*
Other reserves	24		**4,717**		*5,845*
Profit and loss account	24		**(8,060)**		*(10,019)*
			10,081		*8,365*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11 December 2019.

H Gervaise-Jones
Director

The notes on pages 20 to 48 form part of these financial statements.

UPP (NOTTINGHAM) LTD
REGISTERED NUMBER: 04288837

COMPANY BALANCE SHEET
AS AT 31 AUGUST 2019

	Note		2019 £000		2018 £000
Fixed assets					
Intangible assets	13		**382**		*391*
Tangible assets	14		**95,900**		*95,900*
			96,282		*96,291*
Current assets					
Debtors	16	**15,876**		*14,734*	
Cash at bank and in hand	17	**620**		*599*	
		16,496		*15,333*	
Creditors: amounts falling due within one year	18	**(7,788)**		*(7,671)*	
Net current assets			**8,708**		*7,662*
Total assets less current liabilities			**104,990**		*103,953*
Creditors: amounts falling due after more than one year	19		**(93,028)**		*(94,094)*
Net assets excluding pension liability			**11,962**		*9,859*
Pension liability	25		**(1,882)**		*(1,495)*
Net assets			**10,080**		*8,364*
Capital and reserves					
Called up share capital	23		**5,597**		*5,597*
Revaluation reserve	24		**7,827**		*6,942*
Other reserves	24		**4,717**		*5,845*
Profit and loss account brought forward		**(10,020)**		*(56,466)*	
Profit/(loss) for the year		**2,213**		*(895)*	
Other changes in the profit and loss account		**(254)**		*47,341*	
Profit and loss account carried forward			**(8,061)**		*(10,020)*
			10,080		*8,364*

COMPANY BALANCE SHEET (CONTINUED)
AS AT 31 AUGUST 2019

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11 December 2019.

H Gervaise-Jones
Director

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and Loss Account in these financial statements. The loss after tax of the parent Company for the year was £3,898k (2018 - loss £1,653k).

The notes on pages 20 to 48 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2019

	Called up share capital	Revaluation reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 September 2018	5,597	6,942	5,845	(10,019)	8,365
Profit for the year	-	-	-	2,213	2,213
Transfer from revaluation reserve	-	-	-	73	73
Surplus on revaluation of leasehold property	-	958	-	-	958
Other movements	-	-	(1,128)	(327)	(1,455)
Transfer to profit and loss account	-	(73)	-	-	(73)
At 31 August 2019	5,597	7,827	4,717	(8,060)	10,081

The notes on pages 20 to 48 form part of these financial statements.

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. The transfer for 2019 was £73k.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2018

	Called up share capital	Revaluation reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 September 2017	5,597	6,943	4,554	(56,465)	(39,371)
Loss for the year	-	-	-	(895)	(895)
Actuarial gains on pension scheme	-	-	-	563	563
Transfer from revaluation reserve	-	-	-	67	67
Surplus on revaluation of leasehold property	-	66	-	-	66
Other movements	-	-	1,291	(338)	953
Capital contribution	-	-	-	47,049	47,049
Transfer to profit and loss account	-	(67)	-	-	(67)
At 31 August 2018	5,597	6,942	5,845	(10,019)	8,365

The notes on pages 20 to 48 form part of these financial statements.

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. The transfer for 2018 was £67k.

Profit and Loss account includes a capital contribution made in 2018 of £47,049k in relation to subordinated loan notes being waived by UPP Bond 1 Limited, the Company's Parent entity.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2019

	Called up share capital	Revaluation reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 September 2018	5,597	6,942	5,845	(10,020)	8,364
Profit for the year	-	-	-	2,213	2,213
Transfer from revaluation reserve	-	-	-	73	73
Surplus on revaluation of leasehold property	-	958	-	-	958
Other movements	-	-	(1,128)	(327)	(1,455)
Transfer to profit and loss account	-	(73)	-	-	(73)
At 31 August 2019	5,597	7,827	4,717	(8,061)	10,080

The notes on pages 20 to 48 form part of these financial statements.

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. The transfer for 2019 was £73k.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2018

	Called up share capital	Revaluation reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 September 2017	5,597	6,943	4,554	(56,466)	(39,372)
Loss for the year	-	-	-	(895)	(895)
Actuarial gains on pension scheme	-	-	-	563	563
Transfer from revaluation reserve	-	-	-	67	67
Surplus on revaluation of leasehold property	-	66	-	-	66
Other movements	-	-	1,291	(338)	953
Capital Contribution	-	-	-	47,049	47,049
Transfer to profit and loss account	-	(67)	-	-	(67)
At 31 August 2018	5,597	6,942	5,845	(10,020)	8,364

The notes on pages 20 to 48 form part of these financial statements.

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. The transfer for 2018 was £67k.

Profit and Loss account includes a capital contribution made in 2018 of £47,049k in relation to subordinated loan notes being waived by UPP Bond 1 Limited, the Company's Parent entity.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2019

	2019 £000	*2018* *£000*
Cash flows from operating activities		
Profit/(loss) for the financial year	**2,213**	*(895)*
Adjustments for:		
Amortisation of intangible assets	**9**	*9*
Depreciation of tangible assets	**958**	*835*
Interest paid	**5,085**	*7,007*
Interest received	**(129)**	*(72)*
Taxation charge	**-**	*(130)*
(Increase)/decrease in debtors	**(85)**	*192*
(Increase) in amounts owed by groups	**(2,183)**	*(2,130)*
(Decrease)/increase in creditors	**(145)**	*343*
Increase in amounts owed to groups	**55**	*298*
Net cash generated from operating activities	**5,778**	*5,457*
Cash flows from investing activities		
Interest received	**129**	*72*
Net cash from investing activities	**129**	*72*
Cash flows from financing activities		
Repayment of loans	**(1,648)**	*(1,102)*
Interest paid	**(4,238)**	*(4,349)*
Net cash used in financing activities	**(5,886)**	*(5,451)*
Net increase in cash and cash equivalents	**21**	*78*
Cash and cash equivalents at beginning of year	**599**	*521*
Cash and cash equivalents at the end of year	**620**	*599*
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**620**	*599*
	620	*599*

The notes on pages 20 to 48 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019

1. General information

UPP (Nottingham) Ltd is a private company limited by shares incorporated in England, with company number 04288837. The registered office is 40 Gracechurch Street, London, EC3V 0BT.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Group has chosen to apply transitional relief under Section 35.10 (i) Service concession arrangements – Accounting By Operators and as a result its tangible fixed assets which meet the definition of service concession arrangements under Section 34 but where the contract was entered into before the date of transition will continue to be accounted for using the same accounting policies being applied at the date of transition to FRS 102.

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and Loss Account in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Consolidated Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Profit and Loss Account from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 September 2014.

2. Accounting policies (continued)

2.3 Going concern

The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic Report.

The directors have prepared cashflow forecasts, which are based on detailed financial models and reflect contractual commitments, estimated future demand trends and the expected cashflows arising from the Group's financial instruments, which show that the Group is able to meet its liabilities as they fall due.

On this basis, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of approval of these financial statements, and therefore continue to adopt the going concern basis in preparing these financial statements.

2.4 Turnover

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

2.5 Intangible fixed assets

Goodwill arose on the acquisition of a subsidiary undertaking during the year ended 31 August 2008.

Goodwill attributed to the subsidiary undertaking is amortised on a straight line basis over the remaining lease period on the principal asset held by the Group. 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.

The carrying amount of goodwill is allocated to the cash generating company acquired. The recoverable amount of the company has been based on value in use calculations as at the date that the shareholding was acquired. These calculations have been based on a full year forecast, extrapolated over the remaining lease period using a 2.5% - 3.5% growth rate. The Group is not currently aware of any reasonable changes which would necessitate changes in its key assumptions.

2. Accounting policies (continued)

2.6 Tangible fixed assets

Tangible fixed assets are stated at 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 group'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 movement in fair value is recognised in other comprehensive income and accumulated in equity in a 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. 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 company 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.

2.7 Valuation of investments

Fixed asset investments are carried at cost less any provision for impairment in value.

2.8 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.

2.9 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.

2. Accounting policies (continued)

2.10 Interest bearing loans and borrowings

Fixed rate senior secured notes, index linked senior secured notes are initially measured at fair value, net of transaction costs. They are then subsequently measured at amortised cost using the effective interest method. Refer to note 3 for details on why the instruments are considered to be basic.

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 estimated future cash flows through the expected 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 cash flows, such as the index linked interest and principal repayments, the change in RPI is charged to the profit and loss in the period to which it relates.

2.11 Creditors

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

2.12 Derivative financial instruments

Derivatives, include inflation swaps, and are not basic financial instruments

To mitigate the impact of inflation movements on future rental income and the Group's ability to service the fixed rate senior loan notes, the Group has entered into inflation linked swaps ('RPI swaps') with UPP Bond 1 Issuer Plc, a fellow group undertaking. All derivative financial 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 Profit and Loss 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.

2. Accounting policies (continued)

2.13 Hedge accounting

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

Inflation linked 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 contracts 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 the 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.

It is considered that the criteria to apply hedge accounting have been met.

2.14 Finance costs

Financing costs, comprising interest payable on loans and the costs incurred in connection with the arrangement of borrowings are recognised in the Consolidated Profit and Loss account 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 Consolidated 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.

2.15 Borrowing cost

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.

2. Accounting policies (continued)

2.16 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

Defined benefit pension plan

The Group operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

a) the increase in net pension benefit liability arising from employee service during the period; and

b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

2. Accounting policies (continued)

2.17 Interest income

Interest income is recognised in the Consolidated Profit and Loss Account using the effective interest method.

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Profit and Loss Account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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.

2.19 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.

3. Judgements in applying accounting policies 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 on-going 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 (Note 14)

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. The key assumptions used to determine the principal assets are further explained in note 14.

Goodwill (Note 13)

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 12.

Valuation of RPI swaps (note 21)

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.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. The resulting gain or loss is recognised in profit or loss.

3. Judgements in applying accounting policies (continued)

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 the 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 assets 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 re-valued asset is a revaluation decrease.

An impairment loss recognised is reversed for all assets and is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply. There has been no impairment in the current year or in the prior year.

Pension liability (Note 25)

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. Please refer to note 24 for further details.

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 (note 14)

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 Group 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 company due to the Group taking the key demand risk and therefore the assets are treated as tangible fixed asset.

3. Judgements in applying accounting policies (continued)

Classification of index-linked financial instruments (note 21)

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 have concluded that despite both principal and interest being linked to RPI, these links are not leveraged and because both principal and interest repayment obligations change in the same proportion and therefore the conditions in paragraphs 11.9(a) and (aA) of FRS 102 are met and the Group's index linked financial instruments are classified as basic and carried at amortised cost.

Hedge accounting for inflation swaps (note 21)

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. It is considered that the criteria to apply hedge accounting have been met.

4. Turnover

Turnover represents income, on the basis of accounting policy 2.4, excluding VAT, attributed to the provision of student accommodation.

	2019	*2018*
	£000	*£000*
Provision of student accommodation	**14,825**	*14,233*
	14,825	*14,233*

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2019	*2018*
	£000	*£000*
Depreciation of tangible fixed assets	**958**	*835*
Amortisation of intangible assets, including goodwill	**9**	*9*

6. Auditor's remuneration

	2019 £000	*2018 £000*
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	**18**	*16*
Fees payable to the Group's auditor and its associates for the audit of the subsidiaries's annual financial statements		

7. Employees

Staff costs were as follows:

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	*2018 No.*
Site managers	**20**	*9*
Administration, maintenance and cleaning	**99**	*103*
	119	*112*

The Company has no employees other than the directors, who did not receive any remuneration *(2018 - £NIL)*.

8. Interest receivable

	2019 £000	*2018 £000*
Interest receivable from group companies	**43**	*55*
Bank interest receivable	**86**	*17*
	129	*72*

9. Interest payable and similar expenses

	2019 £000	*2018 £000*
Interest payable on fixed rate on loans	**3,739**	*3,886*
Subordinated loan note interest payable	**-**	*1,918*
Interest payable on index-linked on loans	**1,346**	*1,347*
	5,085	*7,151*

Suborindated loan interest is payable to UPP Bond 1 Limited, effective from 1 March 2018 the subrdinated loan notes were waived.

10. Other finance costs

	2019 £000	*2018 £000*
Net interest on net defined benefit liability	**(39)**	*(50)*
	(39)	*(50)*

11. Taxation

	2019 £000	*2018 £000*
Current year	**-**	*(130)*
Adjustments in respect of previous periods	**130**	-
	130	*(130)*
Total current tax	**130**	*(130)*

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2018 - higher than)* the standard rate of corporation tax in the UK of 19% *(2018 - 19%)*. The differences are explained below:

	2019 £000	*2018 £000*
Profit/(loss) on ordinary activities before tax	**2,343**	*(1,025)*
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	**445**	*(195)*
Effects of:		
Expenses disallowable for tax purposes	**-**	*222*
Adjustments in respect of prior years	**130**	-
Movement in deferred tax not recognised	**(8)**	*48*
Non-taxable income	**(8)**	*(136)*
Exempt property rental (profits)/losses in the year	**(429)**	*(69)*
Total tax charge for the year	**130**	*(130)*

Factors that may affect future tax charges

UPP REIT Holdings Limited is a Real Estate Investment Trust ("REIT"). As a result, the Company no longer pays UK corporation tax on profits and gains from qualifying property rental business providing it meets certain conditions. Non-qualifying profits and gains continue to be subject to UK corporation tax as normal.

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

A deferred tax asset of £7,956k (2018: £7,963k) in respect of available tax losses has not been recognised at 31 August 2019.

12. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and Loss Account in these financial statements. The profit after tax of the parent Company for the year was £2,213k *(2018 - loss £895k)*.

13. Intangible assets

Group

	Goodwill £000
Cost	
At 1 September 2018	**357**
At 31 August 2019	**357**
Amortisation	
At 1 September 2018	**101**
Charge for the year	**9**
At 31 August 2019	**110**
Net book value	
At 31 August 2019	**247**
At 31 August 2018	*256*

13. Intangible assets (continued)

Company

	Goodwill £000
Cost	
At 1 September 2018	492
At 31 August 2019	492
Amortisation	
At 1 September 2018	101
Charge for the year	9
At 31 August 2019	110
Net book value	
At 31 August 2019	382
At 31 August 2018	*391*

Goodwill arose on the acquisition of a UPP (Gill Street) Limited during the year ended 31 August 2008.

Goodwill is amortised on a straight line basis over the remaining lease period on the principal asset held which expires in 2048.

14. Tangible fixed assets

Group and Company

	Assets for use in operating leases £000
Valuation	
At 1 September 2018	**95,900**
At 31 August 2019	**95,900**
Charge for the year on owned assets	**958**
On revalued assets	**(958)**
At 31 August 2019	**-**
Net book value	
At 31 August 2019	**95,900**
At 31 August 2018	*95,900*

14. Tangible fixed assets (continued)

Fixed assets include borrowing cost up of £991k (2018: £991k) which have been capitalised at 100%.

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.

Assets used in operating leases were independently valued by Jones Lang LaSalle ("JLL"), chartered Surveyors, on an existing use basis as at 31 August 2018. JLL have confirmed that the value as at that date was £97,900k.

Following an internal review of the assets used in operating leases, the directors' have decided to revalue the assets to the value as determined by JLL in 2018.

The critical assumptions made in relation to the valuation are set out below:

	2018
Discount rates	9.25%
Occupancy rates	99%
Long term annual rental growth	3.0%

Cost or valuation at 31 August 2019 is as follows:

	Assets for use in operating leases £000
At cost	**94,630**
At valuation:	
Revaluation as at 31 August 2018	**1,270**
	95,900

14. Tangible fixed assets (continued)

If the assets used in operating leases had not been included at valuation they would have been included under the historical cost convention as follows:

	2019 £000	*2018 £000*
Group		
Cost	**94,630**	*94,630*
Accumulated depreciation	**(6,966)**	*(6,081)*
Net book value	**87,664**	*88,549*

15. Fixed asset investments

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
UPP (Gill Street) Limited	40 Gracechurch Street, London, EC3V 0BT	Ordinary	100%

The aggregate of the share capital and reserves as at 31 August 2019 and the profit or loss for the year ended on that date for the subsidiary undertaking were as follows:

Name	Aggregate of share capital and reserves	Profit/(Loss)
UPP (Gill Street) Limited	**135**	**-**

16. Debtors

	Group 2019 £000	*Group 2018 £000*	Company 2019 £000	*Company 2018 £000*
Due after more than one year				
Derivative financial instruments measured at fair value	**4,718**	*5,845*	**4,718**	*5,845*
	4,718	*5,845*	**4,718**	*5,845*
Due within one year				
Trade debtors	**155**	-	**155**	-
Amounts owed by group undertakings	**10,850**	*8,667*	**10,850**	*8,667*
Other debtors	**22**	-	**22**	-
Prepayments and accrued income	**131**	*223*	**131**	*222*
	15,876	*14,735*	**15,876**	*14,734*

Included within amounts owed by group undertaking is a balance of £2,822k (2018 - £2,017k) which is to fund a debt service reserve account that is sized to be adequate to cover the next six months of service costs of both tranches of the senior secured notes. This amount is reviewed every six months and increased or decreased accordingly. Interest receivable on these loans is calculated using the effective interest method which is different to the actual cash interest received at the rate the company earns interest on the cash balances it holds.

The amounts owed by group undertakings are repayable on demand and not subject to interest.

17. Cash and cash equivalents

	Group 2019 £000	*Group 2018 £000*	Company 2019 £000	*Company 2018 £000*
Cash at bank and in hand	**620**	*599*	**620**	*599*
	620	*599*	**620**	*599*

18. Creditors: Amounts falling due within one year

	Group 2019 £000	*Group 2018 £000*	Company 2019 £000	*Company 2018 £000*
Secured fixed rate on loans	**1,854**	*1,648*	**1,854**	*1,648*
Trade creditors	**417**	*94*	**417**	*94*
Amounts owed to group undertakings	**3,016**	*2,961*	**3,151**	*3,096*
Other taxation and social security	**-**	*3*	**-**	*3*
Accruals and deferred income	**2,365**	*2,830*	**2,366**	*2,830*
	7,652	*7,536*	**7,788**	*7,671*

The amounts owed to group undertakings are repayable on demand and not subject to interest.

19. Creditors: Amounts falling due after more than one year

	Group 2019 £000	*Group 2018 £000*	Company 2019 £000	*Company 2018 £000*
Secured fixed rate on loans	**70,434**	*72,168*	**70,434**	*72,168*
Secured index linked on loans	**22,594**	*21,926*	**22,594**	*21,926*
	93,028	*94,094*	**93,028**	*94,094*

Effective from 1 March 2018 the unsecured subordinated loan notes were waived by UPP Bond 1 Limited.

20. Loans

Secured On loans

On 5 March 2013 a fellow subsidiary of the Group's immediate parent UPP Bond 1 Limited, UPP Bond 1 Issuer plc, launched a Multicurrency Programme for the issuance of £382.1 million Senior Secured Notes. The proceeds of this bond issuance were on lent to UPP (Nottingham) Limited and five other subsidiary undertakings of UPP Bond 1 Limited, to enable the companies to repay their existing senior bank debt funding.

These notes are listed on the Irish Exchange. The 4.9023% fixed rate loan notes are due to be fully repaid by 2040, with repayments having begun in August 2013.The 2.7291% index linked loan notes are due to be fully repaid by 2047, with repayments starting in August 2038.

The group entered into on-loan arrangements with UPP Bond 1 Issuer plc the terms and conditions of which are laid out below:

	Amount	Interest rate	Maturity
Tranche A	79,425,000	Fixed rate at 4.9023%	28 February 2040
Tranche B	19,565,000	Index-linked at 2.7291%	31 August 2047

The on-loan facilities 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 subordinated loan notes

On 5 March 2013, UPP Bond 1 Limited provided unsecured subordinated loan notes of £37,137,000 to the group. The loan notes will be repaid by August 2047 and are subject to an effective interest rate of 8.76%.

Effective from 1 March 2018 the unsecured subordinated loan notes were waived by UPP Bond 1 Limited resulting in a capital contribution of £47,049k.

20. Loans (continued)

	Group 2019 £000	*Group 2018 £000*	Company 2019 £000	*Company 2018 £000*
Amounts falling due within one year				
Secured fixed rate on loans	**1,854**	*1,648*	**1,854**	*1,648*
	1,854	*1,648*	**1,854**	*1,648*
Amounts falling due 1-2 years				
Secured fixed rate on loans	**1,648**	*1,648*	**1,648**	*1,648*
	1,648	*1,648*	**1,648**	*1,648*
Amounts falling due 2-5 years				
Secured fixed rate on loans	**5,840**	*5,840*	**5,840**	*5,840*
	5,840	*5,840*	**5,840**	*5,840*
Amounts falling due after more than 5 years				
Secured fixed rate on loans	**62,946**	*64,680*	**62,946**	*64,680*
Secured index linked on loans	**22,594**	*21,926*	**22,594**	*21,926*
	85,540	*86,606*	**85,540**	*86,606*
	94,882	*95,742*	**94,882**	*95,742*

21. Financial instruments

	Group	*Group*	Company	*Company*
	2019	*2018*	**2019**	*2018*
	£000	*£000*	**£000**	*£000*
Financial assets				
Financial assets measured at fair value through profit or loss	**11,625**	*9,266*	**11,625**	*9,266*
Derivative financial instruments measured at fair value	**4,718**	*5,845*	**4,718**	*5,845*
	16,343	*15,111*	**16,343**	*15,111*
Financial liabilities				
Financial liabilities measured at amortised cost	**(98,315)**	*(98,797)*	**(98,450)**	*(98,932)*

Financial assets measured at amortised cost comprise trade debtors, cash and amounts owed by group undertakings which is repayable on demand.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, fixed rate senior on loans, index linked senior on loans, unsecured subordinated loan.

Derivative financial instruments measured at fair value through profit or loss comprise an RPI swap.

To mitigate the risks of inflation movements in the underlying income generation of the Group impacting on the Group and Company's ability to service the fixed rate senior on loans, the Group has entered into an RPI swap with UPP Bond 1 Issuer plc, a fellow group company, which has entered into on–loan arrangements with the Group. The notional amounts swapped for each year has been determined with reference to a percentage of the fixed rate on loan servicing costs.

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.

The Group entered into the RPI swap on 5 March 2013, fixing a portion of the underlying rental income stream to 2.7%. The RPI swap is for a period of 27 years from March 2013, commencing in February 2015 and finishing in February 2040.

The Group applies hedge accounting for its derivative instrument as the criteria are met under section 12 FRS 102. A hedging loss of £1,128k arose during the year (2018 : £359k gain) and was recognised in the Statement of Comprehensive Income, reflecting the change in fair value of the RPI swap.

22. Deferred taxation

Group

	2018 *£000*
At beginning of year	*(595)*
Charged to other comprehensive income	*595*
At end of year	-

The deferred taxation liability for 2019 was £nil.

23. Share capital

	2019 **£000**	*2018* *£000*
Authorised, allotted, called up and fully paid		
5,596,747 *(2018 - 5,596,747)* Ordinary shares of £1.00 each	**5,597**	*5,597*

The Ordinary shares have the rights and restrictions as set out in the amended Articles of Association of the Company.

24. Reserves

Revaluation reserve

The reserve is used to record the surplus or deficit arising on valuation of the principal asset of the Group as well as the deferred tax liability arising on any chargeable gains if the associated property were to be sold at the balance sheet date.

Other reserves

The cash flow hedge reserve comprise of cash flow hedge reserve which includes the fair value movements on the derivities financial instruments and the deferred tax associated with these.

Profit and loss account

The reserve consists of current and prior year profit and loss.

Profit and Loss account includes a capital contribution made in 2018 of £47,049k in relation to subordinated loan notes being waived by UPP Bond 1 Limited, the Company's Parent entity.

25. Pension commitments

The Group operates a defined benefit pension scheme.

Defined contribution scheme

The Group operates a defined contribution retirement benefit scheme for all qualifying employees. The total cost charged to the profit and loss account of £24k (2018: charge of £24k) represents a pre-determined amount of the employee's salary paid into the scheme. As at 31 August 2019 £62k (2018: £Nil) contributions remained outstanding.

Defined benefit scheme

Retirement benefits for 56 Group employees (2018: 56) are provided by 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.

Contributions are set every three years as a result of the actuarial valuation, the next being carried out at 31 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023.

The material assumptions used by the Actuary at 31 August 2019 were:

	31 August 2019	31 August 2018
Rate of inflation	3.2%	3.6%
Rate of increase in salaries	3.8%	3.8%
Rate of increase in pensions	2.3%	2.3%
Discount rate for liabilities	1.8%	2.6%

Reconciliation of present value of plan liabilities:

	2019 £000	*2018 £000*
Reconciliation of present value of plan liabilities		
At the beginning of the year	**4,824**	*5,188*
Current service cost	**64**	*88*
Interest cost	**124**	*128*
Change in financial assumptions	**652**	*(438)*
Contributions	**10**	*12*
Estimated benefits paid net of transfers in	**(110)**	*(154)*
Change in demographic assumptions	**(260)**	-
Part service costs, including curtailments	**24**	-
At the end of the year	**5,328**	*4,824*

25. Pension commitments (continued)

Reconciliation of present value of plan assets:

	2019 £000	2018 £000
At the beginning of the year	3,329	3,198
Returns on assets less interest income	69	125
Interest on assets	86	79
Contributions	73	82
Estimated benefits paid net of transfers in	(110)	(154)
Administration expenses	(1)	(1)
At the end of the year	3,446	3,329

	2019 £000	2018 £000
Fair value of plan assets	3,446	3,329
Present value of plan liabilities	(5,328)	(4,824)
Net pension scheme liability	(1,882)	(1,495)

	2019 £000	2018 £000
Current service cost	88	88
Interest on obligation	39	50
Total	127	138

Reconciliation of fair value of plan liabilities were as follow:

	2019 £000	2018 £000
Opening defined benefit obligation	166	(447)
Interest cost	39	50
Actuarial gains and (losses)	(323)	563
Closing defined benefit obligation	(118)	166

25. Pension commitments (continued)

The cumulative amount of actuarial gains and losses recognised in the Consolidated Statement of Comprehensive Income was £NIL *(2018 - £NIL)*.

The Group expects to contribute £NIL to its defined benefit pension scheme in 2020.

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2019 %	*2018* %
Discount rate	**1.8**	*2.6*
Future salary increases	**3.75**	*3.8*
Future pension increases	**2.25**	*2.3*
Mortality rates		
- for a male aged 65 now	**21.7**	*22.7*
- at 65 for a male aged 45 now	**24.4**	*25.6*
- for a female aged 65 now	**23.3**	*24.9*
- at 65 for a female member aged 45 now	**26.2**	*28.0*

The most recent triennial valuation of the group's pension scheme for funding purposes has been performed as at 31 March 2016. 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 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. The Group considers that the contribution rates agreed with the directors are sufficient to eliminate the current deficit over the agreed period.

26. Controling Party

The company's immediate parent undertaking is UPP Bond 1 Limited, whose immediate parent company is UPP Bond 1 Holdings Limited. The parent company of UPP Bond 1 Holdings Limited is UPP Group Limited. UPP Group Limited is a wholly owned subsidiary of UPP Group Holdings Limited.

UPP Group Holdings Limited is a wholly owned subsidiary of UPP REIT Holdings Limited.

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

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

The ultimate controlling party is PGGM by virtue of their majority shareholdings.

Copies of the UPP REIT Holdings Limited accounts can be obtained from www.upp-ltd.com, once they have been published.

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.

Copies of the UPP Bond 1 Holdings Limited accounts can be obtained from Companies House, once they have been filed.