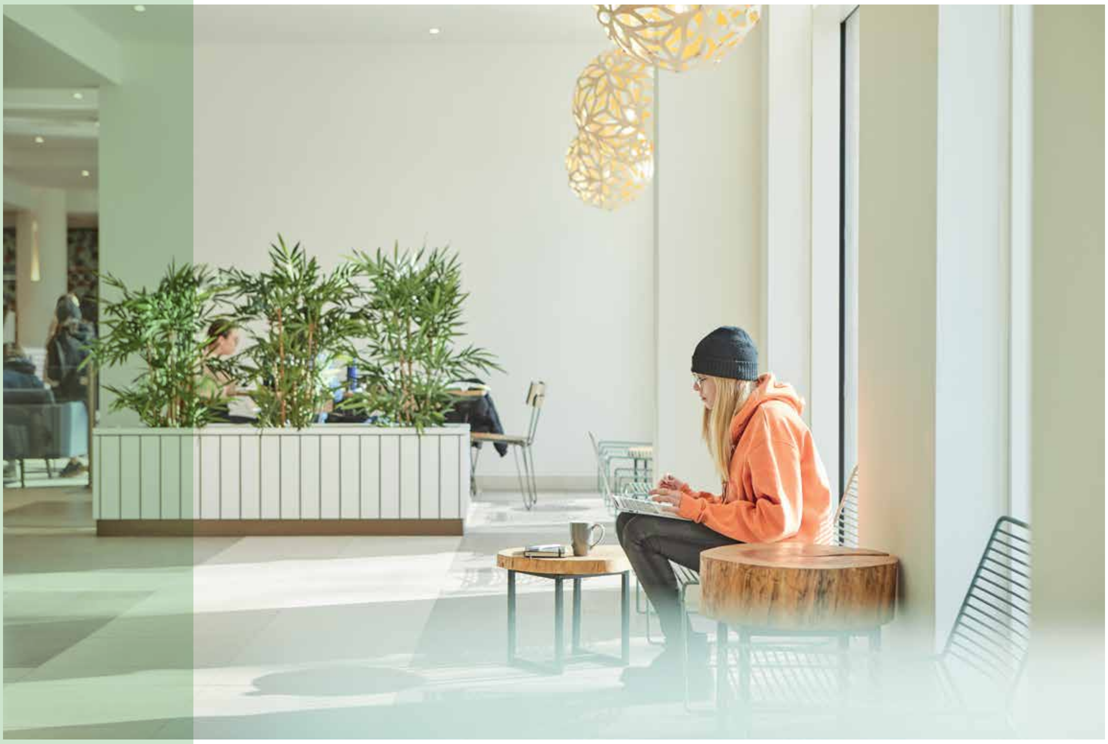
Annual Report

Including consolidated accounts for year ended 31 August 2017



STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

UPP at a glance

£2.5bn

Invested in the UK higher education sector since 1998

OVER
310,000

Students provided a home for since 1998

£74.0m

EBITDA

£178.9m

Turnover

APPROX.
33,000

Rooms under management, in construction or at preferred bidder stage

99.9%

Average occupancy level across the portfolio

OVER
800

Employees

£159.2m

Projected gross rent roll (fully built-out) for 2017/18*

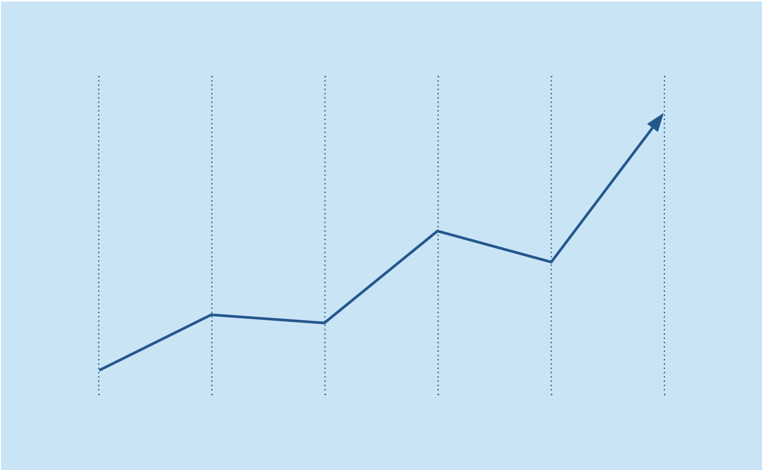
(*including Leeds student residences)

15

Long-term bespoke partnerships with 15 world-leading universities

STRATEGIC REPORT

Highlights for the year

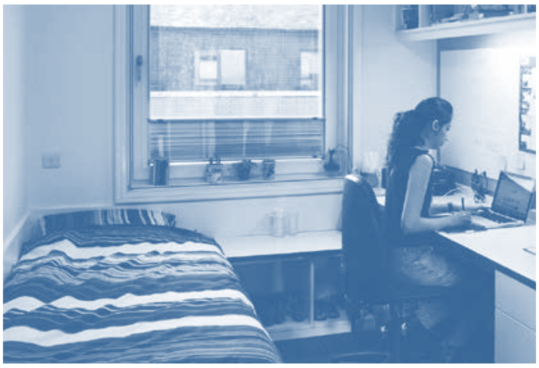


1

There was an **increase in turnover** of £37.3 million, or 12%, on a like-for-like basis to £178.9 million, and our **EBITDA increased by £2 million**, or 3%, to £74.0 million.

2

We achieved **99.9% average occupancy** across our portfolio.



3

We reached financial close on two transactions, one in January 2017 with the **University of London: £104.7 million, 511 rooms.**

4

Our second transaction took place in May 2017 with the **University of Hull: £155 million, 1,750 rooms.**

Photo credit: Robert Greshoff

5

We had our first student intake at our **award-winning Garden Halls** in London's Bloomsbury.

6

We were **successful in managing** latent defects at UPP (Exeter) Limited.

7

The UPP Foundation **commissioned a report** on Student Retention and **awarded £55K** to Student Minds.

8

There was a **37% reductions in all injuries**, a 60% reduction in RIDDORs and an increase in near-miss reporting of more than 300%.

STRATEGIC REPORT

Who we are

UPP Group Limited is the UK's leading provider of on-campus residential and academic accommodation infrastructure.

The Group has a single-sector focus, establishing bespoke, long-term partnerships with outstanding institutions to design, fund and develop cutting-edge facilities and deliver the very best student experiences.

Established in 1998, we offer universities a demand-risk transfer approach to the provision of new assets or the transfer of existing assets.

We are organised as a Group to leverage the full benefit of our multi-disciplinary expertise in the interests of our partners, whilst also making sure that each of our businesses are supported by a number of corporate services, including construction management, business development, health and safety, research and communications, compliance, finance and human resources.

STRATEGIC REPORT

Our vision, mission and values

Our vision

To deliver the very best student experience in partnership with great universities.

Our values

Our values are summed up in one phrase: 'partnership, innovation and community – delivered responsibly'

PARTNERSHIP

It's in our name and is at the core of what we do. We have a proven track record for working with our partners to realise mutual long-term objectives and we always aim to be the partner of choice in the UK higher education sector.

INNOVATION

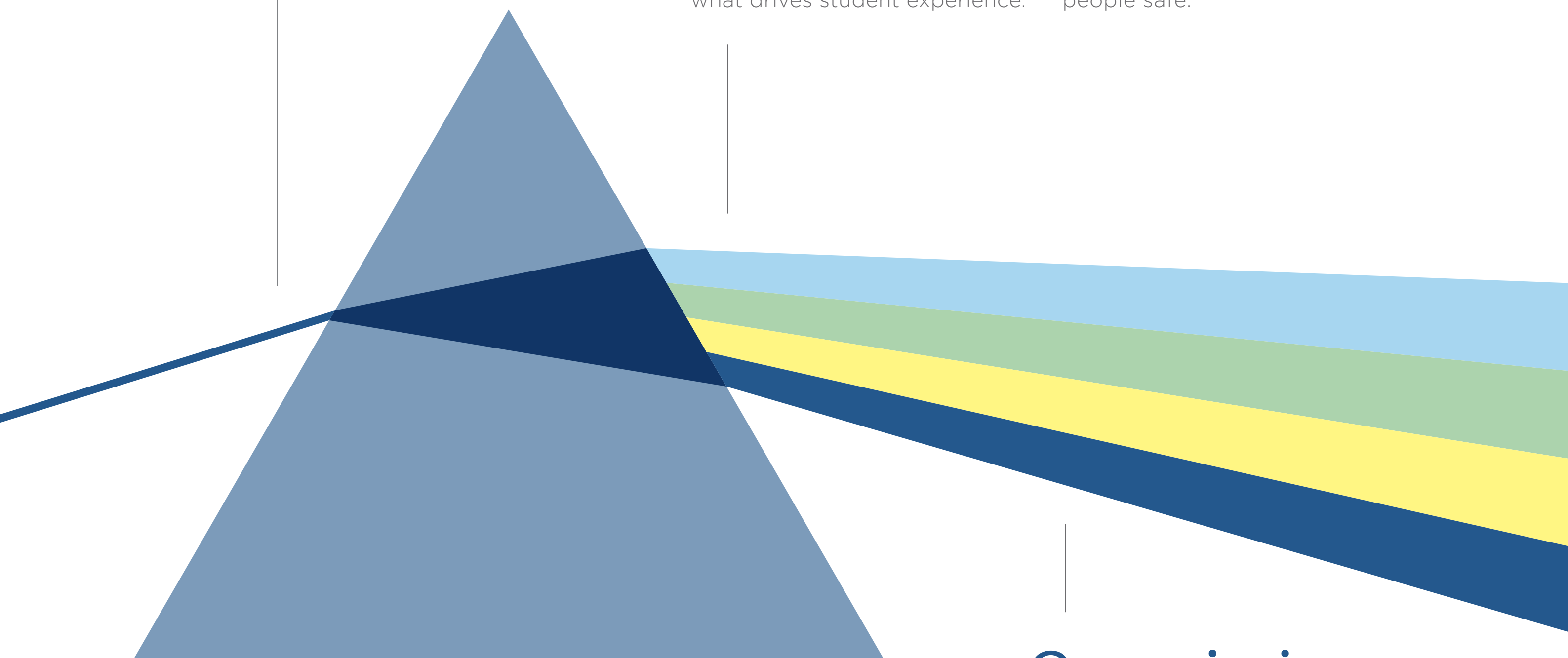
This is how we exceed the expectations of our partners now and in the future – whether that's new approaches to completing transactions, procuring funding or student experience.

COMMUNITY

We foster welcoming, healthy and safe communities which support our student residents to succeed in university life. It's what drives student experience.

RESPONSIBILITY

It is our responsibility to be the best possible partner, to innovate, foster student communities and keep our people safe.



Our mission

To create exceptional on-campus residential and academic accommodation infrastructure in partnership with leading universities.

STRATEGIC REPORT

What makes us different?

We design and build new residential and academic accommodation infrastructure, arrange estate transfers and operate these facilities on a long-term basis.

Our transactions are undertaken on a demand-risk-transfer basis which allows the asset to be accounted for on an off-balance-sheet-basis, reverting to the partner in a prescribed condition at the end of each concession. In this way, our partners can use their resources more strategically to invest in other areas of importance be it teaching, research or other infrastructure.

We encourage our partners to take an equity share in the project, so both parties can benefit from the successful performance of the accommodation and our interests are consistently aligned throughout the life of the project.

The Group comprises **three key businesses**, each with clear aims

UPP GROUP LIMITED

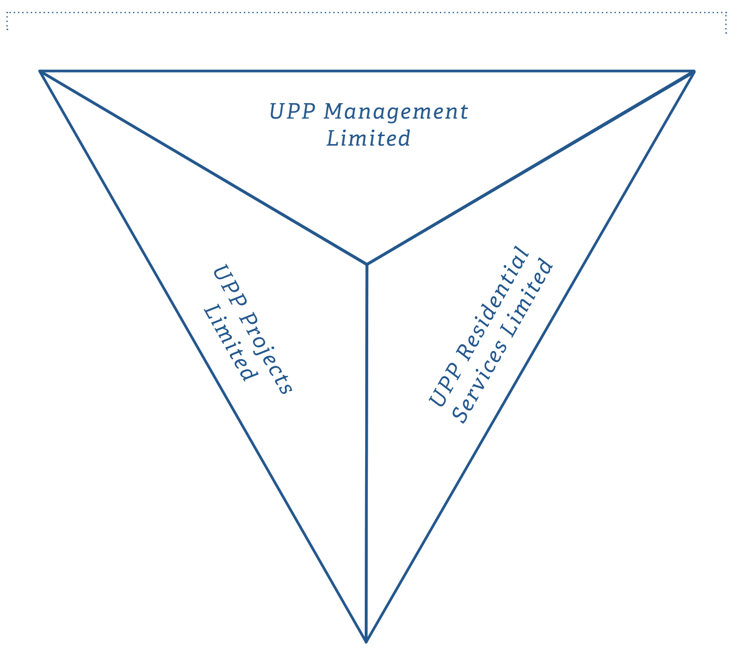


Photo credit: Robert Greshoff

Our bespoke model allows our university partners to develop their estates whilst reinvesting in their core services – namely teaching and research.

UPP Projects Limited (UPL)

Experts in design, planning, funding and development

UPL is the driver of project origination and development for the Group. It negotiates and procures design, technical engineering and construction services as well as having broad experience working with specialist architectural practices.

It takes a bespoke approach to commercial and legal negotiations, recognising the unique nature of each institution. It manages the planning process in addition to providing partners with in-house asset finance expertise, providing access to the most cost-effective rates of funding.

In construction, UPL is responsible for putting in place robust security packages with detailed liquidated and ascertained damages regimes with top-tier contractors, working with UML and URSL to ensure practical completion is delivered to programme and with a seamless handover to our operational teams.

UPP Management Limited (UML)

Experts in long-term asset management and partnerships

UPP Management Limited (UML) is our asset management Company and is responsible for managing the interests of our Project Companies and for holding the key day-to-day relationships with our partners.

It ensures that new developments are delivered on time; that they operate as effectively as possible; that the accommodation remains attractive to students and that we provide an excellent student experience.

Additionally, UML provides access to experienced commercial and higher education experts with insights including maximising occupancy, developing long-term rental strategies and a team dedicated to student experience initiatives.

Photo credit: Robert Greshoff

UPP Residential Services Limited (URSL)

Experts in delivering high-quality facilities management services to universities

URSL delivers a full range of facilities management services including cleaning and reactive maintenance, annual sinking fund works and student experience initiatives.

It allows for tailored service level agreements and provides the opportunity to reduce and fix the cost-base for the delivery of services across the entire university estate and provides the ability to ring-fence future employee costs.

With well over a decade of experience in delivering specialist services in the UK higher education sector, URSL can affect a step-change in the quality of services while transferring delivery risk away from the university, based on payment mechanisms for both availability and performance.

In addition, URSL manages the operational mobilisation of a project, ensuring all services are in place and available for the beginning of the academic term.

STRATEGIC REPORT

Our new five-year plan

Our strategy is a simple one – to establish long-term partnerships with world-leading universities to provide cost-effective funding and state-of-the-art residential and academic infrastructure.

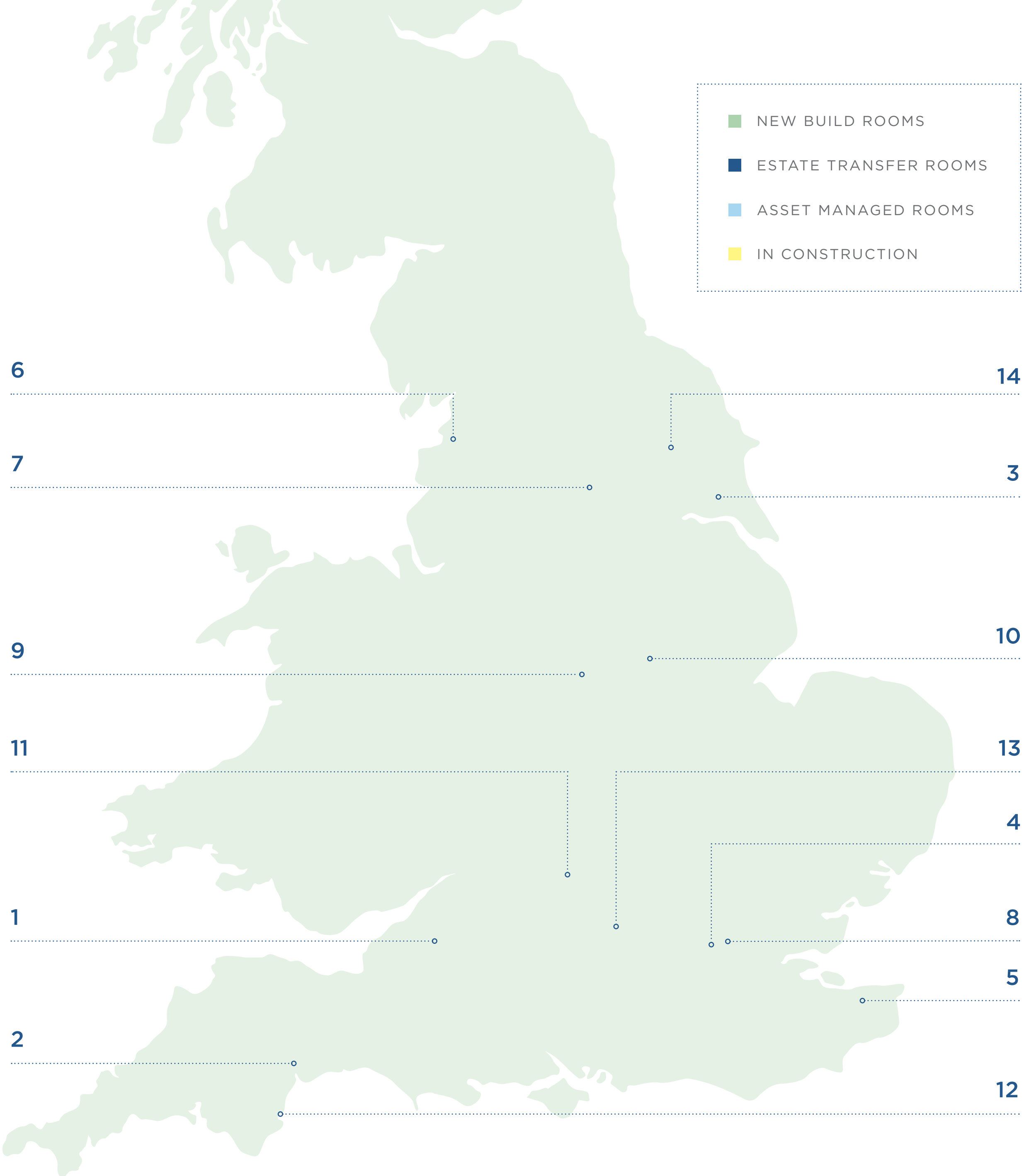
The elements of our strategy are to:

- Grow the value of the Group over time, focusing on the quality of revenues and our overall investment proposition
- Increase our number of partners and the size of our portfolio in a selective and controlled manner
- Strengthen the relationships we enjoy with existing partners
- Continue delivering great services to students on behalf of our partners
- Invest in the wellbeing of our people and keep them safe in the workplace
- Develop new and innovative ways to fund infrastructure projects
- Establish innovative solutions for the non-residential requirements of our partners
- Harness the economic benefits of effective procurement

STRATEGIC REPORT

Our portfolio

We have approximately 33,000 rooms under management or in construction through long-term partnerships with 15 world-leading universities.



1 

UNIVERSITY OF BATH
941
ASSET MANAGED SINCE 2012

2 

UNIVERSITY OF EXETER
2,569
£150M INVESTED SINCE 2009

3 

UNIVERSITY OF HULL
1,750
£155M INVESTED SINCE 2017

4 

IMPERIAL COLLEGE LONDON
1,172
ASSET MANAGED SINCE 2011

5 

UNIVERSITY OF KENT
1,840
£103M INVESTED SINCE 2007

6 

LANCASTER UNIVERSITY
4,347
£213M INVESTED SINCE 2003

7 

LEEDS BECKETT UNIVERSITY
2,038
£154M INVESTED SINCE 2005

8 

UNIVERSITY OF LONDON
1,711
£245M INVESTED SINCE 2014

9 

LOUGHBOROUGH UNIVERSITY
1,310
£61M INVESTED SINCE 2007

10 

UNIVERSITY OF NOTTINGHAM
2,223
£115M INVESTED SINCE 2003

10 

NOTTINGHAM TRENT UNIVERSITY
4,413
£207M INVESTED SINCE 2002

11 

OXFORD BROOKES UNIVERSITY
771
£38M INVESTED SINCE 2002

12 

PLYMOUTH UNIVERSITY
1,764
£95M INVESTED SINCE 1998

13 

UNIVERSITY OF READING
4,982
£276M INVESTED SINCE 2011

14 

UNIVERSITY OF YORK
1,043
£44M INVESTED SINCE 2001

Our partnerships

Our partnerships represent the heartbeat of our business and sit at the core of all we do.

Their long-term nature means that we seek to align the interests of university, UPP and investors alike. This is achieved by ensuring that the correct balance of risk and reward is shared between the parties and that, culturally, open communication can take place from the beginning.

We encourage our partners to take an equity stake in the Project Company, as well as accept a seat on the Board. This allows for the interests of each to be considered in decision-making and helps to ensure that the operation of the project accommodation remains co-ordinated with any other stock that a university may be offering to students.

A presence on the Board also means that our university partners play an integral role in the continued monitoring of the performance of UPP. We encourage ongoing dialogue through regular operational and liaison meetings where the detail of issues faced by the teams on both sides can be discussed and solutions agreed.

In a UPP partnership, continuity is a key element. Our long-term partnerships are about more than two points of contact. Typically, we will have close relationships at multiple levels across both organisations. This means that decisions can be made and issues resolved as effectively as possible, with all perspectives being fully considered.

We feel that it is critically important to know what the students who live with us are thinking. We undertake annual satisfaction surveys which we share with our partners and establish action plans to resolve any issues arising. Regular focus group work is also undertaken with students, professionally facilitated to ensure we understand how our rooms and services are currently considered and how they might be improved by regular innovation.

The **five key principles** of any partnership govern our approach and we progress with these in mind:

1

Developing a shared vision and mission – with UPP and the university defining this from the very first step.

2

Refining the expectations and needs of both parties. Our partnerships are for the long-term so we look to constantly refine each of them and innovate whenever we can.

3

Understanding the strengths of each partner and working together with that in mind.

4

Ensuring honesty exists between partners is critical. We share the successes as well as the disappointments and frustrations.

5

Defining the accountability for each partner and that of the key individuals from both parties is important in ensuring surprises are rare.

STRATEGIC REPORT

The student experience

Great space and services with student experience built in

For us, a great student experience is not just about great facilities.

It is about welcoming students properly from day one – supporting them to settle in, make new friends and make the best of all university life has to offer.

We build a community and create a home-from-home where residents feel secure and supported with access to high-quality services tailored to their needs.

Listening, responding, adapting

We know that every university is as unique as the thousands of students it serves and so we never take a one size fits all view.

We use a range of approaches to harness the student voice all year round in the development and delivery of our services – gathering feedback from our students about their residence community and the services they are receiving. Face-to-face focus groups, hall walking and regular surveys with our residents enable us to check and adapt our approach quickly.

Using student input, our design teams work to understand how students want to use space and how they interact with each other. This can lead to seemingly small improvements to the specification of a bedroom, or major changes that impact on construction or technology.

To deliver community-building activity and life skills support, we ensure that student experience is integral to our job roles. Our student-facing colleagues are supported by Student Experience Champions, coached by our specialist team on matters that impact upon the lives of students including mental health support and latest HE developments.

Our **five highlights** from 2016/17 have been:

1

Delivering a range of residence life events, with support during exams and cultural events.

2

Working with schools on student projects relating to building design and product development.

3

Delivering student ambassador training, supporting residents to plan events and build communities.

4

Delivering intake and welcome events complementing our partners' activities.

5

Running student focus groups on facilities and services – with results fed into service delivery and product development.

This year will see **four innovations** take place to further improve student experience:

1

Launch our Student Experience Champions learning and development programme.

2

Deliver Student Experience Roadshows across the country sharing best practice and keeping pace with key HE developments.

3

Launch our Student Experience Initiatives Fund aimed at developing student experience enhancement projects with student representative bodies.

4

Develop innovative ways of collecting 'real-time' student feedback.

STRATEGIC REPORT

Group Chief Executive Officer's statement

Developing and widening partnerships for the future

The results for the year ended 31 August 2017 identify a Group continuing to grow its core business - delivering new partnerships and extending those relationships with existing partners. We've seen the number of our university partners increase to 15 and our portfolio under management or in construction grow to approximately 33,000 student bedrooms.

During the year the Group saw an increase in turnover of £37.3 million or 12 per cent on a like-for-like basis to £178.9 million, with new rooms becoming operational and contractual rental increases being applied across the portfolio. EBITDA increased by £2 million or 3 per cent to £74.0 million on this basis, benefiting from the successful completion of two transactions and the full recovery of related bid costs. The operational performance of the Group remained extremely strong, achieving 99.9 per cent occupancy for the financial year ended 31 August 2017 and 100 per cent occupancy on available rooms at the start of the financial year ending 31 August 2018.

It has been notable that during the financial year universities have come to market, at scale, for the provision of high-quality residential and academic infrastructure as a means to provide a strategic advantage in the ever-increasing competition for students. This has continued throughout the 2016/17 financial year and has seen the Group conclude two transactions, the first during January with the University of London; and subsequently with the University of Hull during May.

In a year that saw the first student intake at our award-winning Garden Halls in London's Bloomsbury, we also reached our second financial close with the University of London to develop a mixed-use, 33-storey landmark building in Stratford, East London. When complete, it will comprise more than 18,000 square metres and will involve our on-site team operating 511 bedrooms and communal spaces.

The scheme was a forward-funded investment totalling £104.7 million, with £86.8 million of senior debt from Pension Insurance Corporation ("PIC")

The transaction is a further demonstration of the level of confidence the financial community has in our unique partnership approach.

and £17.9 million of subordinated debt and equity provided by UPP Group and its Shareholders. Assured Guaranty (Europe) Ltd. provided a wrap to the 46-year index-linked loan. The transaction is a further demonstration of the level of confidence the financial community has in our unique partnership approach, the University of London as an institution and the UK higher education (HE) sector as a long-term investment proposition.

In the second quarter of 2017, we also successfully reached financial close on a £155 million deal with the University of Hull which, when construction is complete, will see us operating 1,750 rooms on campus. Also underway is the development of an urban green and avenue offering a range of facilities including a café, convenience store and laundry room. The investment was composed of £127.6 million index-linked bond financing with a tenor of 40 years from Allianz Global Investors and £27.4 million of subordinated debt and equity provided by UPP Group and the University.

The transaction represents the third large-scale investment from Allianz Global Investors (AGI) into the HE sector to date and takes the investment made by AGI and UPP to more than £300 million.

We are also pleased to report that the Company is working to reach financial close on a further three transactions during the financial year 2017/18 with both new and existing partners, potentially adding a further 3,000 bedrooms to the portfolio.

The year was also dominated by events at Grenfell Tower in June 2017 and in response, we undertook an immediate review of our portfolio to ascertain the nature of the cladding systems in use, highlighting three blocks at UPP (Byron House) Limited which had utilised the same cladding that was retro-fitted to Grenfell Tower.

In consultation with our partner, Nottingham Trent University, the decision was made to replace this cladding over the next 12 months. An amount of £1.7 million has been provided to cover anticipated remediation costs plus associated legal and professional fees and an impairment of £0.6 million has been made to the carrying value of the fixed asset, reflecting a loss in revenue due to rooms that are unoccupied in the year ending 31 August 2018.

In addition to the Group's subsidiary undertakings, UPP Group Limited has provided a £5 million guarantee to UPP (Byron House) Limited, expiring 31 August 2018, to cover the maximum exposure that Company has to these remediation works.

We also proved successful in managing latent defects at UPP (Exeter) Limited, successfully reaching agreement with the original contractor in relation to a latent defect identified in its newly-built accommodation during the year ended 31 August 2015. Remediation works are underway and will continue over the next four financial years, with no financial impact on the performance of the subsidiary undertaking.

Our strategy

We recently completed our new Business Plan covering the period 2017/18 to 2021/22. We have approximately 33,000 rooms in operation or under construction and are looking to grow this portfolio by approximately 10,000 rooms over the new Plan period. Our focus is to deliver this construction pipeline, improve the residential student experience and maintain and enhance our Shareholders' value in our existing portfolio.

The key objectives for the Business Plan period are to;

- Achieve continuous improvement in operational and financial performance across the portfolio
- Improve the operational and financial efficiency of the Group
- Improve risk identification, management and mitigation across the Group
- Increase the overall value of the Group
- Maintain the highest standards of health and safety and security across the portfolio

We are committed to growing on a controlled and risk-adjusted basis, with the primary driver being to maintain the quality of our investment proposition and in turn enhance the overall cash generation and value of our portfolio.

We will also consider innovative additional business streams that could be complementary to our partnership model.

Our people

The new Plan period will see a continued focus on building resilience across all our Companies and investing in our people to ensure they are safe, feel valued and are happy to work for UPP.

During the year we have strengthened the capability of our Executive team with the appointment of a new Chief Financial Officer in October 2016. Additionally, following the year end, a Managing Director has been employed to head up our new asset and partnership management subsidiary, UPP Management Limited (UML).

On behalf of the Board, I would like to thank everyone for their consistent hard work and dedication which has ensured that the Group continues to prosper and deliver excellent services to the students of our partners.

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Outlook

During the financial year the Higher Education and Research Bill was granted Royal Assent, becoming statute law during May 2017. The Act will allow a range of new HE providers to enter the sector and will more directly incentivise institutions on the basis of teaching excellence. This, in turn, will more clearly differentiate the quality of each university to the benefit of students and streamline the regulation of the sector through the amalgamation of current bodies under the Office for Students.

However, following the General Election in June 2017 arrangements for funding both institutions and students have again become the subject of further attention as the current Government seeks to address issues relating to the level of student indebtedness, the affordability of the Student Loan Book and counter the policy of the Labour Party, which has expressed a wish to scrap tuition fees entirely.

Consequently, the Government has announced a further review of sector funding, likely to take place during the financial year 2017/18. In the event that the existing tuition fee cap is reviewed; the cap reduced; and greater fee variability introduced, it is likely that this will further strengthen demand and provide further transaction opportunities for the Group.

Notwithstanding this, the Board remain confident both in the robust nature of domestic and international demand for UK HE, the UPP Projects Limited pipeline and our capacity to secure and deliver transactions coming to market based on our unique selective approach to partnerships.

STRATEGIC REPORT

Our market: A review

Global higher education

UK higher education (HE) maintains its position as the most popular destination for internationally-mobile students outside of the US and remains a key economic asset contributing to a knowledge-based economy, fostering innovation and improving capabilities at a local and national level.

Data for 2014/15 identifies that the sector generated £95 billion gross output through direct, indirect and induced activities in the economy and contributed £52.9 billion gross value adding to UK GDP. This is equivalent to 2.9 per cent of all economic activity in the nation and created almost one million jobs. International students contributed £25.8 billion to the UK economy in 2014/15 via tuition fees and expenditure on- and off-campus.

OECD data indicates that countries investing in a highly-skilled workforce benefit from increased productivity, social mobility and sustainable economic growth.

Growing enrolment numbers in tertiary education are also positively correlated to strong economic growth and as such the UK will continue to be a major player in the global HE sector.[1] Most importantly, the impact of the UK HE system is not only measured by its significant economic assets or by students' return on investment but goes beyond those to creating cultured and engaged global citizens and active participants in society.

It is within this context that we seek to support our partners in achieving their ambitions in what has become a global market for HE. OECD data indicates that countries investing in a highly-skilled workforce benefit from increased productivity, social mobility and sustainable economic growth.

According to the same source, the number of young people aged 25-34 attaining a tertiary qualification increased considerably over the past decade from 26 per cent in 2000 to 43 per cent in 2016, a trend that is expected to continue over the coming decade.

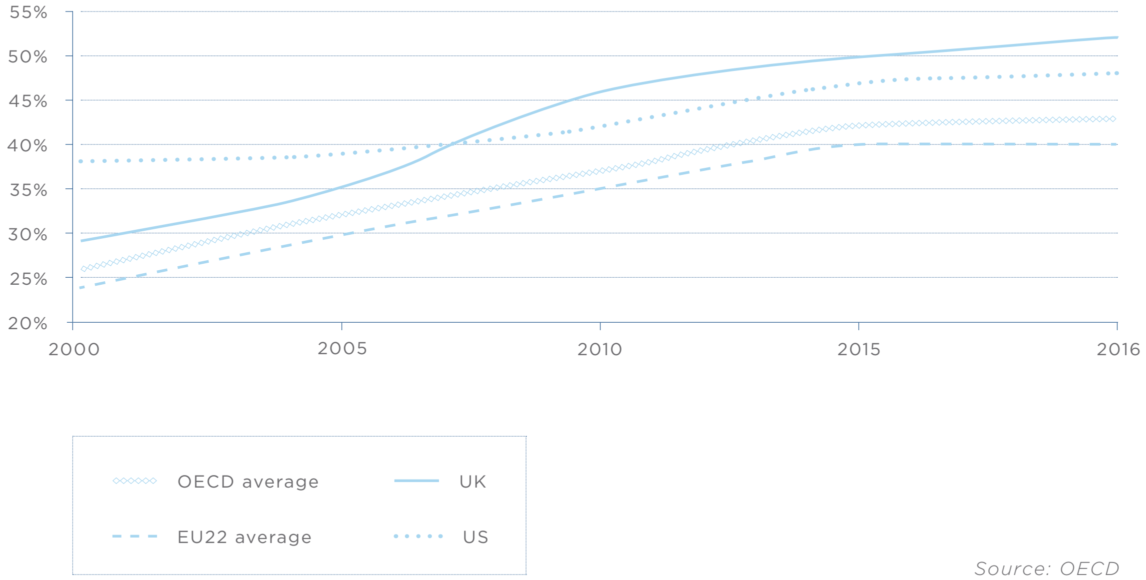
Across OECD countries, individuals with a higher qualification have 10 per cent higher employment rates than adults with an upper secondary qualification, earn on average 56 per cent more than those with only a upper secondary education and have overall better life and health-related outcomes.[2] In 2013 there were 137 million 25-34-year olds with a tertiary education – the same age group is projected to increase to 300 million by 2030.[3]

This continuing demand has increased the level of global competition between universities for students, in which context the provision of high-quality residential and academic facilities play an important role in attracting applicants. Most HE systems, including the UK, therefore continue to move in the direction of decentralisation which has changed their structure, size and funding arrangements. Many are experiencing an increased focus from students on quality and value for money, particularly where the burden of funding HE has moved from the public purse to individual students.[4]

Cumulative global demand has continued to drive an increase in student mobility, with the number of students enrolled outside of their country of citizenship increasing fivefold over the last four decades to 4.6 million.[5] It also appears that students are staying in HE for longer, with 69 per cent of students graduating within the theoretical duration of their course plus three years.[6]

Whilst HE systems continue to evolve in light of changing patterns of demand – in particular the requirement for a more diverse range of provision for changing labour markets - the traditional campus model of delivery continues to predominate. The development of HE courses delivered online has, to date, proved to be an additional rather than alternative method of provision. Typically, universities have utilised this approach to focus on specific cohorts of students (e.g. part-time students) and to introduce technology-enhanced teaching and learning rather than make a radical change to delivery more generally. The development of Massive Open Online Courses (MOOCs) has therefore not proved to be the disruptive technology some predicted.

Trends in educational attainment



Source: OECD

UK higher education

It is within the framework of the internationalisation of education and increased competition in labour markets that the UK remains one of the top global destinations for HE. Institutions across the nation continue to retain world-class status, with the Times Higher Education World University Rankings for 2018 ranking 31 UK institutions in the top 200 and 12 within the top 100.[7] Despite the demographic decline in the 18-24-year old cohort – one which is due to begin increasing again from 2021 - the UK sector has continued to attract applicants from the UK and overseas. Indeed, the Higher Education Initial Participation Rate (HEIPR) which provides an estimation of the likelihood of a young person participating in HE by the age of 30 has identified a continuing upward trend. Figures released by the Department for Education on 28 September 2017 showed an overall participation rate for 2015/16 of 49 per cent - an increase of 1.4 per cent since the previous year. The data also identified that individuals are more likely to participate in HE for the first time at age 18 than at any other age. The 2015/16 initial participation rate for 18-year-olds is the highest in the series at 27 per cent, up by 1.1 per cent compared to 2014/15.[8]

The chart above identifies trends in educational attainment of 25-34-year olds since 2000 and underlines the growth in demand for degree level qualifications. In the UK this has witnessed the proportion of those completing degree level qualifications increase from 29 per cent to 52 per cent.[9]

Demand for HE in the UK remains robust.
In 2005/06, the number of full-time students in the system was 1.4 million. A decade later in 2015/16, there were a recorded 2.3 million students studying in the UK, of which well over 1.7 million were enrolled full time. This increase of more than 300,000 full-time students translates into a compound annual growth rate of 2.0 per cent – an impressive record given the changing regulatory and economic environment facing the sector over the same period.

Historic UCAS applications and acceptances data continues to underline the popularity of UK HE, identifying that the ratio of applications to acceptances has remained remarkably consistent. The annual applications to acceptances ratio at sector level has typically remained between 6.6:1 and 6.9:1 since 2008. Total annual applications have grown by more than 700,000 since the 2008 cycle, an increase of 32.1 per cent to 2016. Acceptances over the same period have grown by 17.4 per cent with 65,000 more acceptances issued in 2016 than 2008. Applications to those universities – the accommodation for which falls within the Group portfolio continue to grow at a stronger rate than the sector average. Applications have grown by 37.0 per cent over the same period and acceptances have risen by 14.5 per cent – the equivalent of more than 64,000 extra applications each year and approximately 5,000 extra acceptances.[10]

UCAS data published during September 2017 identified the position with respect to acceptances recorded four weeks following A Level results. It identified that almost 505,680 students had been accepted to UK universities through UCAS which represented a fall of only 1.0 per cent on the same point in 2016 and marginally higher than the number placed during the 2015 cycle.[11]

In terms of international demand, during 2015/16 – the most recent year for which domicile data is available – there were 438,010 European Union (EU) and international students studying at publicly-funded HE institutions across the UK (238,280 studying at undergraduate level and more than 199,730 at postgraduate.[12]) Over the last two decades, as a global destination for HE demand for UK institutions has grown exponentially from non-UK domiciled students.

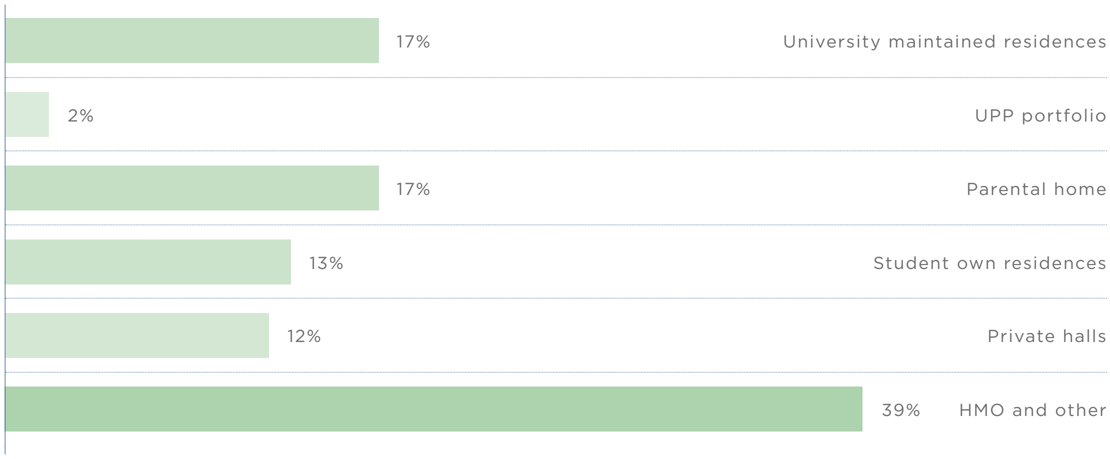
In 2006/07, non-UK domiciled students represented 14.1 per cent of the overall student population. By 2016/17 the figure of non-UK domiciled students had increased to 19.0 per cent. UCAS data identifies further that international applicant numbers increased by 2.2 per cent during the 2017 cycle. Since the introduction of the current tuition fee cap in 2012/13, 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 EU appears to have impacted on applicant numbers.

4.6m

Number of **globally-mobile students**, which is set to increase

Organisation for Economic Co-operation and Development (OECD)

Where do higher education students live?



Source: UPP/HESA

Student accommodation

As a corollary of the expansion and widening of participation taking place within the HE sector since 1992, demand for full-time UK HE programmes and consequently demand for student accommodation from both domestic and international students is continuing to grow and nationally this growth continues to significantly outstrip the supply of new Purpose-Built Student Accommodation (PBSA). Based on available sector data, UPP estimate that approximately 980,000 students currently live in Houses of Multiple Occupation (HMOs) or at home.[13] Market analysts go further, suggesting that the number of students living in HMOs is at an all-time high.[14] The fact that demand is rising at a faster rate than supply and wider pressures in this market segment – such as the wider use of Article Four Directives to control the conversion of houses to student accommodation and less favourable Stamp Duty Land Tax rules – may cause more landlords to exit the sector placing greater reliance on the provision of purpose built stock.

On this basis student accommodation remains a strong and attractive sector and the extra protections afforded by the long-term, on-campus, partnership model developed by UPP, continue to provide investors with secure and stable returns. In 2016/17 the number of purpose-built bedrooms for students, including those owned and operated by universities, was estimated at more than 550,000. According to research by Cushman and Wakefield, universities are increasingly recognising the benefit of working with the private sector as a means of facilitating innovation on campus, enhancing their facilities, increasing their attractiveness to students and generally improving their commercial position as a means to strategically position themselves more effectively in light of increasing competition.[15]

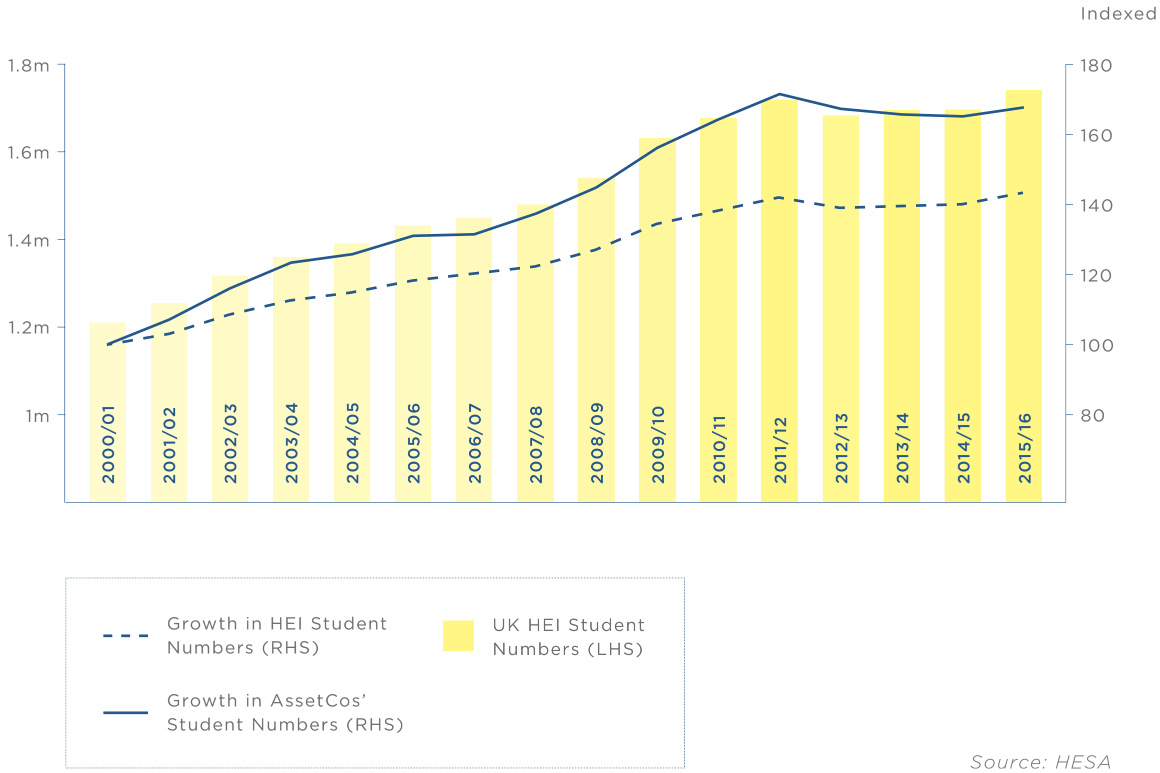
Emerging themes

Affordability is emerging as a key theme in 2017, shaping demand and supply preferences. This is driven by students finding a voice in relation to an increasing debt burden and the issue has now become a core policy focus for the two main political parties in the UK. In the most recent student accommodation analysis published by CBRE, the affordability of PBSA is premised on delivering quality in terms of location, amenity and services in comparison to similar market options.[16] Clearly, the UPP model of on-campus accommodation, providing a full suite of university student experience initiatives, at rent levels set by the university and UPP typically in discussion with the Students' Union, has an implicit strategic advantage under these conditions.

It remains the case that a significant proportion of the UK HE estate (estimated at circa 20-25 per cent) is in need of either complete refurbishment or redevelopment. Universities recognise that high-quality facilities continue to play a key role in student decision-making. It therefore remains the case that there is a growing economic rationale for institutions undertaking estate transfer transactions, a market segment where UPP is positioned as the clear market leader.[17]

The financial year 2016/17 has continued to see an increasing number of large scale on-campus reconfigurations and estate transfer projects coming to market. The UK HE sector continues to evolve and whilst far greater certainty has been provided by the introduction of the Higher Education and Research Act, there remains some uncertainty regarding Brexit and longer-term funding arrangements.

Full-time enrolments from 2000/01 to 2015/16

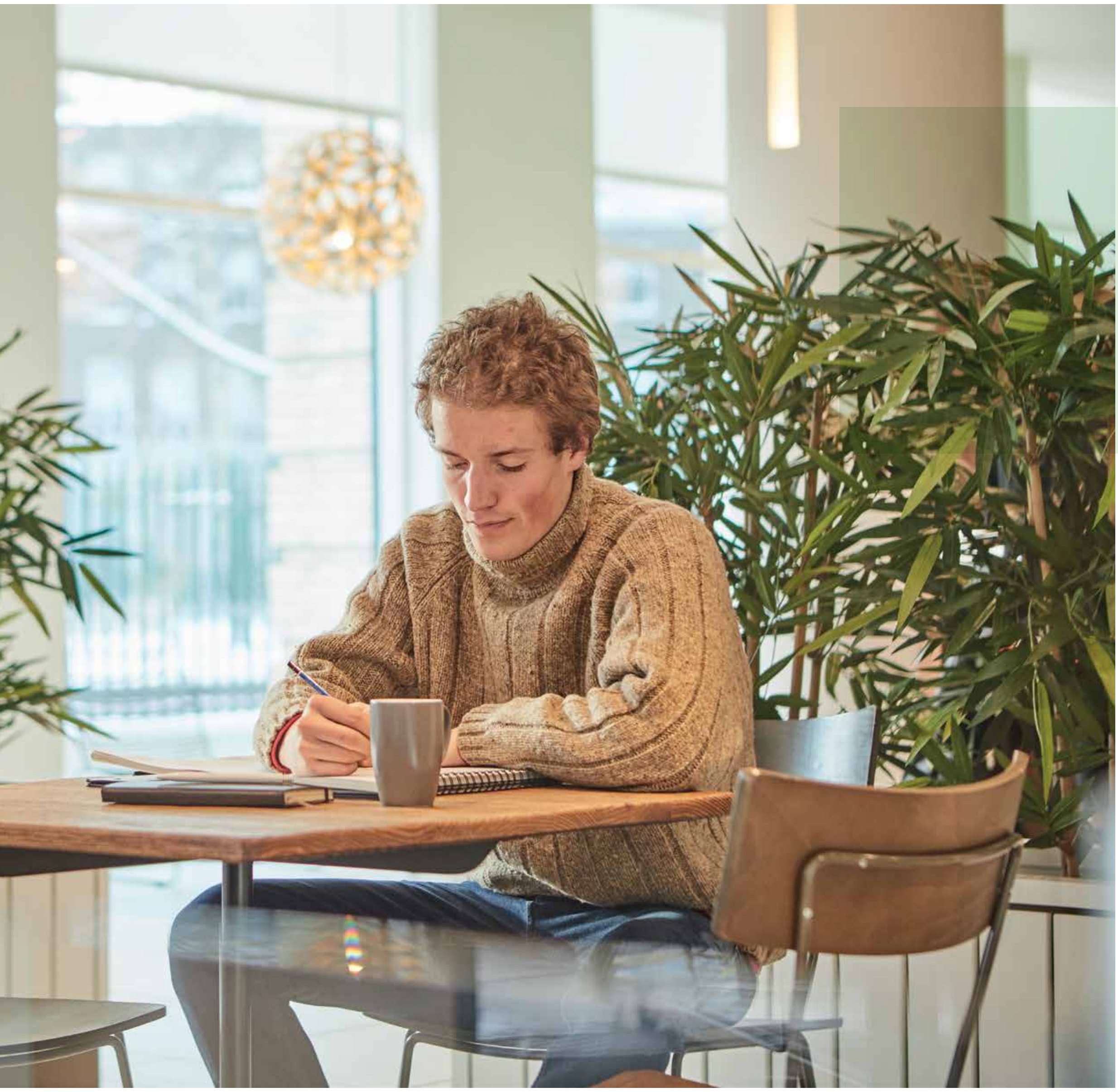


Source: HESA

In the case of Brexit, the impact of the referendum decision to leave the EU continues to be the focus of much attention across the HE sector and whilst the current Government remains committed to continuing 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, however, the risk that a potential fall in EU student numbers would impact on academic and residential demand appears low. In real terms, EU applicant numbers have increased by 10,370 students since 2008, an increase of 25 per cent.[18] However, applicant numbers for 2017/18 decreased by 5 per cent, albeit that subsequent data for the UCAS 15 October 2017 deadline suggests this may prove a one year effect.[19] Post-Brexit demand modelling by the Higher Education Policy Institute and London Economics supports the notion that this impact will have a marginal effect on demand overall.[20] Analyses have projected that in an environment where EU students no longer have access to the UK student loan book; where the same students are charged the same fees as international students and assuming the value of sterling depreciates as effect of leaving the EU – that the net impact would be the equivalent of a 1.4 per cent decline in full-time student numbers.

In terms of longer-term funding arrangements, the issue of tuition fees has been placed centre stage in terms of the policy focus of the two main political parties. The pledge of the Labour Party to scrap tuition fees has resulted in the Conservative administration refocusing its attention on student debt. In September 2017, a policy announcement confirmed that the Government intended to scrap the planned increase of the tuition fee cap to £9,500 from £9,250 with immediate effect; review the level of interest payments on loans with a view to reducing current rates and increase the salary threshold at which students begin to repay their loans from £21,000 per year to £25,000. The announcement represents the first step in a potentially wider review of HE funding in England and Wales more generally, with the aim of enforcing greater variability in tuition fees by subject.



Whilst these changes are unlikely to make any significant impact on the UPP business model and its capacity to secure occupancy, it is likely that the immediate freezing of tuition fee increases and the repayment threshold rise will have a positive effect in firming up still further academic and residential demand. A further review of university funding, on the basis of capping fees at £7,500, may well improve the longer-term outlook on demand, whilst greater fee income variability could make universities more likely to look for delivery of schemes off-balance sheet, with a private partner.

Our market: A review sources

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20. HEPI and London Economics The determinants of International Demand for UK Higher Education January 2017

STRATEGIC REPORT

Principle risks and uncertainties

We are purposefully structured to manage the risks and uncertainties of investing in UK higher education (HE) infrastructure.

Demand

Risk

- Students may choose not to attend a partner university
- Not enough students enrol to fill the available accommodation
- Reliance on the continued popularity of the three-year on-campus residential model

Potential impact(s)

- A fall in occupancy below those assumed, impacting expected revenues over the concession period

How we mitigate the risk

- Research-led, careful selectivity criteria which sits at the heart of when and with whom we transact
- Operationally – through our specialist asset management Company UML and our operations Company URSL
- Engagement with government and sector policy-makers to identify potential long-term occupancy risks and establish plans to mitigate
- Rigorous control of risk-capital expended in new partnerships

Construction

Risk

- Successful delivery of the asset to programme against the hard-coded nature of the academic cycle

Potential impact(s)

- Loss of the entire expected revenues for the first year of operation
- Reputational impact for UPP and our partner university

How we mitigate the risk

- Procure from panel of top-tier contractors, with a full security package for funders and partners:
  - liquidated and ascertained damages regime
  - performance bonds and/or a Parent Company guarantee
- Developments closely managed with a Project Director and a Clerk of Works to report on progress, risks, compliance and programme and quality monitoring

Customer

Risk

- Cost pressures leading students to look for alternatives to a traditional degree (i.e. apprenticeships) or to study on a non-residential basis
- Competition between institutions mean that students seek both the best facilities and value for money

Potential impact(s)

- Product no longer appeals to students, either in terms of quality or price, impacting demand and revenue

How we mitigate the risk

- Bespoke service level agreements that provide partners with a step-change in the number, types and quality of the services provided
- Monthly liaison meetings with university and student union representatives to identify issues and resolve in a timely manner
- Quarterly SPV Board meetings where partners are encouraged to take a minority shareholding
- Multifaceted approach to understanding student behaviour (sector-level market research, focus groups and customer satisfaction surveys)

Revenue

Risk

- Where the price of accommodation sits above market levels, demand could be impacted as students seek alternative housing options
- In an environment of rising RPI, the ability to secure contractually-allowable rental increases is limited

Potential impact(s)

- Being unable to increase rents based on project assumptions could affect the longer-term viability of the Project Company
- Sustainability of levels of student debt is currently one of the key focuses of government and could be an area in which it chooses to legislate

How we mitigate the risk

- Managing the day to day relationship with each university (agreeing annual rents and ensuring they remain sustainable in the long term)
- Advise partners on marketing
- Ensure each asset is operated in compliance with the relevant Project Agreement
- Develop long-term strategies for maintenance of our assets

Policy

Risk

- Changes in political sentiment towards participation in HE might lead to restrictions being imposed on student recruitment
- Recent policy changes with respect to how the sector is funded and the number of young people attending university (e.g. Higher Education and Research Act 2017 has led to a further review during 2018)

Potential impact(s)

- Stability of the sector could be impacted – in turn academic and residential demand – dissuading students from going to university or proposing other types of study which do not require residential accommodation

How we mitigate the risk

- Established thought leader in the UK HE sector, working with government and policy-making bodies to input to policy changes
- Sit on key boards and committees to ensure we have a voice
- Contribution to policy consultations and work closely with industry bodies (Universities UK, The Higher Education Policy Institute, The Higher Education Commission and The Confederation of British Industry)

Wellbeing

Risk

- Risk of injury to those living in or working at UPP accommodation

Potential impact(s)

- Prosecution by the Health and Safety Executive impacting on individuals involved, the Company and its reputation

How we mitigate the risk

- Continually monitoring compliance to systems and benchmarking through established audit and inspection regime undertaken by external parties and our own team
- Implementing a programme of cultural change focused on raising awareness of good behaviour amongst our workforce
- Robust Business Continuity and Escalation procedure in place to ensure risks are identified immediately

Funding and liquidity

Risk

- Procuring funding at the desired cost and tenor difficult becoming difficult to secure

Potential impact(s)

- Undermining the cost economics of our schemes

How we mitigate the risk

- Our own in-house financial procurement and modelling team, enabling us to identify and engage with those institutional lenders who are specifically interested in investing in HE projects as well as potential new investors who are looking for attractive yet relatively low risk returns
- Investment-grade public bond which has provided us with the capacity to procure bilateral borrowing with a significant number of debt providers
- Wide experience of the market for private placement transactions, for which typically UPP and its Shareholders will provide any subordinated debt and equity

Competition

Risk

- The risk that a student will choose to live in the accommodation of another operator
- Pressure on rent prices

Potential impact(s)

- Opportunity to secure demand is lost by a university accommodation office and a student pursues options with other private operators

How we mitigate the risk

- Research-led with UK-wide analyses of our competitors
- Annual benchmarking of rents, discussing uplifts with our partners to understand market characteristics, contract agreement and any movement in overall cost base
- The bespoke nature of each deal allows us to manage the impact of competition on demand
- Accommodation is typically located on campus and marketed directly by each university through its accommodation office
- Commercial agreement between UPP and each university places conditions on future arrangements or developments with competitors

67%

Students that **view facilities as a crucial part of their decision** on where to study

Association of University Directors of Estates (AUDE), 2015

STRATEGIC REPORT

Our people

The quality of our people, their dedication and engagement is what defines UPP and we are fully committed to inspiring them to excel.

Our commitment to our strategy has ensured that the Group continues to grow but more importantly continues to deliver excellent services to the students of our partners. We remain committed to investing in and looking after our people, who now number more than 800 across the UK.

> **We firmly believe it is important for our people to feel empowered to make a difference and we support this by ensuring each individual receives the right training and development opportunities.**

Inherent within our people strategy and its implementation is a commitment to ensure the highest standards of inclusion, equality and diversity. We aim to provide an experience that is positive and enjoyable for students and colleagues, embodies equality of treatment and inclusion, and equips our teams to be socially purposeful professionals and citizens.

We believe that equality of opportunity is essential for the successful and innovative development of both UPP and its communities. We are committed to promoting equality of opportunity, eliminating unlawful discrimination and valuing the different contributions and experiences of all our staff.

We firmly believe it is important for our people to feel empowered to make a difference and we support this by ensuring each individual receives the right training and development opportunities, so they can grow professionally and personally, while at the same time meeting the evolving challenges of our industry.

With this in mind, last year our Group board embarked upon a programme to improve its performance and effectiveness. The programme, which was delivered over 12 months, focussed on three key areas of leadership, team performance and business context. The programme will be adapted to form the framework for leadership development throughout the organisation.

Every year we conduct Speak Out, our Group-wide employee engagement survey, which helps us understand what we are doing well as an organisation, together with what and how we need to improve. We use these valuable insights to further improve our culture and working environment, as well as to ultimately build an even better UPP for their future.

In November 2012, we secured Investors in People accreditation. During 2014, the Group successfully implemented the living wage across the portfolio.

—

Results so far have been encouraging with reductions in all injuries (37 per cent), RIDDORs (60 per cent) and an increase in near-miss reporting of more than 300 per cent.

STRATEGIC REPORT

Our approach to wellbeing

We believe taking a caring approach to the wellbeing of our people and the students we accommodate differentiates us from our competitors and underpins great business performance.

We have a clearly defined wellbeing strategy that aims to inform, educate and inspire in all aspects of wellbeing and is supported by a simple vision:

"To build a culture of trust and mindfulness within our communities, where the environment, together with people's wellbeing and safety is everyone's responsibility"

Our approach to wellbeing covers three areas – health, safety and environment – with each strand encompassing a Director-led, face-to-face launch campaign.

It is designed to be innovative, positive and highly engaging – featuring visual communications that highlight the benefits of doing the right thing rather that the consequences of something wrong.

As a result, a recent survey indicated that over 63 per cent of our colleagues agree that "UPP cares about my wellbeing".

Safety

We recognised that traditional safety thinking was keeping our people safe, but not leading to any real improvements in performance and so we developed an innovative behavioural safety programme to run alongside our traditional safety management system.

This provided an opportunity to engage fully with our people and help them make choices that lead to a safer working environment. Our approach is supported by externally accredited OHSAS 180001 compliance.

Following the launch of this first strand of our wellbeing campaign in September 2016, all our people have now been trained in behavioural safety.

Results so far have been encouraging with reductions in all injuries (37 per cent), RIDDORs (60 per cent) and an increase in near-miss reporting of more than 300 per cent.

Health

Following the approach taken to safety – where we focussed on positive, visual communications – a similar direction is being taken with health in the coming year.

This will cover physical, mental and workplace health.

Environment

During 2018/19, we will be leading a campaign to focus on the environment and how we can reduce the footprint UPP leaves on the planet.

STRATEGIC REPORT

Corporate social responsibility

Since its creation in 2016, the UPP Foundation has established itself as a highly-respected charity with the ability to influence higher education (HE) policy in critical areas.

Entirely funded by UPP and an independent legal entity, its aim is to support the UK HE sector in efforts to increase access and retention, improve student employability, enhance civic universities and develop global citizens.

The UPP Foundation issues grants to universities, charities and the wider HE sector. It provides a public policy platform enabling sector leaders, experts and the public to debate the future of HE.

Our highlights from 2016/17

Leading the sector on mental health:

For our first flagship project we donated £55,000 to leading mental health charity Student Minds to train UPP employees and students at Nottingham Trent University on mental health issues.

It concluded with a series of recommendations to accommodation providers and universities and following this pilot, training will be launched throughout the Company.

The report has transformed thinking behind this issue within the sector and we have helped set the standard on student mental health at a national level.

Being seen to proactively seek to address these challenges not only puts UPP at the heart of the sector but it demonstrates our values to potential and existing partners.

Leading the debate on retention

To influence the wider debate around student retention rates, we commissioned a report by national think-tank the Social Market Foundation (SMF).

The report looked at regional variances in drop-out rates, causes of non-continuation and recommendations to government and universities for tackling this issue.

This report attracted extensive media coverage, helping to position the UPP Foundation as a leading player in the sector and proving that its policy work is not only building up the profile and reputation of UPP but is also being debated in the corners of power.

UPP Gives

The UPP Foundation will be central to establishing UPP Gives, our first employee fundraising committee.

UPP Gives will play a key role in employee engagement and will organise UPP-wide charitable initiatives so that this activity has a bigger impact across the Group.

The first of these schemes will be the Prince's Trust Step Challenge, taking place in February 2018.

For our first flagship project we donated £55,000 to leading mental health charity Student Minds to train UPP staff and students at Nottingham Trent University on mental health issues.

GOVERNANCE

Letter from the Chairman

Robert McClatchey was appointed Chairman of UPP Group Holdings Limited in 2016 and is Chair of the Audit Committee of UPP Group Holdings Limited.

He has had a long association with the business, having been involved in the development of UPP since its inception.

Robert was a founder member of the Barclays Infrastructure Funds and Managing Director of Barclays Infrastructure Funds Management (BIFM). Whilst at BIFM, Robert led the private equity buyout of UPP from Jarvis plc and was subsequently fully involved in the establishment of the current Group structure. He was also instrumental in the sale of the Group to its current Shareholders. He is a qualified Chartered Accountant.

During the financial year ended 31 August 2017, I am pleased to announce that UPP Group Holdings Limited has continued to make improvements to its approach to identifying and mitigating risks, both material and contingent. A culture of robust corporate governance remains embedded across the Group, with Audit, Remuneration and Health and Safety Committees meeting quarterly to understand and address issues facing the business.

Following a review of the current Risk Process in place across the Group it has been decided that in the next financial year, a 'Three Lines of Defence' model will be adopted, structured with the existing Strategic Risk Register, a Live Risk Register and a fully-constituted Risk Committee.

The model was introduced by the Institute of Internal Auditors in January 2013 to enable organisations to demonstrate effective risk management and control. The first line sits with those who own and manage risk and control (directed by senior management) and includes such things as strategies, business plans, system controls and reporting.

The second line sits with those who monitor risk and control (directed by senior management independent to action owners) and includes governance structures and processes and corporate oversight functions including HR, Health and Safety and Business Standards, together with quality control checks and customer satisfaction surveys. In some instances, the second line is provided by a third party (e.g. employer's agents).

The third line provides independent assurance as directed by the Board and the Audit Committee and includes such things as Internal Audit reports, external accreditation and third-party surveys. Alongside these lines of defence sits external audit and regulatory reviews. When introduced, the Board and Audit Committee will receive assurance primarily through the second and third lines of defence.

The Company continues to deliver on its core strategy of developing cutting-edge residential and academic infrastructure at the heart of campus – selecting its partners carefully to ensure the long-term interests of its Shareholders and other stakeholders are actively managed. As noted in the Group Chief Executive Officer's Statement, the Company has continued to expand its portfolio in a controlled manner with both existing and new partners.

To improve still further scrutiny and challenge throughout the transaction phase of each project, the Group has established an Investment Committee whose responsibility it is to sanction both the costs and commercial conditions relating to each project. This ensures that Shareholder interests are considered at key points of every transaction – formally approved and minuted appropriately.

The implementation of this structure will ensure that the Group continues to improve the efficacy of its risk reporting and governance and will form part of future updates as part of the UPP Group Holdings Limited Annual Report.

"The Company continues to deliver on its core strategy of developing cutting-edge residential and academic infrastructure at the heart of campus."

GOVERNANCE

Corporate governance statement

We continue to implement further improvements in corporate governance to ensure that the Group is best placed to deliver the rigorous controls required to operate a listed entity. To ensure that the management of business risk is second nature, the Group has chosen to adopt the principles established within the UK Corporate Governance Code.

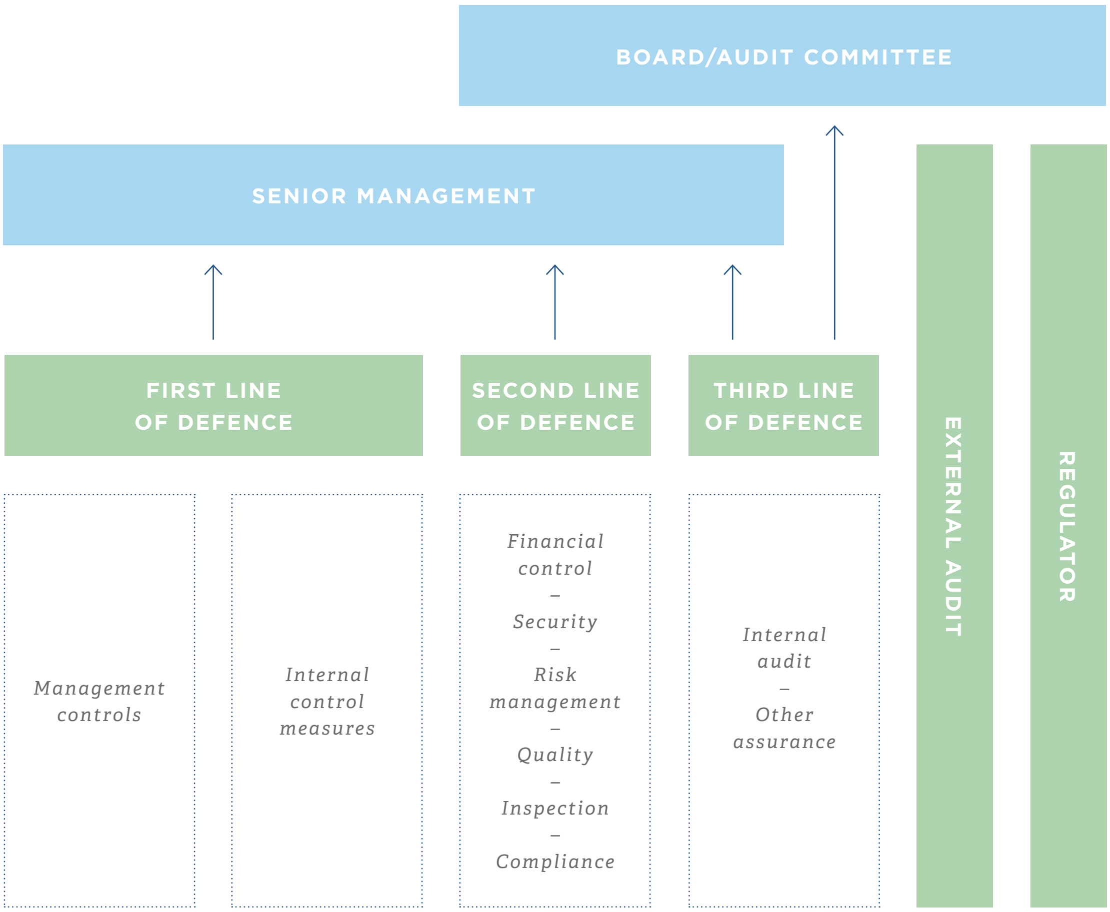
Board Committees

Corporate governance is embedded across the Group, with the following Board Committees in place to ensure that risk is actively managed:

- Audit Committee (a committee of UPP Group Holdings Limited) whose primary function is to develop the Internal Control Framework of the Group and assist the Board in fulfilling its financial and risk oversight responsibilities. The Group has established an Internal Audit Function which consists of a co-sourced provider and a dedicated in-house manager, both of which report in to the Audit Committee
- Remuneration Committee (a committee of UPP Group Holdings Limited) whose responsibility is to determine the remuneration and conditions of employment for Executive Directors and Senior Managers
- Investment Committee (a committee of UPP Group Limited) is responsible for scrutinising and challenging proposed investments, sanctioning both the costs and commercial conditions relating to each project
- Health and Safety Committee (a committee of UPP Group Limited) which sets industry-leading health and safety standards with which our contractors and suppliers are obliged to comply. The Group has a dedicated in-house health and safety team that monitor all stages of development activity undertaken by the Group and advise on health and safety matters

The three lines of defence

For effective risk management and control



Source: The Institute of Internal Auditors, January 2013

GOVERNANCE

Risk management

Strategic Risk Register

Records strategic risks facing the Group and its operating subsidiaries

The risks recorded are in most cases static, since our business model and objectives have not changed significantly over the last business plan period. We recognise, however, that the likelihood of these risks materialising into live risks is subject to change and driven by factors including the economic environment or the volume of transactions undertaken.

This register is continually refreshed as part of the Board reporting regime of the Group and its subsidiaries to ensure that the current likelihood score for each risk is accurate and that the risk owners remain appropriate.

Live Risk Register

Generic risks that have materialised into live and specific risks requiring immediate and active mitigation

The revised process will change this register from mitigations being preventative, detective or responsive to the first, second and third line of defence.

The aim of this is to clarify accountability for the operation of the controls to manage these risks and improve the breadth of risk management activity undertaken. Specific control owners are appointed for to review and update the mitigation for the live risks.

Risk Committee

To consider and challenge both the Strategic and Live Risk Registers

A formally-constituted Risk Committee will be formed during the first half of 2018 which will meet on a quarterly basis.

Membership will comprise senior management and the Group Head of Internal Audit will attend to provide advice on the risk management process.

GOVERNANCE

Our Boards

The Principle Boards of the Group are currently:*

UPP Group Holdings Limited

UPP Group Limited

UPP Residential Services Limited

UPP Projects Limited

Special Purpose Vehicles

During the course of the financial year 2017/18 a Board will be formally constituted for the newly established asset and relationship company UPP Management Limited.

GOVERNANCE

Executive Directors of UPP Group Holdings Limited

Sean O'Shea

Chief Executive Officer

Sean was appointed Group Chief Executive Officer in 2008. In 2004, he led the management buyout which subsequently created UPP from Jarvis plc. He is responsible for the commercial architecture of the Group's bespoke public-private partnership approach.

Sean joined Jarvis plc in 1996 as Construction Director. He has previously also held senior positions at Mansell, part of Balfour Beatty plc. Sean is a Quantity Surveyor and also a member of The Prince's Trust Built Environment Leadership Group.

Richard Bienfait

Chief Financial Officer

Richard was appointed Group Chief Financial Officer in October 2016. Richard was previously Chief Executive Officer of Affinity Water Limited, the largest water-only supplier in the UK, a position he held for five years from 2010.

Prior to this, Richard spent 13 years at Veolia Water UK Limited, where he held a number of senior financial positions, including Chief Financial Officer for six years. He led the sale of Veolia's interest in Southern Water, the acquisition of non-regulated contracts and the refinancing of £200m of debt at Three Valleys Water, helping to deliver on its strategic plan and creating value for all stakeholders.

Jon Wakeford

Group Director, Strategy and Communications

Jon was appointed Group Director, Strategy and Communications in 2007. In this role, he is responsible for the evolution and delivery of the Group's vision, as well as leading the public affairs and communications activities of the Group.

Jon has more than 25 years' experience in the higher education sector. He originally joined UPP in 2000, as Head of Research and Development. He has also worked as a Senior Advisor to the government advisory and higher education team at KPMG.

Jon is a member of the cross-party Higher Education Commission and was elected to the London Council of the Confederation of British Industry in 2016.

Julian Benkel

Compliance Director and Company Secretary

Julian was appointed Group Compliance Director and Company Secretary in 2006. In this role, he has responsibility for all matters relating to risk, governance and compliance.

Julian was part of the management buyout, which founded UPP from Jarvis plc in 2004 and was Group Finance Director for a period thereafter. Julian joined Jarvis plc in 2002 as a Divisional Financial Director. Prior to this, he worked as Finance Director of Schal and also UBS AG. Julian is Chartered Accountant with more than 30 years post-qualification experience.

GOVERNANCE

Shareholder relations

The Company actively meets with its Investors and other Stakeholders as well as maintaining an Investor Centre and Stakeholders sections on its website; containing information of interest to both parties. The Board prioritises effective communication with its Shareholders and the Company's published UPP Bond I Limited Investor Report for the year ended 31 August 2017 underlines the continuing strength of the unique partnerships model developed by UPP.

Management

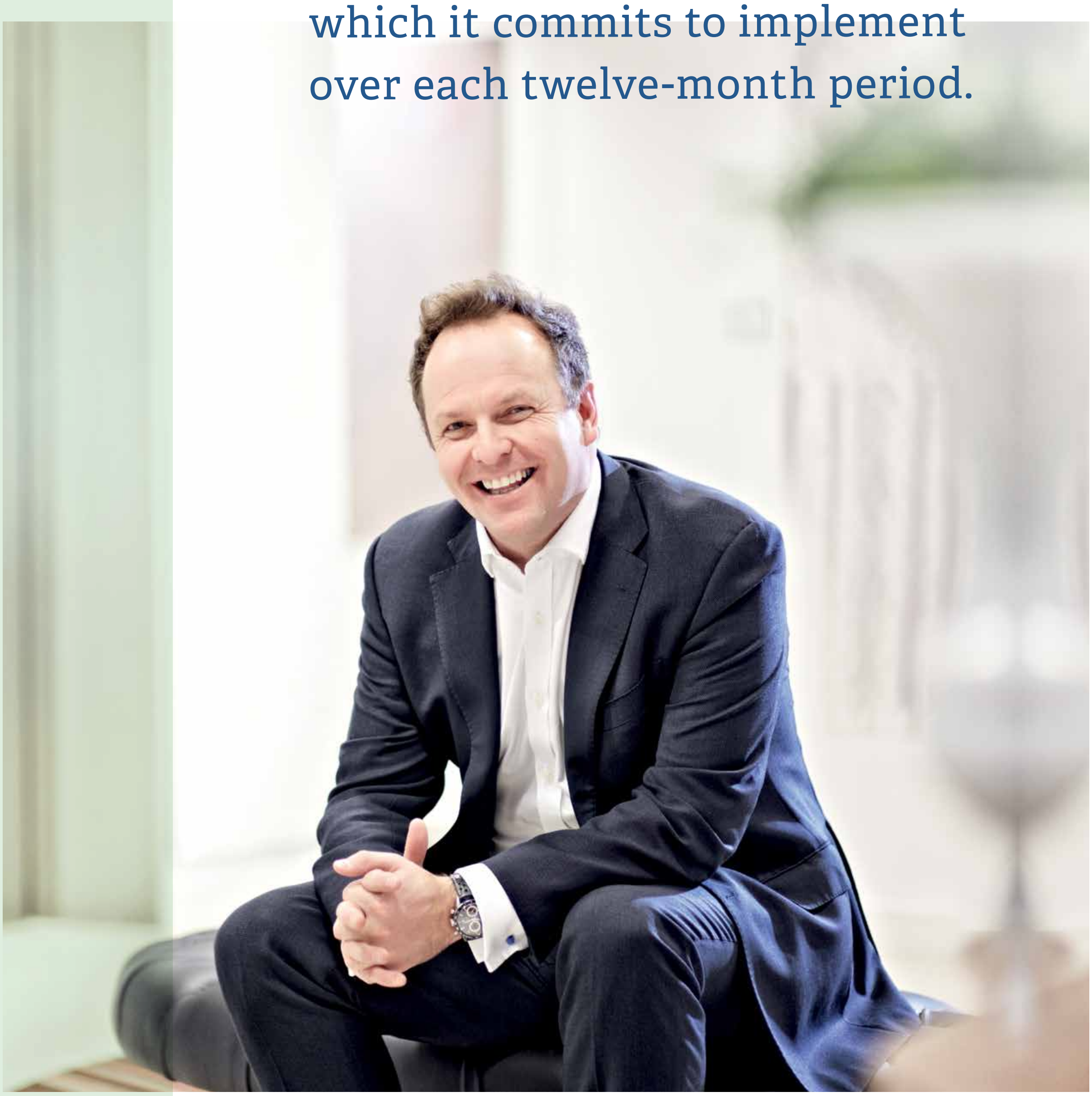
The Group has a non-executive Chairman and non-executive Shareholder Directors who, together with the Executive team, ensure that appropriate governance and operational processes are maintained.

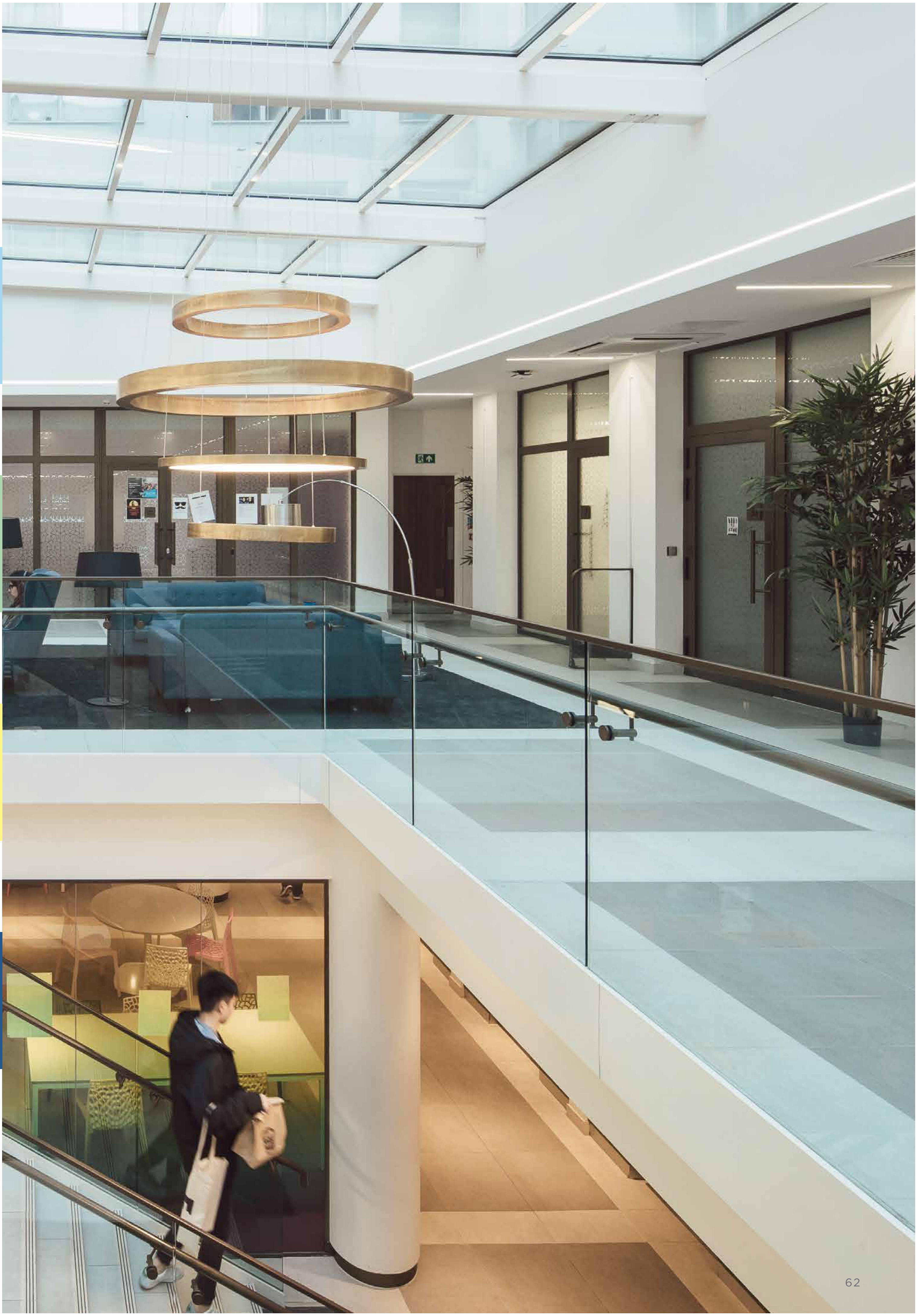
The Chairman is tasked with oversight of the strategic direction for the Group, whilst the non-executive Directors are tasked with providing constructive challenge to the Executive team on strategic matters.

Working together, this underpins the effective execution of our Business Plan. We measure Board effectiveness through a process of annual Board evaluations and, following the guidelines of the UK Corporate Governance Code, undertake an external evaluation on a three-yearly basis. The ongoing process of evaluation generates valuable insight and, as a result, the Board develops action plans which it commits to implement over each twelve-month period.

Focus is placed on learning and development in light of both changing market conditions and a more challenging regulatory environment.

The ongoing process of evaluation generates valuable insight and, as a result, the Board develops action plans which it commits to implement over each twelve-month period.





UPP Group Holdings Limited Report and Financial Statements

For the year ended 31 August 2017


upp

Directors	J Benkel
	R Bienfait
	M Bryan
	R Feng
	I Frolova
	H Huizing
	R McClatchey
	S O’Shea
	J Wakeford
–	–
Secretary	J Benkel
–	–
Auditor	Grant Thornton UK LLP
	30 Finsbury square
	London
	EC2A 1AG
–	–
Registered office	40 Gracechurch Street
	London
	EC3V 0BT

Strategic report

The Directors present their report for the year ended 31 August 2017.

Review of the business

The Group's principal activities during the year continue to be the development, funding, construction and operation (including facilities management) of student accommodation under the University Partnerships Programme ('UPP').

Operational performance

For the year ended 31 August 2017 the Group maintained an interest in 26,934 operational rooms for a weighted average lease period of 50 years. In addition a subsidiary undertaking, UPP Residential Services Limited (URSL), provides services for an additional 3,066 operational rooms in discrete contracts in which the Group does not hold any interest in the lease. For the academic year 2017/18, following the transactions detailed below, the Group will maintain an interest in 27,222 operational rooms, with URSL providing services to a further 3,672 rooms.

The operational performance of the Group remained extremely strong, achieving 99.9 per cent occupancy for the year ended 31 August 2017 and 100 per cent occupancy on available rooms at the start of the year ending 31 August 2018.

The year saw the first student intake at the Group's award-winning Garden Halls in London's Bloomsbury. The 1,200-bed scheme, which was funded by £114 million of bond financing from Pension Insurance Corporation (PIC) and £26 million of subordinated debt and equity from the Group, achieved 100 per cent occupancy from the beginning of the academic term.

During the year the Group also successfully reached agreement with the contractor that built the accommodation at one of its subsidiary undertakings, UPP (Exeter) Limited, in relation to a latent defect identified in its newly built accommodation during the year ended 31 August 2015. A programme of remediation works to rectify the latent defect is currently underway and will continue over the next four financial years, with no financial impact on the performance of the subsidiary undertaking.

In response to events at Grenfell Tower in June 2017, the Group undertook an immediate review of cladding systems used across its entire estate. This review highlighted that three blocks within the accommodation provided by one of its subsidiary undertakings, UPP (Byron House) Limited, had utilised the same cladding that was retro-fitted to Grenfell Tower. In consultation with the University partner, Nottingham Trent University, the decision was made to replace the cladding on the three blocks concerned over the next 12 months. An amount of £1.7 million has been provided in administration expenses to cover the anticipated remediation costs plus associated legal and professional fees and an impairment of £0.6 million has been made to the carrying value of the fixed asset, reflecting a loss in revenue due to rooms that are unoccupied in the year ending 31 August 2018. In addition to the Group's subsidiary undertakings, UPP Group Limited has provided a £5 million guarantee to UPP (Byron House) Limited to cover the maximum exposure that this Company has to these remediation works. This guarantee expires 31 August 2018.

Transaction closes during the year

The Board are delighted to announce that the Group successfully reached financial close on two projects during the financial year as detailed below, increasing the number of university partners with which it works from 14 to 15 and the total rooms operated, managed or under construction by the Group to 32,867.

In December 2016 the Group reached financial close with the University of London for a further 511 study bedrooms located in Stratford, East London. The scheme was a forward-funded investment totalling £104.7 million. The scheme was funded through the issuing of £86.7 million of RPI-indexed loan facility, also from PIC, £16.8 million of bridge funding loan notes and the issue of £1.05 million of share capital. The University of London opted to take a 15 per cent interest in the Project Company. Construction is currently in progress and is scheduled to be completed in August 2019 ahead of the academic year 2019/20.

In May 2017 the Group also reached financial close on a transaction with the University of Hull for the construction of 1,462 student study bedrooms and ancillary social space on its main campus, along with the estate transfer of an additional 288 operational rooms. Construction is scheduled to be fully completed by August 2019, with 478 rooms available for the 2018/19 academic year and the remaining 984 ahead of the 2019/20 academic year.

The project is funded through the issue of £127.6 million RPI index-linked bond debt from Allianz Global Investors (AGI), £25.8 million bridge funding loan notes and £1.6 million of share capital, with the University of Hull opting to take a 10 per cent interest in the Project Company.

The Board are also pleased to report that the Group is working to reach financial close on a further three transactions during the financial year 2017/18 with new and existing partners.

On completion these schemes will potentially add a further 3,000 bedrooms to the portfolio.

From 1 September 2017 URSL secured a new three-year partnership with Imperial College London to deliver facilities management services to an additional 606 rooms for the University. At the same time the current contract for the provision of facilities management services to 566 rooms with the College was renewed for a further three years, with the opportunity to extend for a further two years once the initial period is over. This takes the number of rooms that URSL manages on a standalone basis to 2,113.

Key financial performance indicators

The key financial performance indicators during the year were as follows:

	2017	2016
	£'000	£'000
Turnover	**178,895**	141,641
EBITDA (Earnings before interest, tax, amortisation and depreciation)	**73,953**	71,949
Loss after tax	**(17,273)**	(15,704)
Loss after tax, before fair value and termination cost of swaps	**(13,840)**	(9,667)
Equity Shareholders' funds	**34,166**	37,258

Key drivers behind the movements in financial performance indicators above are:

- Like-for-like turnover increased by 12 per cent during the year primarily due to the completion of the rooms at UPP (Cartwright Gardens) Limited plus contractual rental increases across the portfolio. Additionally, turnover in 2017 includes £19.9 million that relates to construction services provided at zero margin to two of the subsidiary undertakings that account for their principal assets as Service Concession Arrangements. This is the first year that the Group has accounted for its principal assets as Service Concession Arrangements

- The increase in EBITDA by 3 per cent during the year was caused mainly by the increase in operational rooms by 1,200 and the successful close of two transactions within the UPP Projects Limited business reflecting the full recovery of bid costs on these transactions
- The increase in the loss after tax by £1.4 million reflected a negative swing on the fair value movement of swaps that are not subject to hedge accounting by £13.9 million, offset by the cost of terminating hedging arrangements in 2016 that were in place at one of its subsidiary undertakings which subsequently refinanced its short bank debt. These termination costs were £14.1 million

Other key performance indicators

The Company's principal activity is that of a holding Company of its subsidiary undertakings. The Group monitors the relevant indicators of its subsidiary undertakings on an annual basis for any significant change.

The appropriate key performance indicators of each of the core income streams of its subsidiary undertakings are:

Subsidiary undertakings that provide student accommodation

The following is considered by the Directors to be an indicator of average performance of the subsidiary undertakings that provide student accommodation and that is not necessarily evident from the financial statements.

	2016/17	2015/16
Average applications: Acceptance ratio	5.91:1	5.89:1

This indicator is directly related to the performance of the relevant university partners of these subsidiary undertakings, among other factors. Any changes in these statistics may potentially affect the performance of that subsidiary undertaking.

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

	2016/17	2015/16
Average occupancy across all facilities	99.9%	99.7%

The target occupancy levels across all facilities is 98 to 99 per cent and as such the Directors are satisfied that the movements noted above are within tolerable limits.

Subsidiary undertaking that provides facilities management services

The Directors would like to report that during the current year the numbers of rooms to which they provide services has increased by more than 1,200 to nearly 29,600 rooms. For the year ending 31 August 2018 this has increased by a further 900 rooms to give a total of approximately 30,500.

Key Financial risks

The Group uses various financial instruments including loans, senior bank facilities, secured listed bond notes, interest rate swaps and RPI swaps, cash, equity investments 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 Group's operations. All the Group's financial instruments are of sterling denomination and the Group does not trade in financial instruments or derivatives with entities not included within the Group.

The existence of these financial instruments exposes the 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 equity, bank borrowings and secured listed bond notes. The Group's exposure to interest rate fluctuations on its bank borrowings is managed using fixed-rate debt and interest rate swaps which fix variable interest rates for a period of time.

When the associated bank borrowings are fully repaid the Group may be required to terminate the interest rate swaps earlier than they mature and may become liable to pay penalties. When this occurs the cost of this termination is taken to the profit and loss account on termination.

Inflation rate risk

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

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and debt servicing and liquidity by investing cash assets safely and profitably. The maturity of borrowings is set out in note 20 of the financial statements.

Other risks and uncertainties

Demand risk

The Group is subjected to risks arising from occupancy voids and lack of nominations by university partners on circa 27,000 rooms which can lead to uncertain revenues. This risk is managed by ensuring the accommodation offered meets the needs of students, developing excellent long-term relationships with its university partners, improved marketing of accommodation and improved third-party revenues to compensate for any shortfalls in rental income.

Portfolio risk

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

Credit risk

The Group receives the majority of its revenue from its university partners and it is not exposed to significant credit risk. Any cash balances are with institutions of a suitable credit quality.

Employees

The Group is an equal opportunities employer with particular reference to non-discrimination and non-harassment based on ethnic origin, religion, gender, age, disability and sexual orientation. The Group gives disabled persons the same consideration as other individuals. Matters which affect the Group are communicated to employees through formal and informal meetings, internal announcements and regular contact with Directors and senior management. On 12 November 2012 the Group secured and has since maintained Investors in People accreditation. During 2014 the Group successfully implemented the living wage across the portfolio.

On behalf of the Board

R Bienfait
Director
14 December 2017

Directors' report

The Directors present their report for the year ended 31 August 2017.

Principal activity

The Group's principal activity is the development, funding, construction and operation (including facilities management) of student accommodation under the University Partnerships Programme ('UPP').

Financial risk management objectives and policies

The Group's financial risk management objectives and policies are considered to be of strategic significance and are therefore detailed in the Strategic Report on pages 68 and 69.

Going concern

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

Dividend

The Directors do not propose the payment of a dividend (2016: £nil).

Directors and their interests

The Directors holding office during the year ended 31 August 2017 and subsequently are:

J Benkel	
R Bienfait	(appointed 11 October 2016)
M Bryan	
R Feng	(appointed 5 July 2017)
I Frolova	
H Huizing	
R McClatchey	
S O'Shea	
C Van Heijningen	(resigned 27 September 2016)
J Wakeford	
J Wolfs	(resigned 27 September 2016)

With effect from 12 September 2012 three of the Company's Directors held a beneficial interest in the 'B' ordinary shares of the wholly-owned subsidiary Company, UPP Group Limited. These shares hold no dividend or voting rights. At 31 August 2017, other than the interest noted above, none of the Directors had any beneficial interests in the shares of the Company or in any of the subsidiary Companies.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report, the Strategic 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), 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 and profit or loss of the Company and 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; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's and Group's website, www.upp-ltd.com/investors

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors are protected by Directors and Officers Liability Insurance provided by the Group.

Independent auditors

The auditors, Grant Thornton UK LLP, have expressed their willingness to continue in office as auditors. Pursuant to Section 487 of the Companies Act 2006, Grant Thornton UK LLP was duly appointed by the Shareholder of the Company and the Group and shall, subject to any resolution to the contrary, be deemed to be re-appointed as auditor for the next financial year.

On behalf of the Board

R Bienfait
Director
14 December 2017

Report of the independent auditor to the members of UPP Group Holdings Limited

Opinion

We have audited the financial statements of UPP Group Holdings Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 August 2017 which comprise the Group income statement, Group statement of comprehensive income, Group statement of changes in equity, Company statement of changes in equity, Group statement of financial position, Company statement of financial position, Group 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 auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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.

Who we are reporting to

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.

Conclusion 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 12 months from the date when the financial statements are authorised for issue

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 66 to 71, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other 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.

Opinions 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

Matter on which we are required to report under the Companies Act 2006

In 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 or 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

Responsibilities of Directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on pages 70 and 71, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Simon Bevan

Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditors, Chartered Accountants,
London

Group income statement

For the year ended 31 August 2017

	Notes	**Year ended 31 August 2017 £'000**	Year ended 31 August 2016 £'000
Turnover	4	**178,895**	141,641
Cost of sales		**(81,218)**	(52,298)
Gross profit		**97,677**	89,343
Operating expenses		**(32,587)**	(25,352)
Operating profit	8	**65,090**	63,991
Interest receivable and similar income	9	**2,193**	13,437
Interest payable and similar charges:	10		
Termination of hedging arrangements		**-**	(14,059)
Senior financing interest		**(66,462)**	(57,152)
Other interest payable and similar charges		**(19,052)**	(21,262)
		(85,514)	(92,473)
Loss on ordinary activities before taxation		**(18,231)**	(15,045)
Tax on loss on ordinary activities	11	**958**	(659)
Loss for the financial year		**(17,273)**	(15,704)
Loss for the financial year attributable to:			
Non-controlling interests		**(1,191)**	(2,537)
Owners of the Parent		**(16,082)**	(13,167)
Loss for the financial year		**(17,273)**	(15,704)

The above results all relate to continuing operations.

The notes on pages 86 to 130 form part of these financial statements.

Group statement of comprehensive income

For the year ended 31 August 2017

	Year ended 31 August 2017	Year ended 31 August 2016
	£'000	£'000
Loss for the financial year	**(17,273)**	(15,704)
Revaluation of principal asset	**845**	60,814
Deferred tax on revaluation of principal assets	**5,339**	(5,093)
Fair value movements on swaps	**10,655**	(49,163)
Deferred tax on fair value of swaps	**(3,333)**	6,789
Actuarial gain / (loss) relating to pension scheme	**266**	(822)
Deferred tax attributable to actuarial gain / (loss)	**(49)**	147
Total other comprehensive income for the year	**13,723**	12,672
Total comprehensive loss for the year	**(3,550)**	(3,032)

Total other comprehensive income for the year attributable to:		
Non-controlling interests	**477**	7,494
Owners of the Parent	**13,246**	5,178
	13,723	12,672

Total comprehensive income for the year attributable to:		
Non-controlling interests	**(714)**	4,957
Owners of the Parent	**(2,836)**	(7,989)
	(3,550)	(3,032)

Group statement of changes in equity

For the year ended 31 August 2017

Group	Share capital	Share premium	Other reserve	Capital reserve	Cash flow hedge reserve	Revaluation reserve	Profit and loss account	Shareholders' equity	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 September 2015	6,226	136,537	46,577	17,670	(81,612)	115,296	(278,350)	(37,656)	1,443	(36,213)
Loss for the financial period	-	-	-	-	-	-	(13,167)	(13,167)	(2,537)	(15,704)
Other comprehensive income	-	-	-	-	(41,540)	47,393	(675)	5,178	7,494	12,672
Total comprehensive income	-	-	-	-	(41,540)	47,393	(13,842)	(7,989)	4,957	(3,032)
Dividends paid	-	-	-	-	-	-	-	-	(887)	(887)
New shares issued	772	76,468	-	-	-	-	-	77,240	-	77,240
Capital contributions	-	-	-	150	-	-	-	150	-	150
Transfer to profit and loss account	-	-	-	-	-	(801)	801	-	-	-
At 31 August 2016	6,998	213,005	46,577	17,820	(123,152)	161,888	(291,391)	31,745	5,513	37,258
Loss for the financial period	-	-	-	-	-	-	(16,082)	(16,082)	(1,191)	(17,273)
Other comprehensive income	-	-	-	-	7,133	5,896	217	13,246	477	13,723
Total comprehensive income	-	-	-	-	7,133	5,896	(15,865)	(2,836)	(714)	(3,550)
Capital contributions	-	-	-	147	-	-	-	147	-	147
Reclassification (see note 2.1)	-	-	-	-	-	4,009	(4,009)	-	-	-
Non-controlling interest investment	-	-	-	-	-	-	-	-	311	311
Transfer to profit and loss account	-	-	-	-	-	(919)	919	-	-	-
Balance at 31 August 2017	**6,998**	**213,005**	**46,577**	**17,967**	**(116,019)**	**170,674**	**(310,346)**	**29,056**	**5,110**	**34,166**

Company statement of changes in equity

For the year ended 31 August 2017

	Share capital	Share premium	Capital reserve	Profit and loss account	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
At 1 September 2015	6,226	136,537	9,964	39,362	192,089
Results for the financial year	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
New shares issued	772	76,468	-	-	77,240
At 31 August 2016	6,998	213,005	9,964	39,362	269,329
Results for the financial year	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Balance at 31 August 2017	**6,998**	**213,005**	**9,964**	**39,362**	**269,329**

£22.6bn

Estimated total **economic benefit of first-year international students** (EU and non-EU) over the duration of their studies

Higher Education Policy Institute (HEPI), 2015/16

Group statement of financial position

As at 31 August 2017

	Notes	31 August 2017 £'000	31 August 2016 £'000
Fixed assets			
Intangible assets		**35,666**	37,274
Goodwill	12	**102,568**	-
Service Concession Arrangements	13		
Tangible assets	14	**1,444,101**	1,448,258
		1,582,335	1,485,532
Current assets			
Debtors subject to non-recourse finance	16	**25,479**	26,965
Debtors: amounts falling due within one year	17	**8,052**	7,309
Debtors: amounts falling due after one year	18	**56,269**	95,645
Cash at bank and in hand		**203,132**	132,695
		292,932	262,614
Creditors: amounts falling due within one year	19	**(59,720)**	(54,812)
Net current assets		**233,212**	207,802
Total assets less current liabilities		**1,815,547**	1,693,334
Creditors: amounts falling due after more than one year	20	**(1,743,478)**	(1,607,868)
Provisions for liabilities	21	**(35,913)**	(46,036)
Net assets excluding pension liability		**36,156**	39,430
Pension liability	24	**(1,990)**	(2,172)
Net assets		**34,166**	37,258

Group statement of financial position (continued)

As at 31 August 2017

	Notes	31 August 2017 £'000	31 August 2016 £'000
Share capital and reserves			
Called-up share capital	22	**6,998**	6,998
Share premium account	23	**213,005**	213,005
Other reserve	23	**46,577**	46,577
Capital reserves	23	**17,967**	17,820
Cash flow hedge reserve	23	**(116,019)**	(123,152)
Revaluation reserve	23	**170,874**	161,888
Profit and loss account		**(310,364)**	(291,391)
Equity attributable to owners of the Parent Company		**29,038**	31,745
Non-controlling interest		**5,110**	5,513
		34,148	37,258

The notes on pages 86 to 130 form part of these financial statements.

The financial statements were approved and authorised for issue by the board on 14 December 2017 and were signed on its behalf by:

R Bienfait
Director

J Benkel
Director

Company statement of financial position

As at 31 August 2017

		Year ended 31 August 2017	Year ended 31 August 2016
	Notes	**£'000**	£'000
Fixed assets			
Investments	15	**237,115**	237,115
Current assets			
Debtors	17	**32,211**	32,211
Cash at bank and in hand		**5**	5
		32,216	32,216
Creditors: amounts falling due within one year	19	**(2)**	(2)
Net current assets		**32,214**	32,214
		269,329	269,329
Share capital and reserves			
Called-up share capital	22	**6,998**	6,998
Share premium account	23	**213,005**	213,005
Capital reserves	23	**9,964**	9,964
Profit and loss account – brought forward		**39,362**	39,362
Profit and loss account – current year		**-**	-
Shareholders' funds		**269,329**	269,329

The notes on pages 86 to 130 form part of these financial statements.

The financial statements were approved and authorised for issue by the board on 14 December 2017 and were signed on its behalf by:

R Bienfait
Director

J Benkel
Director

Registered no: 05016028


ONE
CARTWRIGHT
GARDENS

Group statement of cash flows

For the year ended 31 August 2017

	Notes	Year ended 31 August 2017 £'000	Year ended 31 August 2016 £'000
Net cash inflow from operating activities	28(a)	**79,936**	75,985
Investing activities			
Interest received		**3,679**	3,578
Non-controlling interest investment		**311**	-
Payments to acquire intangible fixed assets		**(244)**	(553)
Payments to acquire service concession arrangements		**(98,284)**	-
Payments to acquire tangible fixed assets		**(7,301)**	(50,511)
Net cash flow used in investing activities		**(101,839)**	(47,486)
Financing activities			
Dividends paid to non-controlling interests		**-**	(887)
Repayment of senior debt		**(3,620)**	(47,414)
Repayment of fixed-rate debt		**(3,689)**	(3,067)
Repayment of index-linked debt		**(10,560)**	(6,137)
New long-term index-linked debt		**157,450**	67,322
New subordinated loan notes		**5,100**	-
Interest paid		**(52,488)**	(51,313)
Termination of hedging arrangements		**-**	(14,059)
Debt issue costs		**-**	(3,117)
Capital contributions		**147**	148
Net cash flow from / (used in) financing activities		**92,340**	(58,524)
Increase / (decrease) in cash and cash equivalents		**70,437**	(30,025)
Cash and cash equivalents at 1 September		**132,695**	162,720
Cash and cash equivalents at 31 August		**203,132**	132,695

The notes on pages 86 to 130 form part of these financial statements.

Notes to the financial statements

For the year ended 31 August 2017

1. General information

UPP Group Holdings Limited is a private Company limited by shares and incorporated in England with a Company number 05016028. The registered office is 40 Gracechurch Street, London, EC3V 0BT.

2. Accounting policies

2.1. Basis of preparation

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

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

The Company has taken advantage of the disclosure exemption allowed under FRS 102.1.11(a) 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 Company has taken advantage of exemption allowed under FRS 102 1.12(c) to not disclose information regarding the Parent entities financial assets and liabilities.

The financial statements are presented in Sterling (£) which is the Group's functional and presentation 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 and Company's accounting policies (see note 3).

2.2. Going concern

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

2.3. Basis of consolidation

The Group financial statements consolidate the financial statements of UPP Group Holdings Limited and its subsidiary undertaking using the acquisition method from the date control passes to the Group. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

No profit and loss account is presented for UPP Group Holdings Limited as permitted by Section 408 of the Companies Act 2006. The result for the period dealt with in the Company accounts was a profit of £nil (2016: £nil).

In the Parent Company financial statements, investments in subsidiaries are accounted for at cost less any impairment.

2.4. Tangible fixed assets

Tangible fixed assets are stated at historical cost or valuation, less accumulated depreciation and any provisions for impairment. Historical cost includes all attributable expenditure including net finance costs incurred during construction, calculated as a proportion of total finance costs based on the number of rooms in construction over the total number of rooms.

Where the asset has been previously accounted for as a finance lease receivable but has been transferred to a tangible fixed asset due to a change in the significant risks and rewards of the asset, the tangible fixed asset is transferred at the carrying value of the finance lease receivable at the date where the balance of significant risks and rewards changed. This is treated as a deemed cost.

Assets in the course of construction are shown at cost and are not subject to impairment reviews.

The carrying value of the tangible fixed asset is reviewed for impairment on transfer using a value-in-use calculation based on a full year forecast at the point of transfer, extrapolated over the remaining lease period using an appropriate growth rate.

The Group has adopted a policy to revalue assets used in operating leases every five years, on a property-by-property basis, with an interim valuation performed in year three of the cycle and in other years if there is evidence the value has changed significantly. The surplus or deficit on the book value of the historical assets is transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus.

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
Fixtures and fittings	–	3-10 years straight line

The economic benefit of the principal assets for use in operating leases is the return on assets invested into the financing arrangement with the relevant university. The annuity method takes into account the cost of capital notionally invested in the principal asset. Notional interest calculated using the relevant Company's actual weighted cost of capital and depreciation combined will give an approximate constant charge to revenue.

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 remaining weighted average lease term is 50 years.

2.5. Finance receivable (pre 1 September 2014)

As permitted under FRS 102 Section 35 Transition to this FRS, the Group has elected to take the exemption under FRS 102 paragraph 35.10 (i) to continue to apply its previous accounting treatment in respect of Service Concession Arrangements entered into prior to the date of transition to FRS 102, therefore finance receivables, which qualify as service concession arrangements, and the associated non-recourse finance continue to be accounted for under previous UK GAAP policies.

In initially accounting for costs as a finance receivable, all attributable expenditure, including net finance costs, are included in the cost of the finance assets. The finance receivable assets are subsequently valued using the internal rate of return method calculated on the basis of net present value of future cash flows throughout the operational phase, which vary from year to year.

The finance asset is amortised over the operational phase of the project in accordance with FRS 5 (Application Note F). This method of amortisation has been chosen as the profile of profit recognition is principally in line with the debt costs incurred over the life of the project. The amortisation is then credited to finance receivable.

The carrying value of the finance receivable asset is considered with reference to the individual subsidiary undertaking's current and projected cash flows which have been prepared on the basis of a detailed analysis of each Company's finances, contracts and likely future demand trends, and impairment is reflected as required.

2.6. Non-recourse finance (pre 1 September 2014)

The Group holds certain principal assets under non-recourse finance facilities. These non-recourse finance facilities are secured by way of fixed charge over the principal asset together with contractual terms which provide that the lender will seek repayment of the finance only to the extent that sufficient funds are generated by the specific assets financed and that the lender will not seek recourse to the Group in any other form.

2.7. Service concession intangible and financial assets (post 1 September 2014)

The Group contracts with public benefit bodies to construct (or upgrade) student accommodation and operates and maintains the infrastructure asset for a specified period of time, often for its entire useful life.

These arrangements are accounted for based on the nature of the consideration. The intangible asset model is used to the extent that the Group receives a right (a licence) to charge users of the public service. The financial asset model is used when the Group has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. When the unconditional right to receive cash covers only part of the service, the two models are combined to account separately for each component. If the Group performs more than one service (i.e. construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable is allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

- An intangible asset is measured at the fair value of consideration transferred to acquire the asset, which is the fair value of the consideration received or receivable for the construction services delivered. The intangible asset is amortised over its expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the entity, starting from the date when the right to operate starts to be used. Based on these principles, the intangible asset is amortised in line with the actual usage of student accommodation, with a maximum of the duration of the concession

- In the financial asset model, the amount due from the grantor meets the definition of a receivable which is measured at fair value. It is subsequently measured at amortised cost. The amount initially recognised plus the cumulative interest on that amount is calculated using the effective-interest method

Any asset carried under concession arrangements is derecognised on disposal or when no future economic benefits are expected from its future use or disposal or when the contractual rights to the financial asset expire.

2.8. Revenue

Lease interest in student accommodation (for new assets under FRS 102)

The Group manages student accommodation under service concession followed by a period in which the Group maintains and services the infrastructure. These concession arrangements set out rights and obligations related to the infrastructure and the service to be provided.

For fulfilling those obligations, the Group is entitled to receive either cash from the grantor or a contractual right to charge the users of the service. The consideration received or receivable is allocated by reference to the relative fair values of the services provided; typically:

- A construction component
- A service element for operating and maintenance services performed

As set out above, the right to consideration gives rise to an intangible asset, or financial asset:

Intangible asset

- Revenue from the concession arrangements earned under the intangible asset model consists of the fair value of contract revenue, which is deemed to be fair value of consideration transferred to acquire the asset and payments actually received from the users. Construction revenue is receivable during the construction phase of the contract and rental income from student accommodation is receivable during the operational phase of the contract
- Construction revenue is recognised by reference to the stage of completion of the contract activity at the year end. In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue multiplied by the actual completion rate based on the total contract costs incurred to date and the estimated costs to complete
- Rental income receivable during the operational phase of the contract is recognised on a straight-line basis over the term's accounting period

Financial asset

- Revenue from the concession arrangements earned under the financial asset model consists of the (i) fair value of the amount due from the grantor; and (ii) interest income related to the capital investment in the project
- During the construction phase, fair value of the amount due from the grantor represents the cost arising on the construction of the asset plus a margin
- Interest income is measured using the effective-interest method and recorded when the asset is set up during construction as well as during the operational phase of the contract

Lease interest in student accommodation (for assets pre 1 September 2014)

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.

Management and development

Profit in respect of fees chargeable to universities for development is recognised as the contract progresses.

The profit recognised reflects the proportion of the work carried out at the balance sheet date measured on the basis of costs incurred to date as a proportion of total budgeted costs.

Where the outcome of a development cannot be assessed with reasonable certainty before financial close, no profit is recognised for that project. If it is expected that the development will result in a loss, all of the loss is recognised when foreseen.

Facility management services

Turnover in respect of facilities management services provided to entities outside of the Group is recognised on the basis of the amount receivable in respect of the accounting period.

2.9. Valuation of investments

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

2.10. 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.

2.11. 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 no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

2.12. Intangible fixed assets (excluding Service Concession Arrangements)

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

Goodwill attributed to subsidiary undertakings that provide student accommodation is amortised on a straight-line basis over the remaining lease period on the principal asset held by each subsidiary. Goodwill attributed to the remaining subsidiary undertakings is amortised on a straight-line basis over a period of two years in respect of UPP Projects Limited and 20 years in respect of all other subsidiary undertakings. These periods of amortisation represent the expected useful economic life of the goodwill acquired.

2.13. Interest bearing loans and borrowings

Loans, secured and unsecured 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 effected life of the financial liability, or (where appropriate) a shorter year, to the net carrying amount on initial recognition.

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

Where the financial liability has variable LIBOR-linked interest payments, the estimated cash flows are revisited at each reporting year and the effective rate is adjusted to reflect any changes in estimated LIBOR rates over the term of the financial instrument.

2.14. 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.

2.15. Derivative instruments

The Group has entered into inflation-linked swaps ('RPI swaps') and interest rate swaps ('IR swaps') with external parties to manage its exposure to changes in inflation and LIBOR rates respectively. 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 period end. The gain or loss on re-measurement is taken to the income statement except where the derivative is designated as a hedging instrument and the hedge meets the criteria for hedge accounting under Section 12. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the period.

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

2.16 Finance costs

Financing costs, comprising interest payable on loans, secured and unsecured notes and the costs incurred in connection with the arrangement of borrowings are recognised in profit or 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 the change in fair value of hedging instruments that are recognised in profit or loss.

2.17. 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.

2.18. Hedge accounting

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

Interest rate swaps are held to manage the LIBOR rate exposures of the senior bank debt by swapping the LIBOR-linked interest payments for fixed-rate interest payments.

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

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

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

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

2.19. Taxation

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

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

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

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

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

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

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

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 elected to be taxed under Regulation 9 in relation to derivative financial instruments and as a result a deferred tax asset 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 income statement 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.

2.20. Related party transactions

The Group has taken advantage of the terms of FRS 102.33.1A not to disclose related party transactions between members of the Group where such members are wholly-owned by a member of the Group.

2.21. Defined contribution pension scheme

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

2.22. Defined benefit pension plan

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

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

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

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

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

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

- the increase in net pension benefit liability arising from employee service during the period; and
- the cost of plan introductions, benefit changes, curtailments and settlements

2.23. Long-term incentive scheme

The Group operates a long-term incentive scheme for certain employees within the Group. The amount of any awards receivable by the employees will depend on the results of the entity and the overall growth of the business over a period of 10 years. In certain circumstances a specific event can trigger an earlier payment. Amounts representing the associated employment expense are included in the profit and loss account.

3. Judgements and key sources of estimation uncertainty

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

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

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

Revaluation of the principal assets

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

Valuation of RPI and IR swaps

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

Goodwill useful economic life

The Group establishes a reliable estimate of the useful economic life of goodwill arising on business combinations. Goodwill attributed to subsidiary undertakings is amortised on a straight-line basis over the remaining lease period on the principal asset held by each subsidiary. This period of amortisation represents the period over which each subsidiary undertaking acquired will continue to generate operating cash flows. For further details refer to note 12.

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 revalued asset is a revaluation decrease.

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

Deferred taxation

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

Defined benefit pension scheme

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

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

Presentation of the principal asset (for assets pre 1 September 2014)

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 and therefore the assets are treated as tangible fixed assets.

Presentation of the principal asset (for assets post 1 September 2014)

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

Since 1 September 2014 these interests fall within the scope of Section 34 of FRS 102 and the Group accounts for all of its principal assets applying the policies under service concession arrangements entered into after that date. Each year the Group applies judgement in assessing the status of these interests, in accordance with the provisions of Section 34 of FRS 102.

Typically, the subsidiary undertakings that have entered into arrangements after this date have entered into a Project-type Agreement with the relevant university partner that sets out, amongst other matters, the marketing and allocation procedures, the mechanism for which the rental income is set, the service levels that the accommodation is operated within and the condition in which the property reverts to the university at the end of the concession period.

The two subsidiary undertakings that have entered into these arrangements this year take full occupancy and demand-risk on the provision of the accommodation. The Directors are of the opinion however that the balance of control in both instances is retained by the university partner and therefore the assets are treated as intangible assets.

Capitalisation of costs and construction margin

During the period of construction, all costs incurred as a direct result of financing, designing and constructing the student accommodation, including finance costs, have been capitalised.

Revenue on construction is recognised at cost with no margin as profitability is considered negligible with no interim services provided during construction and the risk fully passing down to the building contractor.

Classification of index-linked financial instruments

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

Hedge accounting for inflation and interest swaps

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

In determining the fair value of the interest rate swap in UPP (Lancaster) Limited at the trade date in 2007, management have deemed the hedging instrument to be the current swap with a preceding one embedded in it. This is underpinned by the fact that management's intention was to treat the novation as a continuation of the previous relationship. In doing so, the cash flow relating to the preceding interest rate swaps has been included in the cash flow hedge reserve.

Limited recourse of subordinated and bridge funding loan notes

Included within the Bridge Funding Loan Note Facility agreement and the subsequent Subordinated Loan Note Facility agreement by a number of the subsidiary undertakings is a clause that provides the investor into these facilities with no recourse to profits or losses generated outside of each relevant Company's project documents. The Directors consider that the likelihood that this clause would be activated is only likely to arise in the instance of the project default which the Directors consider to be a remote possibility. Therefore, the Directors consider these financial instruments to be basic financial instruments and carried at amortised cost.

4. Turnover

Turnover represents the amounts derived from the provision of services, which fall within the Group's ordinary activities, stated net of value added tax.

The Group operates in three main areas of activity, that of the provision of student accommodation, the provision of facilities management services and management and development services.

Group turnover arises wholly in the UK and is split as below:

	Year ended 31 August 2017	Year ended 31 August 2016
	£'000	£'000
Facilities management services	**3,677**	4,025
Management and development services	**5,524**	202
Finance receivable asset, net of discounts	**1,038**	1,121
Construction services	**19,901**	-
Provision of student accommodation	**148,755**	136,293
	178,895	141,641

5. Directors' remuneration

The Directors of the Group Companies received remuneration in respect of services performed in connection with the management of the affairs of the Group through the wholly-owned subsidiaries, UPP Projects Limited and UPP Residential Services Limited.

The remuneration costs for these Directors were:

	Year ended 31 August 2017	Year ended 31 August 2016
	£'000	£'000
Emoluments	**4,480**	3,346
Loss of office	**63**	-
Company contributions to defined contribution schemes	**193**	176
	4,736	3,522

Of the above amounts, £3,422,000 (2016: £2,061,000) relates to payments made to Directors acting on behalf of subsidiary undertakings.

The payments above have been made to the following number of Directors acting either on behalf of the Group or of subsidiary undertakings.

	2017	2016
	Number	Number
UPP Group Holdings Limited	**5**	6
UPP Group Limited	**1**	-
UPP Residential Services Limited	**7**	9
UPP Projects Limited	**8**	6

The amounts included above in respect of the highest paid Director are as follows:

	£'000	£'000
Emoluments	**525**	462
Company contributions to defined contribution schemes	**28**	26
	553	488

6. Auditor's remuneration

	Year ended 31 August 2017	Year ended 31 August 2016
	£'000	£'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**18**	18
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**413**	302
Other non-audit services	**-**	5
Tax compliance services	**135**	111
Tax advisory services	**17**	28
	583	464

7. Employee information

The Company has no employees (2016 : Nil).

	2017	2016
	Number	Number
The average number of persons employed by the Group during the year was as follows:		
Management and operations	**119**	125
Site managers	**23**	25
Administration, maintenance and cleaning (full and part-time)	**647**	560
	789	710

The employment costs of all employees included above were:

	Year ended 31 August 2017	Year ended 31 August 2016
	£'000	£'000
Wages and salaries	**19,834**	18,657
Social security costs	**2,095**	2,072
Other pension costs – defined contribution	**733**	573
Other pension costs – defined benefit	**62**	53
	22,724	21,355

'Other pension costs' includes only those items included within operating costs. Items reported elsewhere have been excluded.

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 £4,736,000 (2016: £3,522,000).

Long-Term Incentivisation Scheme

No payments were made under the long-term incentivisation scheme during the year (2016: £nil).

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8. Operating profit

The operating profit is stated after charging:

	Year ended 31 August 2017	Year ended 31 August 2016
	£'000	£'000
Amortisation of goodwill	**1,695**	1,695
Amortisation of computer software	**157**	57
Depreciation	**7,011**	6,206
Auditors' remuneration (including non-audit fees)	**583**	491

9. Interest receivable and similar income

	Year ended 31 August 2017	Year ended 31 August 2016
	£'000	£'000
Interest received on cash balances	**443**	587
Imputed interest receivable on finance receivable	**1,750**	1,667
Finance gain on fair-value movements on swaps	**-**	11,183
	2,193	13,437

10. Interest payable and similar charges

	Year ended 31 August 2017	Year ended 31 August 2016
	£'000	£'000
Financial liabilities measured at amortised cost		
Bank loan interest	**29,854**	33,772
Interest payable on senior secured notes	**14,956**	15,450
Interest payable on index-linked facilities	**21,652**	7,930
Subordinated loan note interest	**2,404**	1,433
Interest due on loan from Parent Company	**12,443**	18,381
Financial liabilities measured at fair value		
Fair value movements on swaps	**4,136**	1,400
Termination of hedging arrangements	**-**	14,059
Other charges		
Interest on net defined benefit pension liability and overdraft fee	**69**	48
	85,514	92,473

Included within the interest payable on index-linked facilities is £13,810,000 (2016: £2,647,000) that relates to the inflation uplift on the index-linked facilities.

The termination of hedging arrangements in the year ended 31 August 2016 relates to the cost incurred in terminating the hedging arrangements at UPP (Byron House) Limited following the repayment of the Company's short-term debt on 7 April 2016.

11. Tax on loss on ordinary activities
(a) Tax on loss on ordinary activities

	Year ended 31 August 2017	Year ended 31 August 2016
	£'000	£'000
The tax charge is made up as follows:		
Current tax:		
Current tax on income for the year	**-**	-
Adjustment to tax charge in respect of prior years	**-**	-
Total current tax credit	**-**	-

Deferred tax:		
Current year	**(894)**	825
Adjustments to tax charge in respect of previous years	**3**	(68)
Rate difference	**(16)**	(111)
Current year – defined benefit pension scheme	**24**	(15)
Rate difference – defined benefit pension scheme	**(75)**	28
Total deferred tax	**(958)**	659
Tax (credit) / charge on loss on ordinary activities	**(958)**	659

(b) Tax included in the Group statement of total other comprehensive income

Deferred tax:		
Current year	**(2,206)**	(1,427)
Prior year adjustment	**468**	-
Rate difference	**(220)**	(416)
Total deferred tax	**(1,958)**	(1,843)
Total tax credit	**(1,958)**	(1,843)

(c) Factors affecting current tax (credit) / charge for the year

The tax assessed for the year is lower (2016: higher) than the standard rate of corporation tax in the UK 19.53 per cent (2016: 20 per cent). The differences are explained below:

	Year ended 31 August 2017	Year ended 31 August 2016
	£'000	£'000
Loss on ordinary activities before tax	**(18,231)**	(15,045)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.53% (2016: 20%)	**(3,570)**	(3,009)
Effects of:		
Disallowable expenses	**5,749**	5,188
Adjustment to tax charge in respect of prior year	**(75)**	(68)
Rate change	**10**	(84)
Non-taxable income	**(3,929)**	(4,741)
Movement in deferred tax not recognised	**857**	3,373
Current tax charge/(credit) for the year (note 11a)	**(958)**	659

(d) Deferred tax

The deferred tax included in the statement of financial position is as follows:

Group	Year ended 31 August 2017	Year ended 31 August 2016
	£'000	£'000
	Group	Group
Included in debtors (note 18)	(29,249)	(36,472)
Included in provisions for liabilities (note 21)	35,803	45,942
	6,554	9,470

	Year ended 31 August 2017	Year ended 31 August 2016
	£'000	£'000
	Group	Group
Deferred tax		
The deferred tax consists of:		
Accelerated capital allowances	17,722	15,114
Other timing differences	(57)	(22)
Derivative financial liabilities	(27,499)	(36,078)
Derivative financial asset	4,593	10,651
Loan balance spread over 10 years	163	6
Property revaluations	30,831	36,170
Losses to be relieved against future trading profits	(18,861)	(15,977)
Defined benefit pension scheme	(338)	(394)
Total deferred tax	6,554	9,470

	Year ended 31 August 2017	Year ended 31 August 2016
	£'000	£'000
	Group	Group
At 1 September	9,470	10,675
Charged to income statement	(958)	638
Movement in other comprehensive income	(1,958)	(1,843)
At 31 August	6,554	9,470

(e) Factors that may affect future tax charges

A deferred tax asset of £47,235,000 (2016: £46,465,000) 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.

The deferred tax has been recognised at a rate of 17 per cent which was substantively enacted in Finance Bill 2016.

There was a reduction in the corporation tax rate from the current 20 per cent rate to 19 per cent from 1 April 2017 and there will be a subsequent reduction to 17 per cent from 1 April 2020.

12. Intangible fixed assets – Other

	Computer software	Goodwill	Total
Group	**£'000**	**£'000**	**£'000**
Cost			
At 1 September 2016	553	60,121	60,674
Additions	244	-	244
Revaluation	-	-	-
At 31 August 2017	**797**	**60,121**	**60,918**
Amortisation			
At 1 September 2016	57	23,343	23,400
Charge during the year	157	1,695	1,852
At 31 August 2017	**214**	**25,038**	**25,252**
Net book value			
At 31 August 2017	**583**	**35,083**	**35,666**
At 31 August 2016	496	36,778	37,274

Goodwill has arisen on the acquisition of subsidiary undertakings in April 2004 and during the years ended 31 August 2008 and 31 August 2012, and the acquisition of minority interests in UPP (Alcuin) Limited and UPP (Nottingham) Limited previously held by the University of York and Nottingham Trent University respectively in March 2013.

Goodwill attributed to subsidiary undertakings that provide student accommodation is amortised on a straight-line basis over the remaining lease period on the principal asset held by each subsidiary, the longest of which expires in 2058. This period of amortisation represents the period over which each subsidiary undertaking acquired will continue to generate operating cash flows.

Goodwill attributed to the remaining subsidiary undertakings is amortised on a straight-line basis over a period of two years in respect of UPP Projects Limited and 20 years in respect of all other subsidiary undertakings. These periods represent the anticipated period over which future cash flows are expected to be generated on the business at the date of acquisition.

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

The computer software relates to purchased as well as internally-generated computer software costs. The computer software is being amortised evenly over its useful life between 3 to 5 years.

13. Intangible fixed assets – Service Concession Arrangements

	Assets for use in operating leases	Assets in the course of construction	Total
Group	**£'000**	**£'000**	**£'000**
Cost or valuation			
At 1 September 2016	-	-	-
Additions	13,710	88,858	102,568
At 31 August 2017	**13,710**	**88,858**	**102,568**
Amortisation			
At 1 September 2016	-	-	-
Charge during the year	-	-	-
At 31 August 2017	**-**	**-**	**-**
Net book value			
At 31 August 2017	**13,710**	**88,858**	**102,568**
At 31 August 2016	-	-	-

Included in assets for use in operating leases are 288 rooms that were acquired in May 2017, which will commence operations in September 2017. Assets in the course of construction are scheduled to become operational in September 2019.

The carrying value of the assets is the fair value of consideration transferred and will be amortised over its expected useful life which will reflect the concession length of each of the arrangements.

14. Tangible fixed assets

Group	Assets for use in operating leases £'000	Assets in the course of construction £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation				
At 1 September 2016	1,316,600	129,764	5,397	1,451,761
Transfer	129,764	(129,764)	-	-
Additions	3,110	-	366	3,476
At 31 August 2017	**1,449,474**	**-**	**5,763**	**1,455,237**
Depreciation				
At 1 September 2016	-	-	(3,503)	(3,503)
Charge during the year	(6,323)	-	(688)	(7,011)
Impairment charge	(622)	-	-	(622)
At 31 August 2017	**(6,945)**	**-**	**(4,191)**	**(11,136)**
Net book value				
At 31 August 2017	**1,442,529**	**-**	**1,572**	**1,444,101**
At 31 August 2016	1,316,600	129,764	1,894	1,448,258

Fixed assets include net finance costs up to the date of completion of £42,287,000 (2016: £42,287,000). An amount of £Nil (2016: £3,822,000) was capitalised during the year.

If assets used in operating leases had not been revalued they would have been included at the following amounts:

	Assets for use in operating leases 31 August 2017 £'000	Assets for use in operating leases 31 August 2016 £'000
Cost or fair value	**1,289,562**	1,172,841
Depreciation	**(32,979)**	(32,942)
Net book value at 31 August	**1,256,583**	1,139,899

Assets used in operating leases were subject to an independent interim valuation by Jones Lang LaSalle ("JLL"), Chartered Surveyors, on an existing-use basis at 31 August 2016. This valuation excluded assets in the course of construction at that date. The Directors have performed an internal valuation on all of the assets, including those in the course of construction that have been subsequently transferred for use in operating leases.

Following an internal review of the assets used in operating leases, the Directors have concluded that, for all but one of the assets, there is no impairment to the value as determined by JLL in 2016. At an asset held by one of the subsidiary undertakings, UPP (Byron House) Limited, an impairment was identified and has given rise to an impairment charge of £622,000. This impairment is discussed in more detail in the Strategic Report.

The key critical assumptions made in relation to the 2016 valuations are set out below:

Discount rates	7.75% – 9.75%
Occupancy rates	98% – 99%
RPI	2.5%

15. Fixed asset investments

	Interest in Group undertakings
Company	**£'000**
At 1 September 2016 and 31 August 2017	**237,115**

The fixed asset investment value above represents the carrying value of the Company's investment in UPP Group Limited.

A list of the subsidiary undertakings of UPP Group Holdings Limited, the results of which are included in the consolidated financial statements, can be found in note 27.

16. Debtors subject to non-recourse finance

	31 August 2017 Group	**31 August 2017 Company**	31 August 2016 Group	31 August 2016 Company
	£'000	**£'000**	£'000	£'000
Finance receivable	**25,479**	**-**	26,965	-

The finance receivable asset includes net finance costs of £1,119,000 (2016: £1,119,000).

The terms of the finance agreement provide that the lender will seek repayment of the finance only to the extent that sufficient funds are generated by specific assets financed and will not seek recourse to the Group in any other form.

17. Debtors: amounts falling due within one year

	31 August 2017 Group	**31 August 2017 Company**	31 August 2016 Group	31 August 2016 Company
	£'000	**£'000**	£'000	£'000
Trade debtors	**2,488**	**-**	1,645	-
Amounts owed by Parent Company	**230**	**-**	133	-
Amounts owed by related parties	**571**	**-**	814	-
Amounts due from subsidiary undertakings	**-**	**32,211**	-	32,211
VAT recoverable	**1,504**	**-**	983	-
Prepayments and accrued income	**3,259**	**-**	3,734	-
	8,052	**32,211**	7,309	32,211

Amounts owed by subsidiary undertakings and Parent Company noted above are interest free and repayable on demand.

18. Debtors: amounts falling due after one year

	31 August 2017 Group	**31 August 2017 Company**	31 August 2016 Group	31 August 2016 Company
	£'000	**£'000**	£'000	£'000
Derivative financial instruments	**27,020**	**-**	59,173	-
Deferred tax assets (note 11d)	**29,249**	**-**	36,472	-
	56,269	**-**	95,645	-

19. Creditors: amounts falling due within one year

	31 August 2017 Group	**31 August 2017 Company**	31 August 2016 Group	31 August 2016 Company
	£'000	**£'000**	£'000	£'000
Current instalment on borrowings	**19,525**	**-**	18,045	-
Trade creditors	**9,372**	**-**	8,341	-
Amounts owed to Parent Company	**1,808**	**-**	1,808	-
Amounts owed to related parties	**205**	**-**	116	-
Other taxes and social security	**2,375**	**-**	701	-
Other creditors	**-**	**-**	-	-
Accruals and deferred income	**26,435**	**2**	25,801	2
	59,720	**2**	54,812	2

The amount owed to Parent Company is an amount of £1,808,000 (2016: £1,808,000) owed to Student UK TopCo Limited which is interest-free and repayable on demand.

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

	31 August 2017 Group	**31 August 2017 Company**	31 August 2016 Group	31 August 2016 Company
	£'000	**£'000**	£'000	£'000
Senior debt	**499,818**	**-**	510,552	-
Senior secured notes	**505,422**	**-**	496,072	-
Senior index-linked debt	**380,230**	**-**	221,365	-
Non-recourse bank debt finance	**31,066**	**-**	32,253	
Secured subordinated loan notes	**21,893**	**-**	19,968	-
Secured bridge-funding loan notes	**5,100**	**-**	-	-
Derivative financial instruments	**161,761**	**-**	200,433	-
Loan from Parent Company	**157,713**	**-**	145,270	-
	1,763,003	**-**	1,625,913	-
Less: included in creditors amounts falling due within one year	**(19,525)**	**-**	(18,045)	-
	1,743,478	**-**	1,607,868	-
Maturity of debt				
Repayable within one year or on demand	**19,525**	**-**	18,045	-
Repayable in more than one year but less than two years	**24,437**	**-**	22,770	-
Repayable in more than two years but less than five years	**105,758**	**-**	77,827	-
Repayable in more than five years	**1,613,283**	**-**	1,507,271	-
	1,763,003	**-**	1,625,913	-
Less: included in creditors amounts falling due within one year	**(19,525)**	**-**	(18,045)	-
	1,743,478	**-**	1,607,868	-

Group

Senior debt

A number of senior loan facilities are held by Group Companies. The key weighted average terms of the facilities are:

	Interest rate	Facility length	Final repayment dates
Long-term facilities	5.624%	29 years	August 2038 – 2051

These facilities were fully drawn and utilised by 31 August 2017.

The senior debt facilities above are secured under a number of debenture deeds. Under the terms of the debentures, the finance providers have security by way of a first legal mortgage over all estates or interests in any freehold or leasehold properties and buildings, finance receivable assets and fixtures on those properties.

Senior index-linked debt

On 14 October 2013 a Group subsidiary entered into an RPI index-linked senior facility.
The facility is fully-amortising by August 2056 with a real interest rate of 2.322 per cent increasing semi-annually with RPI. The notional amount of this facility was £40,497,000 and repayments commenced in February 2016.

On 4 July 2014 a Group subsidiary entered into an RPI index-linked senior facility. The facility is fully-amortising by August 2057 with a real interest rate of 1.792 per cent increasing semi-annually with RPI. The notional amount of this facility was £113,816,000 and repayments commenced in February 2017.

On 7 April 2016 a Group subsidiary issued £67.3 million of 1.030 per cent RPI index-linked loan notes. The loan notes are fully-amortising by August 2049 with a real interest rate of 1.0302 per cent increasing semi-annually with RPI. The notional amount of this facility is £67,322,000 and repayments commenced on 28 August 2016.

On 21 December 2016 a Group subsidiary entered into an RPI index-linked senior facility. The facility is fully-amortising by August 2062 with a real interest rate of 0.16 per cent increasing semi-annually with RPI. The notional amount of this facility was £86,809,000 and repayments are scheduled to commence in February 2020.

On 25 May 2017 a Group subsidiary entered into an RPI index-linked senior facility. The facility is fully-amortising by August 2058 with a real interest rate of 0.45 per cent increasing semi-annually with RPI. The notional amount of this facility was £127,636,000 and repayments are scheduled to commence in February 2020. An amount of £56,210,000 remains undrawn as at 31 August 2017 and is scheduled to be fully drawn down by 31 August 2019.

These facilities above are secured under a number of debenture deeds. Under the terms of the debentures, the finance providers have security by way of a first legal mortgage over all estates or interests in any freehold or leasehold properties and buildings, finance receivable assets and fixtures on those properties.

Senior secured notes

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

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

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

On 9 December 2014, UPP Bond 1 Issuer plc issued £149,700,000 of fully-amortising index-linked senior secured notes, also listed on the Irish Stock Exchange. Proceeds of this issuance were on-lent on the same terms and conditions to a fellow Group undertaking to enable that Company to repay its short-term senior bank facility and associated costs.

The senior secured notes issued are secured against the assets of the UPP Bond 1 Issuer plc and the other wholly-owned subsidiaries of UPP Bond 1 Limited.

Non-recourse finance facilities

The finance providers only have recourse over the assets of the Company or Companies on which they are providing finance, with no recourse to other Group Companies (see note 15).

The key terms of the two facilities are:

	Coupon rate	**Final repayment dates**
Fixed-term loan	13.15%	July 2022
Fixed through an interest rate swap	4.695%, plus margin until September 2017, 5.910% thereafter	September 2044

Secured subordinated loan notes

The subordinated loan note funding has been provided by Nottingham Trent University, the University of Reading and the University of London.

The loan notes are subject to the same security as the senior debt facilities but are subordinated to the right of payment of senior debt providers. The weighted average rate is 12.74 per cent per annum for a weighted average period of 47 years. The final repayment dates on the subordinated loan notes range between August 2048 and August 2066.

Bridge Funding Loan Notes

The bridge funding loan note funding has been provided by the University of London and the University of Hull. The loan notes are subject to the same security as the senior debt facilities but are subordinated to the right of payment of senior debt providers.

The loan notes will be repaid by 31 August 2019 and are subject to an interest rate between 1.61 per cent and 1.75 per cent. On or before 31 August 2019 these loan notes will be repaid by the proceeds of subordinated loan notes issued in those Companies.

Loans from Parent Company

The loans from the Parent Company were provided by Student UK Acqco Limited to a wholly-owned subsidiary Company, UPP Group Limited, in three tranches. These loans bear interest at between 12.5 per cent and 12.75 per cent and are repayable between December 2022 and July 2024. These funds were utilised to invest in subsidiary undertakings.

On 31 August 2016 a subsidiary undertaking repaid two of the loan tranches noted above for a total of £54,568,000 together with accumulated interest to that date of £22,673,000.

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21. Provisions for liabilities

Group	Deferred tax	Dilapidations	Total
	£'000	**£'000**	**£'000**
At 1 September 2016	45,942	94	46,036
Charged / (credited) to profit and loss account	(828)	16	(812)
Recognised in other comprehensive income	(10,585)	-	(10,585)
Reanalysed as a debtor	1,274	-	1,274
At 31 August 2017	**35,803**	**110**	**35,913**

Deferred tax	**31 August 2017 Group**	31 August 2016 Group
	£'000	£'000
The deferred tax liability consists of:		
Accelerated capital allowances	**17,722**	15,114
Losses	**(18,861)**	(15,977)
Derivative financial instruments	**4,593**	10,651
Property revaluations	**30,831**	36,170
Loan balance – spread over 10-year period	**163**	2
Reanalysed as a debtor	**1,274**	-
Other timing differences	**81**	(18)
Total deferred tax liability	**35,803**	45,942

Dilapidations

On 10 December 2010 the Group entered into a new operating lease arrangement. The Directors are providing for expected dilapidations at the end of this new lease period.

22. Called-up share capital

	31 August 2017 Group and Company	31 August 2016 Group and Company
	£'000	£'000
Issued, allotted, called-up and fully-paid		
Ordinary share at £1 each	**6,998**	6,998

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

23. 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.

Share premium

This reserve records the amount above the nominal value received for shares issued, less transaction costs.

Other reserve

The other reserve contains credits associated with merger relief, Group reconstruction relief and differences arising on acquisition accounting where the Group has acquired and increased its stake in its subsidiary undertakings.

Capital reserve

The capital contributions relate to benefits assigned by The Alma Mater Fund LP who retain the risks associated with the benefits. These have been received in cash and are non-refundable.

Group

The £147,000 (2016: £148,000) of the capital contributions received during the year relate to benefits assigned by a previous controlling party, The Alma Mater Fund LP, who retain the risks associated with the benefits. Of the amounts as at 1 September 2016, £9,964,000 relates to capital contributions made by the previous Shareholders to fund the liabilities previously accrued under the long-term incentivisation scheme and the contingent consideration that arose on the purchase of shares in UPP Projects Limited in 2008 and £6,348,000 to subordinated debt acquired by the Group in September 2012 from Barclays European Infrastructure Fund II LP. All of these contributions have been received incash and are non-refundable.

Company

The £9,964,000 relates to capital contributions made by the previous Shareholders The Alma Mater Fund LP to fund the liabilities previously accrued under the long-term incentivisation scheme and the contingent consideration that arose on the purchase of shares in UPP Projects Limited in 2008.

Cash flow hedge reserve

Cash flow hedge reserve records the fair value movements on the derivative financial instruments and the deferred tax associated with these.

Profit and loss account

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

24. Retirement benefit schemes

Defined contribution scheme

The Group operates a defined contribution retirement benefit scheme for all employees, complying with auto-enrolment legislation from October 2013. The total cost charged to the profit and loss account of £733,000 (2016: £573,000) represents a pre-determined amount of the employee's salary paid into the scheme. As at 31 August 2017 £Nil (2016: £Nil) contributions remained outstanding.

Defined benefit scheme

Retirement benefits for 56 Group employees are provided by a defined benefit scheme which is funded by contributions by the employee and the Group. Payments are made to Nottinghamshire County Council Pension Fund ("NCCPF"). This is an independently-administered scheme and contracted out of the State Earnings Related Pension Scheme.

Contributions are set every three years as a result of the actuarial valuation, the latest being carried out at 31 March 2016 setting out contributions for the period from 1 April 2017 to 31 March 2020.

The material assumptions used by the Actuary at 31 August 2017 were:

	2017	*2016*
Rate of inflation	3.6%	3.1%
Rate of increase in salaries	4.2%	4.0%
Rate of increase in pensions	2.7%	2.2%
Discount rate for liabilities	2.5%	2.1%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age of 65 are:

	31 August 2017	31 August 2016
	Years	Years
Retiring today		
Males	**22.6**	22.1
Females	**25.5**	25.3
Retiring in 20 years		
Males	**24.8**	24.4
Females	**27.9**	27.7

Amounts recognised in the income statement are as follows:

	31 August 2017	31 August 2016
	£'000	£'000
Service cost	**100**	79
Net interest on the defined liability	**45**	47
Administrative expenses	**1**	1
	146	127

Amount taken to other comprehensive income is as follows:

	31 August 2017	31 August 2016
	£'000	£'000
Return on scheme assets in excess of interest	**336**	267
Other actuarial gains / (losses) on assets	**14**	-
Change in demographic assumptions	**(21)**	-
Experience gain / (loss) on defined benefit obligation	**(77)**	-
Change in financial assumptions	**14**	(1,089)
Re-measurement of the net assets / (defined liability)	**266**	(822)

The amount included in the statement of financial position arising from the Group's obligations in respect of its defined benefit scheme is as follows:

	31 August 2017	31 August 2016
	£'000	£'000
Present value of the defined benefit obligation	**(5,188)**	(4,970)
Fair value of scheme assets	**3,198**	2,798
Net defined benefit liability	**(1,990)**	(2,172)

Defined benefit obligation reconciliation is as follows:

	31 August 2017	31 August 2016
	£'000	£'000
At 1 September	**4,970**	3,818
Current service cost	**100**	79
Interest cost	**104**	142
Change in financial assumptions	**(14)**	1,089
Change in demographic assumptions	**21**	-
Experience gain / (loss) on defined benefit obligation	**77**	-
Estimated benefits paid net of transfers in	**(85)**	(174)
Contributions by scheme participants	**15**	16
At 31 August	**5,188**	4,970

Reconciliation of fair value of the scheme assets is as follows:

	31 August 2017	31 August 2016
	£'000	£'000
At 1 September	**2,798**	2,542
Interest on assets	**59**	95
Return on assets less interest	**336**	267
Other actuarial gains / (losses)	**14**	-
Employer contributions	**62**	53
Employee contributions	**15**	16
Administration expenses	**(1)**	(1)
Benefits paid	**(85)**	(174)
At 31 August	**3,198**	2,798

The actual return on scheme assets was £395,000 (2016: £362,000).

The estimated asset allocation of the scheme as at 31 August 2017 is as follows:

	31 August 2017		31 August 2016	
	%	**£'000**	%	£'000
Equities	**66**	**2,115**	69	1,926
Government bonds	**3**	**102**	4	105
Other bonds	**12**	**385**	7	190
Property	**12**	**373**	12	338
Cash	**2**	**67**	4	119
Other	**5**	**156**	4	120
Total fair value of scheme assets (bid value)	**100**	**3,198**	100	2,798
Present value of scheme liabilities		**(5,188)**		(4,970)
Net deficit		**(1,990)**		(2,172)

The estimated amounts of contributions expected to be paid to the scheme during the 2018 financial year is £84,000 (2017: £53,000).

The most recent triennial valuation of the Group's pension scheme for funding purposes has been performed in March 2016. The Group will monitor funding levels annually and the funding schedule will be reviewed between the Group and the scheme trustees every three years, based on actuarial valuations. The Group considers that the contribution rates agreed with the trustees are sufficient to eliminate the current deficit over the agreed period.

25. Parent undertaking and controlling party

UPP Group Holdings Limited is wholly-owned by Student UK AcqCo Limited, a Company registered in Jersey. Student UK AcqCo Limited is wholly-owned by Student UK TopCo Limited, a Company also registered in Jersey. The shareholding in Student UK TopCo Limited is 60 per cent owned by PGGM Vermogensbeheer BV ("PGGM"), on behalf of their pension fund clients. This entity is incorporated in The Netherlands.

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

26. Related party transactions

As at 31 August 2017 the Directors consider that during the year Student UK AcqCo Limited, Nottingham Trent University, University of Reading, University of London and University of Hull are the only related parties of the Group by virtue of their shareholdings in the Company – UPP (Clifton) Holdings Limited, UPP (Byron House) Holdings Limited, UPP (Reading 1) Holdings Limited, UPP (Cartwright Gardens) Holdings Limited, UPP (Duncan House) Holdings Limited and UPP (Hull) Holdings Limited respectively.

Group

During the year the Group incurred costs of £611,000 (2016: £837,000) in respect of services provided by Nottingham Trent University in respect of UPP (Clifton) Holdings Limited and UPP (Byron House) Holdings Limited. An amount of £298,000 (2016: £532,000) remains outstanding at the balance sheet date and is included within creditors falling due within one year. During the year the Group received income of £10,444,000 (2016: £10,179,000) in respect of services provided by these Companies to the University and an amount of £nil (2016: £nil) remains outstanding at the balance sheet date.

During the year the Group incurred costs of £3,976,000 (2016: £4,020,000) in respect of services provided by the University of Reading and received income of £29,627,000 (2016: £29,757,000) in respect of services provided to the University. An amount of £Nil (2016: £Nil) remains outstanding at the balance sheet date and is included within debtors falling due within one year.

During the year the Group incurred costs of £32,049,000 (2016: £Nil) in respect of services provided by the University of London and received income of £8,915,000 (2015: £nil) in respect of services provided to the University. An amount of £Nil (2016: £Nil) remains outstanding at the balance sheet date and is included within creditors falling due within one year.

During the year the Group incurred costs of £34,135,000 (2016: £Nil) in respect of services provided by the University of Hull and received income of £Nil (2016: £nil) in respect of services provided to the University. An amount of £Nil (2016: £Nil) remains outstanding at the balance sheet date and is included within creditors falling due within one year.

At 31 August 2017, the total loans payable to Student UK AcqCo Limited were £109,018,000 (2016: £109,018,000) and effective-interest accrued on these loans as at the balance sheet date was £48,699,000 (2016: £36,252,000).

On 28 January 2013 Student UK TopCo Limited lent the Group £1,808,000 by way of an interest-free loan that is repayable on demand. This amount remains outstanding at the balance sheet date and is included within creditors falling due within one year.

Company

The Company had no related party transactions during the year ended 31 August 2017.

On 31 August 2016 the Company issued 772,415 £1 Ordinary shares at £99 premium each. The share issue resulted in £77,241,500 increase in the value of its interest in UPP Group Limited, the Company's immediate subsidiary undertaking. The Company had no other transactions in the financial year ended 31 August 2016.

27. Investments

The Company owns 100 per cent of the issued share capital in UPP Group Limited.

Details of the trading subsidiaries in which UPP Group Limited holds 20 per cent or more of the nominal value of any class of share capital (or effective-interest in), and which are included within the consolidated results of these financial statements, are as follows:

	Proportion	Shares held Class	Nature of Business
UPP (Alcuin) Limited	100%	Ordinary	Student Accommodation
UPP (Lancaster) Holdings Limited	100%	Ordinary	Student Accommodation
UPP (Broadgate Park) Holdings Limited	100%	Ordinary	Student Accommodation
UPP (Nottingham) Limited	100%	Ordinary	Student Accommodation
UPP (Plymouth Three) Limited	100%	Ordinary	Student Accommodation
UPP (Kent Student Accommodation) Limited	100%	Ordinary	Student Accommodation
UPP (Loughborough Student Accommodation) Holdings Limited	100%	Ordinary	Student Accommodation
UPP Leeds Student Residences Limited	100%	Ordinary	Student Accommodation
UPP Loring Hall Limited	100%	Ordinary	Student Accommodation
UPP (Oxford Brookes) Limited	100%	Ordinary	Student Accommodation
UPP (Reading 1) Holdings Limited	80%	Ordinary	Student Accommodation
UPP (Kent Student Accommodation II) Holdings Limited	100%	Ordinary	Student Accommodation
UPP (Clifton) Holdings Limited	80%	Ordinary	Student Accommodation
UPP (Exeter) Holdings Limited	100%	Ordinary	Student Accommodation
UPP (Byron House) Holdings Limited	80%	Ordinary	Student Accommodation
UPP (Kent Turing) Holdings Limited	100%	Ordinary	Student Accommodation
UPP (Cartwright Gardens) Holdings Limited	85%	Ordinary	Student Accommodation
UPP (Duncan House) Holdings Limited	85%	Ordinary	Student Accommodation
UPP (Hull) Holdings Limited	90%	Ordinary	Student Accommodation
UPP Bond 1 Issuer plc	100%	Ordinary	Provision of senior secured bond funding
UPP Projects Limited	100%	Ordinary	Develop partnerships for the provision of student accommodation
UPP Residential Services Limited	100%	Ordinary	Provision of facility management services

The proportion of voting rights held is in line with the proportion of shares held.

28. Notes to the statement of cash flows

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

	Year ended 31 August 2017	Year ended 31 August 2016
	Group	Group
	£'000	£'000
Loss for the financial year	**(17,273)**	(15,704)
Adjustments for:		
Tax on loss on ordinary activities	**(958)**	659
Net interest expense	**83,321**	79,036
Operating profit	**65,090**	63,991
Depreciation	**7,011**	6,206
Amortisation of goodwill	**1,695**	1,695
Amortisation of computer software	**157**	57
Increase / (decrease) in provisions for dilapidations	**16**	(33)
(Increase) / decrease in debtors due within one year	**(743)**	225
Increase / (decrease) in creditors due within one year	**6,710**	3,844
Net cash inflow from operating activities	**79,936**	75,985

(b) Cash and cash equivalents comprise the following:

	At 31 August 2017	At 31 August 2016
	£'000	£'000
Cash at bank and in hand	**122,752**	111,445
Short-term deposits	**80,380**	21,250
Cash and cash equivalents	**203,132**	132,695

(c) Significant non-cash transactions

There were no significant non-cash transactions during the year ended 31 August 2017.

On 31 August 2016 the Group made a repayment of £54,568,000 loan notes payable to Student UK AcqCo Limited together with the accumulated interest of £22,673,000 which was satisfied by the issue of 772,415 ordinary shares of £1 at £99 share premium each.

29. Financial risk management

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

Interest rate risk

The Group finances its operations through a mixture of equity, bank borrowings and secured listed bond notes. The Group exposure to interest rate fluctuations on its bank borrowings is managed by the use of fixed-rate debt and interest rate swaps which fix variable interest rates for a period of time.

When the associated bank borrowings are fully repaid the Group may be required to terminate the interest rate swaps earlier than they mature and may become liable to pay penalties. When this occurs the cost of this termination is taken to the profit and loss account on termination.

As at the year end the Group has entered into the following interest rate swaps with external parties:

- a 30-year interest rate swap between UPP (Loughborough) Limited and Bank of Ireland commencing in June 2009 and finishing in June 2039
- a 29-year interest rate swap between UPP (Loughborough) Limited and Dexia Bank commencing in December 2010 and finishing in June 2039
- a 32-year interest rate swap between UPP (Lancaster) Limited and Dexia Bank commencing in November 2010 and finishing in March 2042
- a 27-year interest rate swap between UPP (Clifton) Limited and Bank of Ireland commencing in November 2012 and finishing in May 2039
- a 31-year interest rate swap between UPP (Kent Student Accommodation II) Limited and Royal Bank of Scotland commencing in October 2010 and finishing in August 2041
- a 36-year interest rate swap between UPP Leeds Student Residences Limited and Barclays Bank commencing in June 2008 and finishing in August 2044

The Group adopts hedge accounting for all of the interest rate swaps noted above.

Inflation rate risk

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

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

Hedge arrangements with external parties:

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

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

These instruments are mirrored with matching derivative instruments on–lent to six subsidiary undertakings ('AssetCos') all entered into in March 2013 as follows:

Hedge arrangements with AssetCos

- a 25-year RPI swap with UPP (Alcuin) Limited with payments/receipts commencing in February 2015 and finishing in August 2038
- a 27-year RPI swap with UPP (Broadgate Park) Holdings Limited with payments/receipts commencing in February 2015 and finishing in February 2040
- a 27-year RPI swap with UPP (Kent Student Accommodation) Limited with payments/receipts commencing in February 2015 and finishing in February 2040
- a 27-year RPI swap with UPP (Nottingham) Limited with payments/receipts commencing in February 2015 and finishing in February 2040
- a 26-year RPI swap with UPP (Oxford Brookes) Limited with payments/receipts commencing in February 2014 and finishing in August 2039
- a 27-year RPI swap with UPP (Plymouth Three) Limited with payments/receipts commencing in February 2015 and finishing in February 2040

In addition, the Group has entered into four additional interest rate swaps with external parties as follows:

- a 30-year RPI swap between UPP (Loughborough) Limited and Bank of Ireland commencing in June 2009 and finishing in June 2039
- a 29-year RPI swap between UPP (Loughborough) Limited and Dexia Bank commencing in December 2010 and finishing in June 2039
- a 32-year RPI swap between UPP (Lancaster) Limited and Dexia Bank commencing in November 2010 and finishing in March 2042
- a 27-year RPI swap between UPP (Clifton) Limited and Bank of Ireland commencing in November 2012 and finishing in May 2039
- a 31-year RPI swap between UPP (Kent Student Accommodation II) Limited and Royal Bank of Scotland commencing in October 2010 and finishing in August 2041

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

Three of the RPI swaps noted above, being the ones held by UPP (Plymouth Three) Limited, UPP (Kent Student Accommodation) Limited and UPP (Kent Student Accommodation II) Limited, do not qualify for hedge accounting as the hedged item does not meet the qualifying criteria of being separately identifiable and reliably measurable. As a result, any changes in fair values of the derivatives are recognised through the profit and loss introducing some volatility to the results for the year.

We note, however, that the limitations within FRS 102 Section 12 mean that the criteria for hedge accounting have not been met for these swaps do not impact the Group's cash flow position. The reasons for entering into RPI swaps remain commercially sound. That is, they are intended to be held to maturity in order to reduce volatility in the Group's cash flows.

Liquidity risk

The Group seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and debt servicing and by investing cash assets safely and profitably. The maturity of borrowings is set out in note 20 to the financial statements.

Demand risk

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

Portfolio risk

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

4.6m

Number of **globally-mobile students**, which is set to increase

Organisation for Economic Co-operation and Development (OECD)

30. Financial instruments

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

Group	**Carrying amount 31 August 2017**	Carrying amount 31 August 2016
	£'000	£'000
Financial assets		
Financial assets measured at fair value:		
Derivative financial assets	**27,020**	59,173
Financial assets measured at amortised cost:		
Trade debtors	**2,488**	1,645
Related party debtors	**801**	947
Financial assets		
Financial liabilities measured at amortised cost:		
Trade creditors	**9,372**	8,341
Related party creditors	**2,013**	1,924
Other taxes and social security	**2,375**	701
Accruals and deferred income	**26,435**	25,801
Senior bank debt	**499,818**	510,552
Senior secured notes	**505,421**	496,072
Senior index-linked debt	**380,230**	221,365
Non-recourse bank finance	**31,066**	32,253
Secured subordinated loan notes	**21,893**	19,968
Secured subordinated bridge funding loan notes	**5,100**	-
Loan from Parent Company	**157,713**	145,270
Total financial liabilities measured at amortised cost	**1,641,436**	1,462,247
Financial liabilities measured at fair value		
Derivative financial liabilities	**161,761**	200,433

The Group chooses to adopt hedge accounting for all its derivative financial instruments which meet the qualifying criteria for hedge accounting and reflect all movements in the fair value of these derivative financial instruments, plus the associated movement in deferred tax are accounted through the cash flow hedge reserve as follows:

	At 31 August 2017	At 31 August 2016
	£'000	£'000
As at 1 September	**(123,152)**	(81,612)
Fair value movement on derivative financial instruments	**10,403**	(48,171)
Movement in deferred tax	**(3,270)**	6,631
As at 31 August	**(116,019)**	(123,152)
Fair value of derivatives used for hedging in the Balance Sheet		
Creditors: amounts falling due after more than one year	**(161,761)**	(200,433)
Debtors: amounts falling due after one year	**20,242**	48,259
Movement in fair value of derivatives used for hedging		
Recognised loss through Other Comprehensive Income:		
Owners of the Parent	**10,403**	(48,171)
Non-controlling interest	**252**	(992)
Fair value of derivatives not used for hedging in the Balance Sheet		
Creditors: amounts falling due after more than one year	**-**	-
Debtors: amounts falling due after one year	**6,778**	10,914
Movement in fair value of derivatives not used for hedging		
Recognised profit through the Income Statement	**(4,136)**	9,783

31. Financial commitments

At 31 August 2017 the Group had an amount of £136,066,000 (2016: £1,971,000) contracted for, but not provided for, at that date. This related to construction of rooms of student residential accommodation commenced during the year.

At 31 August 2017 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	Year ended 31 August 2017	Year ended 31 August 2016
	Land and buildings	Land and buildings
	£'000	£'000
Operating leases which expire:		
Not later than one year	**486**	486
After one year but not more than five years	**1,092**	1,578
More than five years	**-**	-

At 31 August 2017 the Group had no financial commitments other than the operating lease set out above.

£5m

The **increase in capital spending** over five years that is associated with an increase of approximately 100 additional full-time equivalent (FTE) students

Frontier Economics

£500k

The **additional income from consultancy and contract research for research-intensive institutions** associated with an increase in capital spending of £5 million over five years

Frontier Economics

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