
UPP (PLYMOUTH THREE) LIMITED

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

UPP (PLYMOUTH THREE) LIMITED

COMPANY INFORMATION

Directors	R Bailey-Watts J Benkel J Wakeford R Bienfait
Company secretary	J Benkel
Registered number	05016132
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 (PLYMOUTH THREE) LIMITED

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UPP (PLYMOUTH THREE) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2017

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 the University of Plymouth.

The project comprises of 1,764 student residential accommodation bedrooms within the University of Plymouth main campus.

The directors have adopted a new policy of measuring fair value of derivative financial instruments on a 'transfer basis' rather than 'marked to market' or so called 'settlement basis'.

The impact of this change in accounting policy to prior period amounts is a change in opening reserves to £6,197k from £4,805k in 2016.

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

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 (PLYMOUTH THREE) LIMITED

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

Principal risks and uncertainties

Financial risk management objectives and policies

The Company and Group uses 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 operations. All of the Company's and Group'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 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 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 received is linked to the movement in RPI and the Group manages 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 seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and debt servicing and to invest cash assets safely and profitably.

The maturity of borrowings is set out in note 17 to the financial statements.

Demand risk

The Group and Company are subjected to risks arising from occupancy voids and a lack of 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 Group and Company are in the student market and reduced student numbers could impact upon financial performance. The Group and Company 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 (PLYMOUTH THREE) LIMITED

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

Financial 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.

	2016/17	2015/16
Average Applications : Acceptance ratio	4.2:1	4.5:1
Average core demand pool (no. of students)	11,550	12,098

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 Group and in turn, the economic viability of this company.

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

	2016/17	2015/16
Average occupancy across the facilities	100.0%	100.0%

The target occupancy level is 98-99%, as such the directors are satisfied that the noted above occupancy levels exceed tolerable limits for the recovery of credit extended to the Group. 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 8 December 2017 and signed on its behalf.



R Bienfait
Director

UPP (PLYMOUTH THREE) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2017

The directors present their annual report and the consolidated 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 consolidated financial statements in accordance with 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 Standards 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 financial statements, the directors are required to:

- select suitable accounting policies 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial risk management objectives and policies

The Group and 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 1 to 3.

Going concern

The directors have reviewed the Company and Group's projected profits and cash flows which they have prepared on the basis of a detailed analysis of the Company and Group's finances, contracts and likely future demand trends. The Company and Group has a net liability position and has received confirmation from its immediate parent undertaking, UPP Gorup Limited, that it will provide the necessary financial support to ensure it can meet its liabilities as they fall due. Accordingly the financial statements have been prepared on a going concern basis.

UPP (PLYMOUTH THREE) LIMITED

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

Results and dividends

The loss for the year, after taxation, amounted to £3,496k (2016 - profit £564k).

The directors did not declare any dividends for the year (2016 - £Nil).

Directors

The directors who served during the year were:

R Bailey-Watts
J Benkel
J Wakeford
R Bienfait (appointed 11 October 2016)

Future developments

Occupancy for the 2017/18 financial year has been secured at 100% which has exceed the directors expectations.

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 reponsbile 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 legislaion in other jurisdictions.

Post balance sheet events

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

Auditor

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 (PLYMOUTH THREE) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UPP (PLYMOUTH THREE) LIMITED

Opinion

We have audited the financial statements of UPP (Plymouth Three) Limited for the year ended 31 August 2017, 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 Statement of Cash Flows 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 Group's and of the parent Company's affairs as at 31 August 2017 and of the Group's 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 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.

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 Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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.

UPP (PLYMOUTH THREE) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UPP (PLYMOUTH THREE) 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 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.

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.

UPP (PLYMOUTH THREE) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UPP (PLYMOUTH THREE) 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 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.

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 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.



Laura Brierley (Senior Statutory Auditor)

for and on behalf of
Grant Thornton UK LLP

Chartered Accountants
Statutory Auditor

8 December 2017

UPP (PLYMOUTH THREE) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2017

	Note	2017 £000	As restated 2016 £000
Turnover	4	8,808	8,569
Cost of sales		(2,535)	(2,560)
Gross profit		6,273	6,009
Administrative expenses		(1,552)	(1,294)
Operating profit	5	4,721	4,715
Interest receivable	8	61	66
Interest payable and similar charges	9	(8,781)	(3,897)
(Loss)/profit before tax		(3,999)	884
Tax on (loss)/profit	10	503	(320)
(Loss)/profit for the financial year		(3,496)	564
(Loss)/profit for the year attributable to:			
Owners of the parent		(3,496)	564
		(3,496)	564

The notes on pages 20 to 43 form part of these financial statements.

The above results all relate to continuing operations.

The 2016 prior year adjustments are further explained in note 23.

UPP (PLYMOUTH THREE) LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2017

	Note	2017 £000	As restated 2016 £000
(Loss)/profit for the financial year		(3,496)	564
Other comprehensive income			
Unrealised surplus on revaluation of tangible fixed assets	13	548	4,397
Deferred tax on revaluation of tangible fixed assets		548	(33)
Other comprehensive income for the year		1,096	4,364
Total comprehensive income for the year		(2,400)	4,928
(Loss)/profit for the year attributable to:			
Owners of the parent Company		(3,496)	564
		(3,496)	564
Total comprehensive income attributable to:			
Owners of the parent Company		(2,400)	4,928
		(2,400)	4,928

The notes on pages 20 to 43 form part of these financial statements.

The 2016 prior year adjustments are further explained in note 23.

UPP (PLYMOUTH THREE) LIMITED
REGISTERED NUMBER: 05016132

CONSOLIDATED BALANCE SHEET
AS AT 31 AUGUST 2017

	Note	2017 £000	As restated 2016 £000
Fixed assets			
Intangible assets	12	1,530	1,567
Tangible fixed assets	13	86,986	87,300
Investments	14	-	-
		<u>88,516</u>	<u>88,867</u>
Current assets			
Debtors	15	7,896	11,277
		<u>7,896</u>	<u>11,277</u>
Creditors: amounts falling due within one year	16	(1,991)	(1,417)
		<u>5,905</u>	<u>9,860</u>
Net current assets			
		<u>94,421</u>	<u>98,727</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	17	(98,677)	(98,984)
Provisions for liabilities			
Deferred tax	20	(4,430)	(5,481)
		<u>(4,430)</u>	<u>(5,481)</u>
Net liabilities		<u>(8,686)</u>	<u>(5,738)</u>
Capital and reserves			
Called up share capital	21	2,033	2,033
Revaluation reserve	22	21,736	21,280
Profit and loss account	22	(32,455)	(29,051)
		<u>(8,686)</u>	<u>(5,738)</u>

UPP (PLYMOUTH THREE) LIMITED
REGISTERED NUMBER: 05016132

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 AUGUST 2017

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 8 December 2017.



R Bienfait
Director



J Benkel
Director

The notes on 20 - 43 form part of these financial statements.

The 2016 prior year adjustments are further explained in note 23.

UPP (PLYMOUTH THREE) LIMITED
REGISTERED NUMBER: 05016132

COMPANY BALANCE SHEET
AS AT 31 AUGUST 2017

	Note	2017 £000	As restated 2016 £000
Fixed assets			
Intangible assets	12	(16,017)	(16,407)
Tangible fixed assets	13	86,986	87,300
		<u>70,969</u>	<u>70,893</u>
Current assets			
Debtors	15	7,895	11,276
		<u>7,895</u>	<u>11,276</u>
Creditors: amounts falling due within one year	16	(2,004)	(1,431)
Net current assets		<u>5,891</u>	<u>9,845</u>
Total assets less current liabilities		<u>76,860</u>	<u>80,738</u>
Creditors: amounts falling due after more than one year	17	(98,677)	(98,984)
Provisions for liabilities			
Deferred tax	20	(4,430)	(5,481)
		<u>(4,430)</u>	<u>(5,481)</u>
Net liabilities		<u>(26,247)</u>	<u>(23,727)</u>
Capital and reserves			
Called up share capital	21	2,033	2,033
Revaluation reserve	22	4,441	3,985
Profit and loss account	22	(32,721)	(29,745)
		<u>(26,247)</u>	<u>(23,727)</u>

UPP (PLYMOUTH THREE) LIMITED
REGISTERED NUMBER: 05016132

COMPANY BALANCE SHEET (CONTINUED)
AS AT 31 AUGUST 2017

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 20 to 43 form part of these financial statements.

The 2016 prior year adjustments are further explained in note 23.

UPP (PLYMOUTH THREE) LIMITED

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

	Called up share capital	Revaluation reserve	Profit and Loss account	Total equity
	£000	£000	£000	£000
At 1 September 2016 (as previously stated)	2,033	21,280	(35,248)	(11,935)
Prior year adjustment	-	-	6,197	6,197
At 1 September 2016 (as restated)	2,033	21,280	(29,051)	(5,738)
Loss for the year	-	-	(3,496)	(3,496)
Transfer to profit and loss account	-	-	92	92
Deferred tax movement on revaluation of leasehold property	-	548	-	548
Transfer from revaluation reserve	-	(92)	-	(92)
At 31 August 2017	2,033	21,736	(32,455)	(8,686)

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 2017 was £92k.

The notes on pages 20 to 43 form part of these financial statements.

The 2016 prior year adjustments are further explained in note 23.

UPP (PLYMOUTH THREE) LIMITED

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

	Called up share capital	Revaluation reserve	Profit and Loss account	Total equity
	£000	£000	£000	£000
At 1 September 2015 (as previously stated)	2,033	16,920	(34,490)	(15,537)
Prior year adjustment	-	-	4,805	4,805
At 1 September 2015 (as restated)	2,033	16,920	(29,685)	(10,732)
Profit for the year	-	-	564	564
Transfer to profit and loss account	-	-	70	70
Deferred taxation on revaluation of principal asset	-	4,430	-	4,430
Transfer from revaluation reserve	-	(70)	-	(70)
At 31 August 2016	2,033	21,280	(29,051)	(5,738)

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 2016 was £70k.

The notes on pages 20 to 43 form part of these financial statements.

The 2016 prior year adjustments are further explained in note 23.

UPP (PLYMOUTH THREE) LIMITED

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

	Called up share capital	Revaluation reserve	Profit and Loss account	Total equity
	£000	£000	£000	£000
At 1 September 2016 (as previously stated)	2,033	3,985	(35,942)	(29,924)
Prior year adjustment	-	-	6,197	6,197
At 1 September 2016 (as restated)	2,033	3,985	(29,745)	(23,727)
Loss for the year	-	-	(3,068)	(3,068)
Transfer to profit and loss account	-	-	92	92
Deferred tax movement on revaluation of leasehold property	-	548	-	548
Transfer from revaluation reserve	-	(92)	-	(92)
At 31 August 2017	2,033	4,441	(32,721)	(26,247)

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 2017 was £92k.

The notes on pages 20 to 43 form part of these financial statements.

The 2016 prior year adjustments are further explained in note 23.

UPP (PLYMOUTH THREE) LIMITED

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

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 September 2015 (as previously stated)	2,033	(375)	(35,623)	(33,965)
Prior year adjustment	-	-	4,805	4,805
At 1 September 2015 (as restated)	2,033	(375)	(30,818)	(29,160)
Profit for the year	-	-	1,003	1,003
Transfer to profit and loss account	-	-	70	70
Deferred taxation on revaluation of principal asset	-	4,430	-	4,430
Transfer from revaluation reserve	-	(70)	-	(70)
At 31 August 2016	2,033	3,985	(29,745)	(23,727)

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 2016 was £70k.

The notes on pages 20 to 43 form part of these financial statements.

The 2016 prior year adjustments are further explained in note 23.

UPP (PLYMOUTH THREE) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2017

	2017 £000	As restated 2016 £000
Cash flows from operating activities		
(Loss)/profit for the financial year	(3,496)	564
Adjustments for:		
Amortisation of intangible assets	37	38
Depreciation of tangible assets	314	276
Interest paid	8,781	3,897
Interest received	(61)	(67)
Taxation charge	(503)	320
(Increase)/decrease in debtors	(104)	59
Decrease/(increase) in amounts owed by groups	908	(434)
Increase/(decrease) in creditors	52	(1,479)
Increase in amounts owed to groups	351	1,568
Net cash generated from operating activities	6,279	4,742
Cash flows from investing activities		
Interest received	61	67
Net cash from investing activities	61	67
Cash flows from financing activities		
Repayment of loans	(780)	(577)
Interest paid	(5,560)	(4,232)
Net cash used in financing activities	(6,340)	(4,809)
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at the end of year	-	-

The notes on pages 20 to 43 form part of these financial statements.

The 2016 prior year adjustments are further explained in note 23.

UPP (PLYMOUTH THREE) LIMITED

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

1. General information

UPP (Plymouth Three) Limited is a private company limited by shares incorporated in England, with company number 05016132. 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.

Change in accounting policy

The directors have adopted a new policy of measuring fair value of derivative financial instruments on a 'transfer basis' rather than 'marked to market' or so called 'settlement basis'. A transfer value basis measures an instrument on a notional trade between two equal parties, as opposed to the Group and an independent third party. The transfer basis method of valuation better reflects the economic relationship between the swaps and the hedged items in relation to hedge effectiveness.

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 judgement in applying the Group's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The directors have reviewed the Company and Group's projected profits and cash flows which they have prepared on the basis of a detailed analysis of the Company and Group's finances, contracts and likely future demand trends. The Company and Group has a net liability position and has received confirmation from its immediate parent undertaking, UPP Bond 1 Limited, that it will provide the necessary financial support to ensure it can meet its liabilities as they fall due. Accordingly the financial statements have been prepared on a going concern basis.

UPP (PLYMOUTH THREE) LIMITED

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

2. Accounting policies (continued)

2.3 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 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.

2.4 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 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 income statement. 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 income statement 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.

UPP (PLYMOUTH THREE) LIMITED

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

2. Accounting policies (continued)

2.6 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance Sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Consolidated Profit and Loss Account unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

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 and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity date of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

2.10 Interest bearing loans and borrowings

Fixed rate senior secured notes, indexlinked senior secured notes and 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.

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.

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

2. Accounting policies (continued)

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 instruments

Derivatives, which include inflation swaps, are not basic financial instruments.

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

2.13 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 profit and loss using the effective interest method. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument unless the capital instrument is subsequently carried at fair value in which case the initial issue costs are expensed in the profit and loss account.

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

2.14 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 (PLYMOUTH THREE) LIMITED

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

2. Accounting policies (continued)

2.15 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis over the remaining lease period on the principal asset held by the subsidiary. This period represents the period over which each subsidiary undertaking acquired will continue to generate cash flows. Amortisation is charged to the Consolidated Profit and Loss Account over its useful economic life.

2.16 Interest income

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

UPP (PLYMOUTH THREE) LIMITED

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

2. Accounting policies (continued)

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except that a change 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.

A deferred tax liability is recognised on any tangible fixed assets revaluations. The corresponding movements in deferred tax are recognised in the same component of income as the transaction it relates to.

The Group has decided to make the election to be taxed under Regulation 9 in relation to derivative financial instruments and as a result a deferred tax asset or liability is recognised on the carrying value of any derivative instruments. Any deferred tax movements are recognised in other comprehensive income, where hedge accounting is applied for the underlying derivative instrument or in the profit and loss account where hedge accounting is not applied.

Deferred tax is calculated on a non-discounted basis using the tax rates and laws 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.

2.18 Related party transactions

The Group is a wholly owned subsidiary of UPP Group Holdings Limited and as such the company has taken advantage of the terms of FRS 102.33.1A not to disclose related party transactions which are eliminated on consolidation.

UPP (PLYMOUTH THREE) LIMITED

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

2. Accounting policies (continued)

2.19 Pensions

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 payments obligations.

The contributions are recognised as an expense in the 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.

UPP (PLYMOUTH THREE) LIMITED

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

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

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 13.

Valuation of RPI swaps (note 19)

The Directors have adopted a new policy of measuring fair value of derivative financial instruments on a 'transfer basis' rather than 'marked to market' or so called 'settlement basis', which is further explained in Note 23. A transfer value basis measures an instrument on a notional trade between two equal parties, as opposed to the Group and an independent third party. The transfer basis method of valuation better reflects the economic relationship between the swaps and the hedged items in relation to hedge effectiveness.

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, see note 19. 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.

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

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 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.

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

Presentation of the principal asset

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

Each year the Group applies judgement in assessing the status of these interests, in accordance with the provisions of FRS 5 (Application Note F), assessing the balance of the significant risks and rewards of ownership of the asset. The appropriate balance sheet treatment of these interests is to treat the asset as a finance receivable asset where the 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 Group due to the Group taking the key demand risk and therefore the assets are treated as tangible fixed asset.

Classification of index-linked financial instruments

The Group's index-linked senior on loans 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.

UPP (PLYMOUTH THREE) LIMITED

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

4. Turnover

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

An analysis of turnover by class of business is as follows:

	2017 £000	2016 £000
Provision of student accommodation	8,808	8,569
	<u>8,808</u>	<u>8,569</u>

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2017 £000	2016 £000
Depreciation of tangible fixed assets	314	276
Amortisation of intangible assets, including goodwill	37	38
	<u>351</u>	<u>314</u>

6. Auditor's remuneration

	2017 £000	2016 £000
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	9	10
Fees payable to the Group's auditor in respect of:		
Taxation compliance services	4	4
	<u>4</u>	<u>4</u>

UPP (PLYMOUTH THREE) LIMITED

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

7. Employees

Staff costs were as follows:

	2017 £000	2016 £000
Wages and salaries	733	722
Social security costs	48	44
Cost of defined contribution scheme	24	22
	<u>805</u>	<u>788</u>

Key management personnel

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration with respect of these individuals is £nil (2016: £nil).

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

	2017 No.	2016 No.
Site managers	1	1
Administration, maintenance and cleaning	43	43
	<u>44</u>	<u>44</u>

8. Interest receivable

	2017 £000	2016 £000
Interest receivable from group companies	25	63
Bank interest receivable	36	3
	<u>61</u>	<u>66</u>

UPP (PLYMOUTH THREE) LIMITED

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

9. Interest payable and similar charges

	2017 £000	As restated 2016 £000
Fixed rate senior interest due to group undertaking	2,750	2,788
Subordinated loan interest payable	2,513	2,704
Fair value movement on swaps	2,576	(2,249)
Index-linked interest due to group undertaking	942	654
	<u>8,781</u>	<u>3,897</u>

Interest due to group undertaking is payable to UPP Bond 1 Issuer plc.

Subordinated loan interest is payable to UPP Bond 1 Limited.

The 2016 prior year adjustments are further explained in note 22.

10. Taxation

	2017 £000	2016 £000
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Current year - Profit and Loss	(504)	450
Rate difference	1	(130)
Total deferred tax	<u>(503)</u>	<u>320</u>
Taxation on (loss)/profit on ordinary activities	<u>(503)</u>	<u>320</u>

UPP (PLYMOUTH THREE) LIMITED

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

10. Taxation (continued)

Factors affecting tax (credit)/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	(3,999)	885
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.58% (2016 - 20%)	(783)	177
Effects of:		
Expenses disallowable for tax purposes	17	(44)
Rate change	2	22
Capital allowances for year in excess of depreciation	-	(80)
Movement in deferred tax not recognised	261	245
Total tax charge for the year	(503)	320

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.

A deferred tax asset of £4,908k (2016: £4,955k) in respect of available tax losses has not been recognised at 31 August 2017. This is due to there being no persuasive and reliable evidence available at this time of suitable profits to offset these losses.

11. 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 loss after tax of the Company for the year was £3,067k (2016 - £1,002k profit)

UPP (PLYMOUTH THREE) LIMITED

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

12. Intangible assets

Group

	Goodwill £000
Cost	
At 1 September 2016	1,892
At 31 August 2017	<u>1,892</u>
Amortisation	
At 1 September 2016	325
Charge for the year	37
At 31 August 2017	<u>362</u>
Net book value	
At 31 August 2017	<u>1,530</u>
At 31 August 2016	<u>1,567</u>

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

Negative goodwill, related to the Company only, arose on the hive up of subsidiary undertakings during the year ended 31 August 2013.

UPP (PLYMOUTH THREE) LIMITED

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

12. Intangible assets (continued)

Company

Goodwill
£000

Cost

At 1 September 2016

(18,053)

At 31 August 2017

(18,053)

Amortisation

At 1 September 2016

(1,645)

Charge for the year

(391)

At 31 August 2017

(2,036)

Net book value

At 31 August 2017

(16,017)

At 31 August 2016

(16,407)

UPP (PLYMOUTH THREE) LIMITED

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

13. Tangible fixed assets

Group and Company

	Assets for use in operating leases £000
Cost or valuation	
At 1 September 2016	87,300
At 31 August 2017	<u>87,300</u>
Depreciation	
Charge for the year on owned assets	314
At 31 August 2017	<u>314</u>
Net book value	
At 31 August 2017	<u>86,986</u>
At 31 August 2016	<u>87,300</u>

UPP (PLYMOUTH THREE) LIMITED

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

13. Tangible fixed assets (continued)

Fixed assets include borrowing cost of £2,792k (2015: £2,792k).

Assets used in operating leases were independently valued by Jones Lang LaSalle Limited ("JLL"), Chartered Surveyors, on an existing use basis at 31 August 2016. JLL have confirmed that the value as at that date was £87,300k.

Following an internal review of the assets used in operating leases, the directors have concluded there has been no impairment of the value as determined by JLL in 2016.

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

	2017	2016
Discount rates	8.5%	8.5%
Occupancy rates	99%	99%
Long term annual rental growth	3.0%	3.0%

Cost or valuation at 31 August 2017 is as follows:

	Land and buildings £000
At cost	63,210
At valuation:	
Revaluation as at 31 August 2016	24,090
	87,300

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2017 £000	2016 £000
Group		
Cost	63,210	63,210
Accumulated depreciation	(1,093)	(871)
Net book value	62,117	62,339

UPP (PLYMOUTH THREE) LIMITED

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

14. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
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 for the subsidiary undertakings is £1 in each subsidiary.

15. Debtors

	Group	<i>Group As restated</i>	Company	<i>Company As restated</i>
	2017	<i>2016</i>	2017	<i>2016</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Due after more than one year				
Financial instruments	3,899	6,475	3,899	6,475
	3,899	6,475	3,899	6,475
Due within one year				
Trade debtors	154	50	154	50
Amounts owed by group undertakings	3,828	4,736	3,828	4,736
Prepayments and accrued income	15	14	14	14
	7,896	11,275	7,895	11,275

Included within amounts owed by group undertaking is a balance of £1,628k (2016 - £1,441k) 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 other amounts owed by group undertakings are repayable on demand and not subject to interest.

The 2016 prior year adjustments are further explained in note 22.

UPP (PLYMOUTH THREE) LIMITED

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

16. Creditors: Amounts falling due within one year

	Group	<i>Group</i>	Company	<i>Company</i>
	2017	<i>2016</i>	2017	<i>2016</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Fixed rate on loans	952	780	952	780
Trade creditors	9	69	9	69
Amounts owed to group undertakings	735	384	751	401
Taxation and social security	2	2	2	2
Accruals and deferred income	293	181	290	181
	1,991	<i>1,416</i>	2,004	<i>1,433</i>

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

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

	Group	<i>Group</i>	Company	<i>Company</i>
	2017	<i>As restated</i>	2017	<i>As restated</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Fixed rate on loans	51,624	52,497	51,624	52,497
Index linked on loans	14,733	14,199	14,733	14,199
Unsecured subordinated loans	32,320	32,288	32,320	32,288
	98,677	<i>98,984</i>	98,677	<i>98,984</i>

The 2016 prior year adjustments are further explained in note 22.

UPP (PLYMOUTH THREE) LIMITED

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

18. Loans

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 (Plymouth Three) 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 Stock 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	56,165,000	Fixed rate at 4.9023%	31 August 2040
Tranche B	13,652,000	Index-linked at 2.7291%	31 August 2047

The on-loan facility above is 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.

Subordinated loan notes

On 5 March 2013, UPP Bond 1 Limited provided unsecured subordinated loan notes of £26,551,000 to the group. These loan notes bear interest at 14% and are repayable by 2056.

UPP (PLYMOUTH THREE) LIMITED

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

18. Loans (continued)

	Group 2017 £000	<i>Group 2016 £000</i>	Company 2017 £000	<i>Company 2016 £000</i>
Amounts falling due within one year				
Fixed rate on loans	952	780	952	780
	952	780	952	780
Amounts falling due 1-2 years				
Fixed rate on loans	1,044	952	1,044	952
	1,044	952	1,044	952
Amounts falling due 2-5 years				
Fixed rate on loans	3,645	3,378	3,645	3,378
	3,645	3,378	3,645	3,378
Amounts falling due after more than 5 years				
Fixed rate senior on loans	46,935	48,166	46,935	48,166
Index-linked on loans	14,733	14,199	14,733	14,199
Unsecured subordinated loan	32,320	32,288	32,320	32,288
	93,988	94,653	93,988	94,653
	99,629	99,763	99,629	99,763

UPP (PLYMOUTH THREE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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19. Financial instruments

	Group	Group <i>As restated</i>	Company	Company <i>As restated</i>
	2017	2016	2017	2016
	£000	£000	£000	£000
Financial assets				
Derivative financial instruments at fair value through profit and loss	3,899	6,475	3,899	3,899
Financial assets measured at amortised cost	3,982	4,786	3,982	4,786
	<u>7,881</u>	<u>11,261</u>	<u>7,881</u>	<u>8,685</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(100,664)	(100,397)	(100,680)	(100,414)
	<u>(100,664)</u>	<u>(100,397)</u>	<u>(100,680)</u>	<u>(100,414)</u>

Financial assets measured at amortised cost comprise trade debtor, 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 on future rental income 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 does not apply hedge accounting for its derivative instrument as the criteria are not met under section 12 FRS 102. A hedging loss of £2,111k arose during the year (2016: £1,929k gain) and was recognised in the Profit and Loss Account, reflecting the change in fair value of this RPI swap.

UPP (PLYMOUTH THREE) LIMITED

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

20. Deferred taxation

Group

	2017 £000	2016 £000
At beginning of year	(5,481)	(5,128)
Charged to profit or loss	503	(320)
Charged to other comprehensive income	548	(33)
At end of year	(4,430)	(5,481)

The provision for deferred taxation is made up as follows:

	Group 2017 £000	Group As restated 2016 £000	Company 2017 £000	Company As restated 2016 £000
Deferred tax on revaluation of principal asset	(3,767)	(4,316)	(3,767)	(4,316)
Deferred tax on fair value of RPI swap	(663)	(1,165)	(663)	(1,165)
	(4,430)	(5,481)	(4,430)	(5,481)

21. Share capital

	2017 £000	2016 £000
Shares classified as equity		
Authorised		
2,034,620 A Ordinary shares of £1 each	2,035	2,035
Allotted, called up and fully paid		
2,033,421 A Ordinary shares of £1 each	2,033	2,033

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

UPP (PLYMOUTH THREE) LIMITED

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

22. 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.

Profit and loss account

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

23. Prior year adjustment

The directors have adopted a new policy of measuring fair value of derivative financial instruments on a 'transfer basis' rather than 'marked to market' or so called 'settlement basis'.

A transfer value basis measures an instrument on a notional trade between two equal parties, as opposed to the Group and an independent third party. The transfer basis method of valuation better reflects the economic relationship between the swaps and the hedged items in relation to hedge effectiveness (see also note 3 valuation of RPI swaps for further details on the transfer value measurement basis).

The impact of this change in accounting policy to prior period amounts is a change in opening reserves to £6,197k from £4,805k in 2016.

24. Controlling party

The Group is wholly owned by UPP Bond 1 Limited, 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 parent undertaking of the smallest group of which the company is a member and for which group accounts are prepared is UPP (Plymouth Three) Limited.

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

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