
UPP BOND 1 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

UPP BOND 1 LIMITED

COMPANY INFORMATION

Directors	J Benkel S O'Shea Intertrust Directors 1 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 and Statutory Auditor Victoria House 199 Avebury Boulevard Milton Keynes MK 9 1AU

UPP BOND 1 LIMITED

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UPP BOND 1 LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2017

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

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 impact of the referendum decision to leave the European Union (EU) continues to be the focus of much attention across the Higher Education sector and whilst the current Government remains committed to continue current funding arrangements for EU students until the completion of the Article 50 negotiations, some uncertainty remains with regard to tuition fees for EU students studying in England. Properly contextualised, the risk that a potential fall in EU student numbers would impact on academic and residential demand appears low.

Applicant data to UCAS by Domicile identifies, since the introduction of the current tuition fee cap EU applicant numbers had increased year on year until the academic year 2017/18 when uncertainty relating to the UK referendum decision to leave the European Union impacted on applicant numbers. In real terms EU applicant numbers had increased by 10,370 students over the period, an increase of 25%. However, applicant numbers for 2017/18 decreased by 5.0%, albeit that subsequent data for the UCAS 15 October 2017 deadline suggests this may prove a one year effect.

Currently, HESA data identifies that only one in twenty full time undergraduates (5%) are from the EU (excluding UK) and just 12% of full time postgraduates. It also identifies that enrolment from the EU has continued to increase, from 124,575 in 2014/15 to 127,440 in 2015/16, despite this recruitment proving both more costly and less enticing than international students. The Minister for Universities and Skills has confirmed that there would be "no immediate changes" for EU nationals. DBEIS also reaffirmed the continuation of funding for EU students beginning in 2016/17, 2017/18 and 2018/19.

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

UPP BOND 1 LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2017

Principal risks and uncertainties

Financial risk management objectives and policies

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's subsidiaries are 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 maintaining strong 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's subsidiaries are in the student market and reduced student numbers could impact upon financial performance. The Company's subsidiaries seek 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 2017

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.

	2016/17	2015/16
Average Applications : Acceptance ratio	5.76:1	5.69:1
Average core demand pool (no. of students)	14,093	14,093

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.

	2016/17	2015/16
Average occupancy across the facilities	99.86%	99.91%

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 8 December 2017 and signed on its behalf.



R Bienfait
Director

UPP BOND 1 LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2017

The directors present their report and the financial statements for the year ended 31 August 2017.

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 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 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 judgements 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 to 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 page 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.

UPP BOND 1 LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2017

Results and dividends

The loss for the year, after taxation, amounted to £1,911k (2016 - profit £63k).

The directors did not declare any dividends for the year (2016: nil).

Directors

The directors who served during the year were:

J Benkel
S O'Shea
Intertrust Directors 1 Limited
R Bienfait (appointed 23 November 2016)

Future developments

The Directors of the Company are not aware of any circumstances by which the principal activity of the Company would alter or cease.

Disclosure of information to auditors

The directors each confirm that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the 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.

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 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 8 December 2017 and signed on its behalf.



R Bienfait
Director

UPP BOND 1 LIMITED

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

Opinion

We have audited the financial statements of UPP Bond 1 Limited for the year ended 31 August 2017, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements 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 Company's affairs as at 31 August 2017 and of its loss 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 Company 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.

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.

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 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.

UPP BOND 1 LIMITED

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

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 Auditors' 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.

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 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, 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.

UPP BOND 1 LIMITED

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

Responsibilities of directors


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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 Auditors' 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 Auditors' Report.



Laura Brierley
Senior Statutory Auditor

for and on behalf of
Grant Thornton UK LLP

Chartered Accountants
Statutory Auditor

Milton Keynes

8 December 2017

UPP BOND 1 LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2017

	Note	2017 £	2016 £000
Administrative expenses		(50)	(38)
Operating loss	4	<u>(50)</u>	<u>(38)</u>
Interest receivable	7	16,321	16,557
Interest payable and charges	8	(18,182)	(16,456)
(Loss)/profit before tax		<u>(1,911)</u>	<u>63</u>
(Loss)/profit for the financial year		<u>(1,911)</u>	<u>63</u>

There were no recognised gains and losses for 2017 or 2016 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2017 (2016:£nil).


The accounting policies and notes on pages 13 to 23 form part of these financial statements.

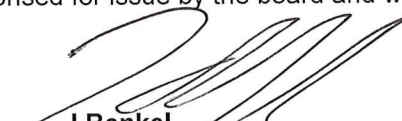
UPP BOND 1 LIMITED
REGISTERED NUMBER: 08255705

BALANCE SHEET
AS AT 31 AUGUST 2017

	Note	2017 £000	2016 £000
Fixed assets			
Investments	10	52,356	52,356
		<u>52,356</u>	<u>52,356</u>
Current assets			
Debtors	11	176,655	179,409
Cash at bank and in hand	12	18,933	27,656
		<u>195,588</u>	<u>207,065</u>
Creditors: amounts falling due within one year	13	(16,794)	(25,461)
Net current assets		<u>178,794</u>	<u>181,604</u>
Total assets less current liabilities		<u>231,150</u>	<u>233,960</u>
Creditors: amounts falling due after more than one year	14	(175,338)	(176,237)
Net assets		<u><u>55,812</u></u>	<u><u>57,723</u></u>
Capital and reserves			
Called up share capital	17	55,570	55,570
Profit and loss account	18	242	2,153
		<u><u>55,812</u></u>	<u><u>57,723</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


R Bienfait
 Director


J Benkel
 Director

Date: 8 December 2017

The notes on pages 13 to 23 form part of these financial statements.

UPP BOND 1 LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2017

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 September 2016	55,570	2,153	57,723
Loss for the year	-	(1,911)	(1,911)
At 31 August 2017	55,570	242	55,812

The notes on pages 13 - 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 13 to 23 form part of these financial statements.

UPP BOND 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

1. General information

UPP Bond 1 Limited is a private company limited by shares 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 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 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 judgement 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 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of UPP Group Holdings Limited as at 31 August 2017 and these financial statements may be obtained from Companies House, Cardiff, CF14 3UZ.

UPP BOND 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

2. Accounting policies (continued)

2.4 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.5 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 unsecured loan notes from subsidiaries.

2.6 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.

2.7 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.

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 period, to the net carrying amount on initial recognition.

2.8 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.

2.9 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.

UPP BOND 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

2. Accounting policies (continued)

2.10 Interest bearing loans and borrowings

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.

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.

2.11 Interest income

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

2.12 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.

UPP BOND 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

4. Operating loss

The operating loss is stated after charging:

	2017 £000	2016 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	4	3

5. Auditors' remuneration

	2017 £000	2016 £000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	3	3
Fees payable to the Company's auditor in respect of:		
Taxation compliance services	2	2
Fees payable to the Company's auditor for the audit of subsidiary undertakings annual financial statements	78	68
	80	70

6. Employees

The Company has no employees other than the directors, who did not receive any remuneration (2016 - £nil).

7. Interest receivable

	2017 £000	2016 £000
Loan note interest receivable	16,321	16,557
	16,321	16,557

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 2017

8. Interest payable and similar charges

	2017 £000	2016 £000
Loan note interest payable	18,182	16,456
	<u>18,182</u>	<u>16,456</u>

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

9. Taxation

	2017 £000	2016 £000
Total current tax	-	-
Deferred tax		
Total deferred tax	-	-
Taxation on profit on ordinary activities	-	-

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - *higher than*) the standard rate of corporation tax in the UK of 19.58% (2016 - 20%). The differences are explained below:

	2017 £000	2016 £000
(Loss)/profit on ordinary activities before tax	(1,911)	63
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.58% (2016 - 20%)	(374)	13
Effects of:		
Expenses disallowed for tax purposes	1,853	1,846
Group relief claimed not paid for	(48)	(52)
Non-taxable income	(1,431)	(1,807)
Total tax charge for the year	-	-

UPP BOND 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

9. Taxation (continued)

Factors that may affect future tax charges

The deferred tax has been recognised at a rate of 17% which was substantively enacted in Finance Bill 2015.

There was a reduction in corporation tax rate from 20% 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 2016	52,356
At 31 August 2017	<u>52,356</u>
Net book value	
At 31 August 2017	<u>52,356</u>
At 31 August 2016	<u>52,356</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

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

UPP BOND 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

10. Fixed asset investments (continued)

UPP (Exeter) Limited	Ordinary	100 %	Provision of student accommodation
UPP Bond 1 Issuer plc	Ordinary	100 %	Financing company
UPP (York) Limited	Ordinary	100 %	Dormant
UPP (Broadgate Park) Limited	Ordinary	100 %	Dormant
UPP (Gill Street) Limited	Ordinary	100 %	Dormant
UPP (Plymouth) Limited	Ordinary	100 %	Dormant
UPP (Plymouth Two) Limited	Ordinary	100 %	Dormant
UPP James Square Plymouth Limited	Ordinary	100 %	Dormant

The aggregate of the share capital and reserves as at 31 August 2017 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £000	Profit/(loss) £000
UPP (Alcuin) Limited	(9,471)	420
UPP (Broadgate Park) Holdings Limited	(28,706)	(2,708)
UPP (Kent Student Accommodation) Limited	(6,055)	(1,184)
UPP (Nottingham) Limited	(39,372)	(2,439)
UPP (Oxford Brookes) Limited	(7,325)	(615)
UPP (Plymouth Three) Limited	(26,247)	(3,068)
UPP (Exeter) Limited	(27,016)	(1,105)
UPP Bond 1 Issuer plc	6,015	(203)
UPP (York) Limited	1	-
UPP (Broadgate Park) Limited	(748)	(72)
UPP (Gill Street) Limited	135	-
UPP (Plymouth) Limited	1	-
UPP (Plymouth Two) Limited	1	-
UPP James Square Plymouth Limited	1	-
	<u>(138,786)</u>	<u>(10,974)</u>

UPP BOND 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

11. Debtors

	2017 £000	2016 £000
Due after more than one year		
Unsecured loan notes	176,648	179,409
	<u>176,648</u>	<u>179,409</u>
Due within one year		
Prepayments and accrued income	7	-
	<u>176,655</u>	<u>179,409</u>

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

	2017 £000	2016 £000
Cash at bank and in hand	18,933	27,656
	<u>18,933</u>	<u>27,656</u>

13. Creditors: Amounts falling due within one year

	2017 £000	2016 £000
Amounts owed to group undertakings	16,757	25,451
Accruals and deferred income	37	10
	<u>16,794</u>	<u>25,461</u>

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

UPP BOND 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

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

	2017 £000	2016 £000
Subordinated loan notes	175,338	176,237
	<u>175,338</u>	<u>176,237</u>

15. Loans

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%.

Analysis of the maturity of loans is given below:

	2017 £000	2016 £000
Amounts falling due after more than 5 years		
Subordinated loan notes	175,338	176,237
	<u>175,338</u>	<u>176,237</u>

UPP BOND 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

16. Financial instruments

	2017 £000	2016 £000
Financial assets		
Financial assets measured at amortised cost	195,581	207,065
	<u>195,581</u>	<u>207,065</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(192,095)	(201,698)
	<u>(192,095)</u>	<u>(201,698)</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.

17. Share capital

	2017 £000	2016 £000
Shares classified as equity		
Authorised, allotted, called up and fully paid		
55,570,409 Ordinary shares of £1 each	55,570	55,570

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

18. 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 2017

19. 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.