
UPP BOND 1 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2016

UPP BOND 1 LIMITED

COMPANY INFORMATION

Directors	J Benkel S O'Shea SFM Directors Limited R Bienfait
Company secretary	J Benkel
Registered number	08255705
Registered office	40 Gracechurch Street London EC3V 0BT
Independent auditors	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Milton Keynes

UPP BOND 1 LIMITED

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UPP BOND 1 LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2016

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

The Company was incorporated on 16 October 2012. On 5 March 2013 the company acquired by way of share for share exchange the holdings in UPP (Alcuin) Limited, UPP (Broadgate Park) Holdings Limited, UPP (Kent Student Accommodation) Limited, UPP (Nottingham) Ltd, UPP (Oxford Brookes) Limited and UPP (Plymouth Three) Limited ultimately from UPP Group Limited. On the same day the company acquired the minority interests held by University of York and Nottingham Trent University in UPP (Alcuin) Limited and UPP (Nottingham) Limited for cash consideration.

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

In addition the Company issued £125,362,000 unsecured loan notes to its parent company, UPP Bond 1 Holdings Limited, and utilised these funds to provide loan note funding to these six companies to enable them to meet their remaining outstanding costs associated with the repayment of those bank facilities. More details of this loan note funding is included in note 14.

On 9 December 2014 the company acquired the entire issued share capital in UPP (Exeter) Limited from UPP Group Limited by way of a share for share exchange.

On the same day UPP Bond 1 Issuer plc issued a further £149,700,000 of fully amortising RPI index-linked senior secured notes, listed on the Irish Stock Exchange, ranking pari-passu with the initial senior notes. The proceeds of this issuance were on-lent to UPP (Exeter) Limited, to enable that company to refinance its senior bank facilities and some associated costs. On the same day the company subscribed for £21,309,000 of unsecured subordinated debt in UPP (Exeter) Limited.

Toward the end of the financial year, the impact of the referendum decision to leave the European Union (EU) has also been the focus of much attention across the HE sector. Following the result, the Government has committed to continue current funding arrangements for EU students until the completion of the Article 50 negotiations. At this stage it is unlikely that there will be any significant impact on demand from what is a relatively small proportion of the overall student population (i.e. circa 5%), however, the Board remain cognisant of the attendant risks relating to this process and will continue to actively manage these where they arise.

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.

UPP BOND 1 LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

Principal risks and uncertainties

The Company uses various financial instruments including loans, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. All of the company's financial instruments are of sterling denomination and the company does not trade in financial instruments or derivatives.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The company finances its operations through related party borrowings, on an arms-length basis.

Liquidity risk

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

Demand risk

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

Portfolio risk

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

UPP BOND 1 LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

Financial key performance indicators

The Company's principal activity is that of a holding company providing funding to seven fellow group undertakings by way of subordinated loan notes. The performance of these group undertakings is critical to the ability of this company to service its own debt commitments.

These fellow group undertakings all provide student accommodation and use rental income received to service the cost of these on-loans.

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

	2015/16	2014/15
Average Applications : Acceptance ratio	5.69:1	5.79:1
Average core demand pool (no. of students)	14,093	14,077

The indicators above are directly related to performance of the relevant university partners of these fellow group undertakings and any changes in these statistics may potentially affect the performance of that company and in turn, the economic viability of this company.

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

	2015/16	2014/15
Average occupancy across the facilities	100.0%	99.7%

The target occupancy level across the facilities is 98-99%, as such the directors are satisfied that the movements noted above are within tolerable limits for the recovery of credit extended to these group undertakings.

Other financial key performance indicators, such as debt service cover ratio, relate to financial covenants on the associated senior debt financial instruments. All of the financial covenants have been met during the financial year.

This report was approved by the board on 12 December 2016 and signed on its behalf.



R Bienfait
Director

UPP BOND 1 LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2016

The directors present their report and the financial statements for the year ended 31 August 2016.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements 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 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity of the business

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

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 pages 2.

Going concern

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

Results and dividends

The profit for the year, after taxation, amounted to £63k (2015 - £61k).

The directors did not declare any dividends for the year (2015: nil).

UPP BOND 1 LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2016**

Directors

The directors who served during the year were:

J Benkel
S O'Shea
SFM Directors Limited
G Behr (resigned 10 May 2016)

The following director was appointed after the year end

R Bienfait (appointed 11 October 2016)

Disclosure of information to auditors

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's auditors are 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's auditors are aware of that information.

Post balance sheet events

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

Auditors

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 12 December 2016 and signed on its behalf.



R Bienfait
Director

UPP BOND 1 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UPP BOND 1 LIMITED

We have audited the financial statements of UPP Bond 1 Limited for the year ended 31 August 2016, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is the applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, 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 Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2016 and of its 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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 those financial statements.

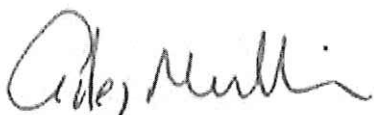
UPP BOND 1 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UPP BOND 1 LIMITED (CONTINUED)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.



Giles Mullins (Senior Statutory Auditor)

for and on behalf of
Grant Thornton UK LLP

Chartered Accountants
Statutory Auditor

Milton Keynes

12 December 2016

UPP BOND 1 LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2016**

	Note	2016 £	2015 £000
Administrative expenses		(38)	(36)
Operating loss	4	(38)	(36)
Interest receivable and similar income	7	16,557	14,380
Interest payable and expenses	8	(16,456)	(14,283)
Profit on ordinary activities before tax		63	61
Tax on profit on ordinary activities	9	-	-
Profit on ordinary activities before tax		63	61

There were no recognised gains and losses for 2016 or 2015 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2016 (2015:£NIL).


The notes on pages 12 to 23 form part of these financial statements.

UPP BOND 1 LIMITED
REGISTERED NUMBER: 08255705


BALANCE SHEET
AS AT 31 AUGUST 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
Fixed assets					
Investments	10		52,356		52,356
			<u>52,356</u>		<u>52,356</u>
Current assets					
Debtors	11	179,409		171,502	
Cash at bank and in hand	12	27,656		24,542	
		<u>207,065</u>		<u>196,044</u>	
Creditors: amounts falling due within one year	13	(25,461)		(22,308)	
Net current assets			<u>181,604</u>		<u>173,736</u>
Total assets less current liabilities			<u>233,960</u>		<u>226,092</u>
Creditors: amounts falling due after more than one year	14		(176,237)		(168,432)
Net assets			<u><u>57,723</u></u>		<u><u>57,660</u></u>
Capital and reserves					
Called up share capital	16		55,570		55,570
Profit and loss account	17		2,153		2,090
			<u><u>57,723</u></u>		<u><u>57,660</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 December 2016.


R Bienfait

Director


J Benkel

Director

The notes on pages 12 to 23 form part of these financial statements.

UPP BOND 1 LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2016**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 September 2015	55,570	2,090	57,660
Profit for the year	-	63	63
At 31 August 2016	55,570	2,153	57,723

The notes on pages 12 to 23 form part of these financial statements.

UPP BOND 1 LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2015

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 September 2014	36,848	2,029	38,877
Profit for the year	-	61	61
Shares issued during the year	18,722	-	18,722
At 31 August 2015	55,570	2,090	57,660

The notes on pages 12 to 23 form part of these financial statements.

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 Bond I Holdings Limited.

UPP BOND 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

1. General information

UPP Bond 1 Limited is a private limited company incorporated in England, with company number 08255705. 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 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.

Information on the impact of first-time adoption of FRS 102 is given in note 19.

The Company transitioned from previously extant UK GAAP to FRS 102 as at 1 September 2014 and this is the first period in which the financial statements have been prepared under FRS 102. The transition to FRS 102 has resulted in a number of changes in accounting policies to those used previously. The nature of these changes and their impact on opening equity and loss for the comparative period are explained in note 19.

The Company has taken advantage of the disclosure exemption allowed under FRS 102 not to comply with Section 7 Statement of Cash Flows and it has not presented its own Statement of Cash Flows in these financial statements.

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 management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

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

2.3 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

2. Accounting policies (continued)

2.4 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.

2.5 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.

2.6 Interest bearing loans and borrowings

Subordinated loan 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 section 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.

2.7 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.

2.8 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.

2.9 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.

UPP BOND 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

2. Accounting policies (continued)

2.10 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.11 Related party transactions

The Company is a wholly owned subsidiary of UPP Group 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 Company'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:

Impairment of non-financial assets

The Company assesses at each reporting date whether an asset may be impaired. If any such indication exists the Company estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company 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 re-valued asset is a revaluation decrease.

An impairment loss recognised is reversed for all assets in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

4. Operating loss

The operating loss is stated after charging:

	2016 £000	2015 £000
Auditors remuneration	27	33

During the year, no director received any emoluments (2015 - £NIL).

UPP BOND 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

5. Auditors' remuneration

	2016	2015
	£000	£000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>3</u>	<u>3</u>
Fees payable to the Company's auditor and its associates in respect of non audit services:		
Taxation compliance services	10	10
Fees payable to the Company's auditor for the audit of subsidiary undertakings annual financial statements	<u>14</u>	<u>20</u>
	<u>24</u>	<u>30</u>

6. Employees

The Company has no employees other than the directors, who did not receive any remuneration (2015 - £NIL).

7. Interest receivable

	2016	2015
	£000	£000
Loan note interest receivable	16,557	14,380
	<u>16,557</u>	<u>14,380</u>

Loan note interest receivable relates to interest on the unsecured loan notes with the Company's subsidiaries.

The loan notes are scheduled to be repaid between August 2048 and August 2057, with repayments commencing in August 2030, and bear an interest rate of 14%.

UPP BOND 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

8. Interest payable and similar charges

	2016 £000	2015 £000
Loan note interest payable	16,456	14,283
	<u>16,456</u>	<u>14,283</u>

Loan note interest payable relates to interest on the unsecured loan notes with the Company's parent UPP Group Limited.

9. Taxation

	2016 £000	2015 £000
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>-</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015 - *lower than*) the standard rate of corporation tax in the UK of 20% (2015 - 21%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	<u>63</u>	<u>61</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 21%)	13	13
Effects of:		
Expenses disallowed for tax purposes	1,846	1,094
Group relief claimed not paid for	(52)	(54)
Non-taxable income	(1,807)	(1,053)
Total tax charge for the year	<u>-</u>	<u>-</u>

UPP BOND 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

9. Taxation (continued)

Factors that may affect future tax charges

The deferred tax has been recognised at a rate of 18% which was substantively enacted in Finance Bill 2015.

There will be a reduction in corporation tax rate from the current 20% rate to 19% from 1 April 2017 and then to 18% from 1 April 2020.

10. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 September 2015	52,356
At 31 August 2016	52,356
Net book value	
At 31 August 2016	52,356
At 31 August 2015	52,356

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
UPP (Alcuin) Limited	UK	Ordinary	100 %	Provision of student accommodation
UPP (Broadgate Park) Holdings Limited	UK	Ordinary	100 %	Provision of student accommodation
UPP (Kent Student Accommodation) Limited	UK	Ordinary	100 %	Provision of student accommodation
UPP (Nottingham) Ltd	UK	Ordinary	100 %	Provision of student accommodation
UPP (Oxford Brookes) Limited	UK	Ordinary	100 %	Provision of student accommodation

UPP BOND 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

10. Fixed asset investments (continued)

UPP (Plymouth Three) Limited	UK	Ordinary	100 % Provision of student accommodation
UPP (Exeter) Limited	UK	Ordinary	100 % Provision of student accommodation
UPP Bond 1 Issuer plc	UK	Ordinary	100 % Financing company

11. Debtors

	2016 £000	2015 £000
Due after more than one year		
Unsecured loan notes	179,409	171,502
	179,409	171,502
Amounts falling due after more than 5 years		
	179,409	171,502

The Company subscribed for unsecured loan notes in six of its subsidiary undertakings on 5 March 2013.

An additional £21,309,000 unsecured loan notes were subscribed for in its seventh subsidiary undertaking on 9 December 2014.

The loan notes are scheduled to be repaid between August 2048 and August 2057, with repayments commencing in August 2030, and bear an interest rate of 14%.

12. Cash and cash equivalents

	2016 £000	2015 £000
Cash at bank and in hand	27,656	24,542
	27,656	24,542

UPP BOND 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

13. Creditors: Amounts falling due within one year

	2016 £000	2015 £000
Amounts owed to group undertakings	25,451	22,294
Accruals and deferred income	10	14
	<u>25,461</u>	<u>22,308</u>

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

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

	2016 £000	2015 £000
Unsecured loan notes	176,237	168,432
	<u>176,237</u>	<u>168,432</u>

The Company issued loan notes on 5 March 2013 to its parent company, UPP Bond 1 Holdings Limited.

The loan notes are scheduled to be repaid by August 2057, with repayments commencing in August 2030, and bear an interest rate of 13.75%.

Additional loan notes of £21,309,000 were issued on 9 December 2014.

The additional loan notes are scheduled to be repaid by August 2051, with repayments commencing in August 2032, and bear an interest rate of 13.75%.

UPP BOND 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

15. Financial instruments

	2016 £000	2015 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	207,065	196,045
	<u>207,065</u>	<u>196,045</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(201,688)	(190,729)
	<u>(201,688)</u>	<u>(190,729)</u>

Financial assets measured at amortised cost comprise unsecured loan notes and cash at bank and in hand.

Financial Liabilities measured at amortised cost comprise amounts owed to group undertakings and unsecured loan notes.

16. Share capital

	2016 £000	2015 £000
Shares classified as equity		
Authorised, allotted, called up and fully paid		
55,570,409 Ordinary shares of £1 each	<u>55,570</u>	<u>55,570</u>

17. Reserves

Profit and loss account

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

UPP BOND 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

18. Controlling party

UPP Bond 1 Limited is a wholly owned subsidiary of UPP Bond 1 Holdings Limited, itself a wholly owned subsidiary of UPP Group Limited. UPP Group Limited is a wholly owned subsidiary of UPP Group Holdings Limited.

UPP Group 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.

The smallest and largest group of which the company is a member and for which group accounts are prepared is UPP Group Holdings Limited.

Copies of the accounts can be obtained from Companies House, Cardiff CF14 3UZ, once they have been filed.

UPP BOND 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

19. First time adoption of FRS 102

The Company transitioned to FRS 102 from previously extant UK GAAP as at 1 September 2014. The impact of the transition to FRS 102 is as follows:

Reconciliation of equity at 1 September 2014

	Note	£000
Equity at 1 September 2014 under previous UK GAAP		37,831
Unsecured loan notes at amortised cost	1	1,046
Equity shareholders funds at 1 September 2014 under FRS 102		38,877

Reconciliation of equity at 31 August 2015

	Note	£000
Equity at 31 August 2015 under previous UK GAAP		57,264
Unsecured loan notes at amortised cost	1	396
Equity shareholders funds at 31 August 2015 under FRS 102		57,660

Reconciliation of profit and loss account for the year ended 31 August 2015

		£000
Profit for the year under UK GAAP		712
Unsecured loan notes at amortised cost	1	(651)
Profit for the year ended 31 August 2015 under FRS 102		61

The following were changes in accounting policies arising from the transition to FRS 102:

1 Amortised cost for financial liabilities

Under FRS 102, basic financial instruments are measured at amortised cost using the effective interest method, with interest expense recognised on the basis of the effective interest method. Under the previous UK GAAP, UPP had a policy of amortising its long term debt instruments using a 'constant' rate method which resulted in different carrying values for the debt instruments. Consequently, on adoption of FRS 102, the adjustment that was made to the carrying values of the Company long term debt instruments as at 1 September 2014 was, a change to unsecured loan notes - where there was a decrease of the liability by £1,046k at 1 September 2014 and then a decrease of £651k in year ended August 2015.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

20. Transitional relief

On transition to FRS 102 from previous UK GAAP, the group has taken advantage of transitional relief as follows:

Investments in subsidiaries

The Company has elected to treat the carrying amount of investments in subsidiaries under previous UK GAAP at the date of transition as deemed cost on transition to FRS 102.