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**UPP (OXFORD BROOKES) LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

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**UPP (OXFORD BROOKES) LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	R Bailey-Watts J Benkel J Wakeford R Bienfait
<b>Company secretary</b>	J Benkel
<b>Registered number</b>	04116192
<b>Registered office</b>	40 Gracechurch Street London EC3V 0BT
<b>Independent auditor</b>	Grant Thornton UK LLP Chartered Accountants and Statutory Auditor Victoria House 199 Avebury Boulevard Milton Keynes MK9 1AU

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**UPP (OXFORD BROOKES) LIMITED**

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## UPP (OXFORD BROOKES) LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2018

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#### Business review

The Company's principal activity is the development, funding, construction and operation of university accommodation under the University Partnerships Programme (UPP), in partnership with Oxford Brookes University.

The project comprises of 770 student residential accommodation bedrooms within the Oxford Brookes University main campus.

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

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

The impending exit of the United Kingdom from the European Union (EU) continues to cast uncertainty across numerous sectors of the economy. Brexit is due to occur in March 2019 and Brexit negotiations are split into two parts. The first part relating to the past relationship (the "Divorce settlement") and the second related to future trading relationship. The intention is that both the Divorce settlement and a declaration of political intent in relation to the future trading relationship will be agreed before December 2018. The current Government remains committed to continue current funding and immigration arrangements for EU students until 31 December 2020. Whilst there have been some concerns in relation to how these changes might impact EU and International student enrolment post-Brexit, demand modelling by the Higher Education Policy Institute and London Economics suggests any fall in EU numbers will be largely offset by an increase in the population of International students; an estimated net fall in the full time student population of less than 1 per cent.

In 2016/17 Higher Education Statistics Agency (HESA) data, there were over 404,225 full-time international Higher Education (HE) students at UK HE institutions out of a total of nearly 1.8 million full-time students, representing 22 per cent of all full-time HE students. This comprises 284,000 non-EU students and 120,225 EU-domiciled students.

Despite some uncertainty, the Universities and Colleges Admissions Service (UCAS) published data at the 30 June 2018 deadline, indicating that following UK's vote to leave the EU the number of applicants from the EU increased by 2 per cent. The number of non-EU applicants reported a remarkable increase of 6 per cent, the highest number of applicants for this group. This steady growth in international student numbers proves that demand for UK HE courses remains unaffected by the UK's changing political and economic landscape

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

With effect from 1 March 2018, UPP REIT Holdings Limited, the ultimate parent company of the Company has elected for Real Estate Investment Trust ("REIT") status to apply to the Company. As a result, the Company will no longer pay income tax on profits and gains from qualifying property rental business providing it meets certain conditions. Non-qualifying profits and gains continue to be subject to income tax as normal.

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## UPP (OXFORD BROOKES) LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

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#### Principal risks and uncertainties

##### Financial risk management objectives and policies

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

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

##### Interest rate risk

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

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

##### Inflation risk

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

##### Liquidity risk

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

The maturity of borrowings is set out in note 16 to the financial statements.

##### Demand risk

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

##### Portfolio risk

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

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## UPP (OXFORD BROOKES) LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

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#### Financial key performance indicators

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

	2017/18	2016/17
Average Applications : Acceptance ratio	5.3:1	5.8:1
Average core demand pool (no. of students)	8,990	8,770

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

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

	2017/18	2016/17
Average occupancy across the facilities	100.0%	100.0%

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

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

This report was approved by the board on 7 December 2018 and signed on its behalf.



**R Bienfait**  
Director

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## UPP (OXFORD BROOKES) LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2018

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The directors present their annual report and the financial statements for the year ended 31 August 2018.

#### **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

#### **Financial risk management objectives and policies**

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

#### **Going concern**

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

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**UPP (OXFORD BROOKES) LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 AUGUST 2018**

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**Results and dividends**

The profit for the year, after taxation, amounted to £192k (2017 - loss £615k).

The directors did not declare any dividends for the year (2017 - £nil).

**Directors**

The directors who served during the year were:

R Bailey-Watts  
J Benkel  
J Wakeford  
R Bienfait

**Future developments**

Occupancy for the 2018/19 financial year has been secured at 100% which has exceeded the directors expectations.

**Disclosure of information to auditor**

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 the 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 company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Post balance sheet events**

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

**Auditor**

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

This report was approved by the board on 7 December 2018 and signed on its behalf.



**R Bienfait**  
Director



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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UPP (OXFORD BROOKES) LIMITED**

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**Opinion**

We have audited the financial statements of UPP (Oxford Brookes) Limited (the "Company") for the year ended 31 August 2018 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Conclusions relating to going concern**

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

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

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## UPP (OXFORD BROOKES) LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UPP (OXFORD BROOKES) LIMITED (CONTINUED)

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#### Other information

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

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

We have nothing to report in this regard.

#### Opinion on other matters prescribed by the Companies Act 2006

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

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

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

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

#### Matters on which we are required to report by exception

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

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

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**UPP (OXFORD BROOKES) LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UPP (OXFORD BROOKES) LIMITED  
(CONTINUED)**

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**Responsibilities of directors for the financial statements**

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

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

**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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.



Laura Brierley (Senior Statutory Auditor)

for and on behalf of

**Grant Thornton UK LLP**

Chartered Accountants

Statutory Auditor

Milton Keynes

7 December 2018

**UPP (OXFORD BROOKES) LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 AUGUST 2018**

	Note	2018 £000	2017 £000
Turnover	4	4,538	4,425
Cost of sales		(944)	(948)
<b>Gross profit</b>		<u>3,594</u>	<u>3,477</u>
Administrative expenses		(787)	(899)
<b>Operating profit</b>	5	<u>2,807</u>	<u>2,578</u>
Interest receivable	8	37	35
Interest payable and similar expenses	9	(2,652)	(3,228)
<b>Profit/(loss) before tax</b>		<u>192</u>	<u>(615)</u>
Tax on profit/(loss)	10	-	-
<b>Profit/(loss) for the financial year</b>		<u><u>192</u></u>	<u><u>(615)</u></u>

The notes on pages 14 to 34 form part of these financial statements.

The above results all relate to continuing operations.

**UPP (OXFORD BROOKES) LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 AUGUST 2018**

	Note	2018 £000	2017 £000
Profit/(loss) for the financial year		192	(615)
<b>Other comprehensive income</b>			
Unrealised surplus on revaluation of tangible fixed assets	11	1,427	-
Deferred tax on revaluation of tangible fixed assets	18	1,000	162
Fair value movement on swaps	17	129	(1,389)
Deferred tax movement on swaps	18	362	250
Capital contribution	20	15,527	-
<b>Other comprehensive income for the year</b>		18,445	(977)
<b>Total comprehensive income for the year</b>		18,637	(1,592)

The notes on pages 14 to 34 form part of these financial statements.

**UPP (OXFORD BROOKES) LIMITED**

**BALANCE SHEET  
AS AT 31 AUGUST 2018**

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Tangible fixed assets	11	43,200	42,849
		<u>43,200</u>	<u>42,849</u>
<b>Current assets</b>			
Debtors	12	4,562	3,636
Cash at bank and in hand	13	280	269
		<u>4,842</u>	<u>3,905</u>
Creditors: amounts falling due within one year	14	(1,055)	(1,229)
<b>Net current assets</b>		<u>3,787</u>	<u>2,676</u>
<b>Total assets less current liabilities</b>		<u>46,987</u>	<u>45,525</u>
Creditors: amounts falling due after more than one year	15	(36,375)	(51,488)
<b>Provisions for liabilities</b>			
Deferred tax	18	-	(1,362)
		<u>-</u>	<u>(1,362)</u>
<b>Net assets/(liabilities)</b>		<u><u>10,612</u></u>	<u><u>(7,325)</u></u>
<b>Capital and reserves</b>			
Called up share capital	19	1,206	1,206
Revaluation reserve	20	13,258	11,642
Cashflow hedge reserve	20	2,258	1,767
Profit and loss account	20	(6,110)	(21,940)
		<u><u>10,612</u></u>	<u><u>(7,325)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 7 December 2018.



**R Bienfait**  
Director

**UPP (OXFORD BROOKES) LIMITED**

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

	Called up share capital £000	Revaluation reserve £000	Cash flow hedge reserve £000	Profit and loss account £000	Total equity £000
At 1 September 2017	1,206	11,642	1,767	(21,940)	(7,325)
Profit for the year	-	-	-	192	192
Transfer from revaluation reserve	-	-	-	111	111
Deferred tax on revaluation of principal assets	-	1,727	-	-	1,727
Other movements	-	-	491	-	491
Capital contribution	-	-	-	15,527	15,527
Transfer to profit and loss account	-	(111)	-	-	(111)
<b>At 31 August 2018</b>	<b>1,206</b>	<b>13,258</b>	<b>2,258</b>	<b>(6,110)</b>	<b>10,612</b>

The notes on pages 14 to 34 form part of these financial statements.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the Profit and Loss account as a movement on reserves. The transfer for 2018 was £111k.

Profit and Loss account includes a capital contribution made in 2018 of £15,527k in relation to subordinated loan notes being waived by UPP Bond 1 Limited, the Company's Parent entity.

**UPP (OXFORD BROOKES) LIMITED**

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

	Called up share capital £000	Revaluation reserve £000	Cash flow hedge reserve £000	Profit and loss account £000	Total equity £000
At 1 September 2016 (as previously stated)	1,206	11,525	1,331	(23,226)	(9,164)
Prior year adjustment	-	-	1,554	1,797	3,351
At 1 September 2016 (as restated)	1,206	11,525	2,885	(21,429)	(5,813)
Loss for the year	-	-	-	(615)	(615)
Transfer from revaluation reserve	-	-	-	104	104
Deferred tax on revaluation of principal assets	-	221	-	-	221
Fair value of swaps	-	-	(1,118)	-	(1,118)
Transfer to profit and loss account	-	(104)	-	-	(104)
<b>At 31 August 2017</b>	<b>1,206</b>	<b>11,642</b>	<b>1,767</b>	<b>(21,940)</b>	<b>(7,325)</b>

The notes on pages 14 to 34 form part of these financial statements.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the Profit and Loss account as a movement on reserves. The transfer for 2017 was £104k.



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## UPP (OXFORD BROOKES) LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

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#### 1. General information

UPP (Oxford Brookes) Limited is a private company limited by shares incorporated in England, with company number 04116192. The registered office is 40 Gracechurch Street, London, EC3V 0BT.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

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

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

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

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

The following principal accounting policies have been applied:

##### 2.2 Going concern

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

##### 2.3 Turnover

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2018

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**2. Accounting policies (continued)**

**2.4 Tangible fixed assets**

Tangible fixed assets are stated at valuation, net of depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost of the tangible fixed assets, less any residual value, over the expected useful economic lives of the assets concerned once construction is complete. The principal rates of depreciation used for this purpose are:

Assets for use in operating leases - annuity method over the term of the lease

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

The Company has adopted a policy to revalue the principal asset every five years with an interim valuation performed in year three of the cycle and in other years if there is evidence that the value has changed significantly. The movement in fair value is recognised in other comprehensive income and accumulated in equity in a revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged to the profit and loss 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.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

**2.5 Financial reporting standard 102 - reduced disclosure exemptions**

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

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

This information is included in the consolidated financial statements of UPP Group Holdings Limited as at 31 August 2018 and these financial statements may be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2018

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**2. Accounting policies (continued)**

**2.6 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.

**2.7 Interest income**

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2018

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2. Accounting policies (continued)

2.8 Current and deferred taxation

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

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

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

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

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

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

Deferred tax is calculated on a non-discounted basis using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference. Group relief is only accounted for to the extent that a formal policy is in place at the reporting period end. Where no policy is in place, current and deferred tax is measured before benefits which may arise from a formal group relief policy.

With effect from 1 March 2018, UPP REIT Holdings Limited, the ultimate parent company of the Company has elected for Real Estate Investment Trust ("REIT") status to apply to the Company. As a result, the Company will no longer pay income tax on profits and gains from qualifying property rental business providing it meets certain conditions. Deferred tax accrued to the date of conversion in respect of assets and liabilities of the qualifying property rental business will no longer be provided for as the relevant temporary differences will no longer be taxable on reversal

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2018

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**2. Accounting policies (continued)**

**2.9 Related party transactions**

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

**2.10 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**2.11 Interest bearing loans and borrowings**

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial liability, or (where appropriate) a shorter year, to the net carrying amount on initial recognition.

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

**2.12 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.

**2.13 Derivative instruments**

Derivatives such as inflation swaps are not basic financial instruments.

To mitigate its exposure to changes in inflation, the Company has entered into an inflation linked swap ('RPI swaps') with UPP Bond 1 Issuer Plc, a fellow group undertaking. All derivative instruments are initially measured at fair value on the date the contract is entered into and subsequently re-measured to fair value at each reporting date. The gain or loss on re-measurement is taken to the income statement in finance cost or finance income as appropriate, unless they are included in a hedging arrangement.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair values of inflation swap contracts are determined by calculating the present value of the estimated future cash flows using observable yield curves.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2018

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**2. Accounting policies (continued)**

**2.14 Hedge accounting**

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

Inflation linked swaps are held to manage the Company's exposure to changes in RPI. The Company'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 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 Company has elected to adopt hedge accounting for all its swaps which meet the qualifying criteria for hedge accounting under Section 12 of FRS 102. It is considered that the criteria to apply hedge accounting have been met.

**2.15 Finance costs**

Financing costs, comprising interest payable on loans and subordinated loan notes and the costs incurred in connection with the arrangement of borrowings are recognised in the statement of comprehensive income using the effective interest method. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument unless the capital instrument is subsequently carried at fair value in which case the initial issue costs are expensed in the profit and loss account.

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

**2.16 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2018

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**3. Judgements in applying accounting policies and key sources of estimation uncertainty**

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

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

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

**Revaluation of the principal assets (note 11)**

The Company 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 Company engages independent valuation specialists to determine the fair value of the assets every five years, with a directors' valuation performed at any other interim period. The valuation technique employed by both the independent valuers and directors is based on a discounted cash flow model as there is a lack of comparable market data due to the specific nature of the property assets. The determined fair value of the principal assets is most sensitive to the estimated rental growth, discount rate, as well as the long term occupancy rates. The key assumptions used to determine the principal assets are further explained in note 11.

**Valuation of RPI swaps (note 18)**

The Directors have adopted a policy of measuring fair value of derivative financial instruments on a 'transfer basis' rather than 'marked to market' or so called 'settlement basis', which is further explained in Note 21. A transfer value basis measures an instrument on a notional trade between two equal parties, as opposed to the Group and an independent third party. The transfer basis method of valuation better reflects the economic relationship between the swaps and the hedged items in relation to hedge effectiveness.

Derivatives are initially recognised at fair value at the date a derivative is entered into and are subsequently re-measured to their fair value at each reporting date. 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 Company has used a third party expert to assist with valuing such instruments.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. The resulting gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2018

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3. Judgements in applying accounting policies (continued)

Impairment of non-financial assets

The Company assesses at each reporting date whether an asset may be impaired. If any such indication exists the Company estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through impairment in profit and loss, unless the asset is carried at a revalued amount where the impairment loss of a re-valued asset is a revaluation decrease.

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

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

Presentation of the principal asset

Rent receivable is generated from the Company'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 Company 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 Company does not have the majority of significant risks and rewards. Where it does, the asset is treated as a tangible fixed asset.

The directors consider the balance of the risks and rewards lies with the company due to the Company taking the key demand risk and therefore the assets are treated as tangible fixed asset.

Classification of index-linked financial instruments

The Company's index-linked senior secured notes are fully amortising with both principal repayments and real interest adjusted semi-annually by the change in the RPI index. Management have concluded that despite both principal and interest being linked to RPI, these links are not leveraged and because both principal and interest repayment obligations change in the same proportion and therefore the conditions in paragraphs 11.9(a) and (aA) of FRS 102 are met and the Company's index linked financial instruments are classified as basic and carried at amortised cost.

Hedge accounting for inflation swaps

The Company has chosen to apply hedge accounting for all hedging instruments which are in a qualifying hedging relationship under Section 12 of FRS 102. 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.



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**UPP (OXFORD BROOKES) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2018**

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**4. Turnover**

Turnover represents income, on the basis of accounting policy 2.3, excluding VAT, attributed to the provision of student accommodation.

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Provision of student accommodation	<b>4,538</b>	<b>4,425</b>
	<b>4,538</b>	<b>4,425</b>

All turnover arose within the United Kingdom.

**5. Operating profit**

The operating profit is stated after charging:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Depreciation of tangible fixed assets	<b>375</b>	<b>351</b>

**6. Auditor's remuneration**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<b>11</b>	<b>13</b>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

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**UPP (OXFORD BROOKES) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2018**

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**7. Employees**

Staff costs were as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	<b>359</b>	<b>351</b>
Social security costs	<b>31</b>	<b>28</b>
Cost of defined contribution scheme	<b>18</b>	<b>13</b>
	<b>408</b>	<b>392</b>

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

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Site managers (full time)	<b>1</b>	<b>1</b>
Administration, maintenance and cleaning (full and part time)	<b>15</b>	<b>16</b>
	<b>16</b>	<b>17</b>

**Key management personnel**

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration with respect of these individuals is £nil (2017: £nil).

**8. Interest receivable**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Interest receivable from group companies	<b>19</b>	<b>19</b>
Bank interest receivable	<b>18</b>	<b>16</b>
	<b>37</b>	<b>35</b>

**UPP (OXFORD BROOKES) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2018**

**9. Interest payable and similar expenses**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Fixed rate interest payable to group undertakings	<b>1,491</b>	<b>1,518</b>
Subordinated loan note interest payable	<b>608</b>	<b>1,167</b>
Index-linked interest payable to group undertakings	<b>553</b>	<b>543</b>
	<u><b>2,652</b></u>	<u><b>3,228</b></u>

Fixed rate and index-linked interest is payable to UPP Bond Issuer 1 plc.

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

**10. Taxation**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Total current tax</b>	<u>-</u>	<u>-</u>
<b>Deferred tax</b>		
<b>Total deferred tax</b>	<u>-</u>	<u>-</u>
<b>Taxation on profit on ordinary activities</b>	<u>-</u>	<u>-</u>

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UPP (OXFORD BROOKES) LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2018

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10. Taxation (continued)

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2017 - *higher than*) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.58%). The differences are explained below:

	2018 £000	2017 £000
Profit/(loss) on ordinary activities before tax	191	(615)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.58%)	36	(120)
<b>Effects of:</b>		
Expenses disallowable for tax purposes	85	-
Non-taxable income	(64)	(3)
Movement in deferred tax not recognised	13	123
Exempt property rental (profits) / losses in the year	(70)	-
<b>Total tax charge for the year</b>	-	-

**Factors that may affect future tax charges**

With effect from 1 March 2018, UPP REIT Holdings Limited, the ultimate parent company of the Company has elected for Real Estate Investment Trust ("REIT") status to apply to the Company. As a result, the Company will no longer pay income tax on profits and gains from qualifying property rental business providing it meets certain conditions. Non-qualifying profits and gains continue to be subject to income tax as normal.

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

A deferred tax asset of £2,974k (2017: £2,422k) in respect of available tax losses has not been recognised at 31 August 2018.

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**UPP (OXFORD BROOKES) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2018**

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**11. Tangible fixed assets**

	Assets for use in operating leases £000
<b>Valuation</b>	
At 1 September 2017	43,200
At 31 August 2018	<u>43,200</u>
At 1 September 2017	351
Charge for the year on owned assets	375
On revalued assets	(726)
At 31 August 2018	<u>-</u>
<b>Net book value</b>	
At 31 August 2018	<u><u>43,200</u></u>
At 31 August 2017	<u><u>42,849</u></u>

## UPP (OXFORD BROOKES) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

#### 11. Tangible fixed assets (continued)

Fixed assets include borrowing costs up to the date of completion of £1,455k (2017: £1,455k).

Assets used in operating leases were independently valued by Jones Lang LaSalle Limited ("JLL"), Chartered Surveyors, on an existing use basis at 31 August 2018. JLL have confirmed that the value as at that date was £43,200k.

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

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

	2018	2017
Discount rates	8.30%	8.40%
Occupancy rates	99.25%	99.25%
Long term annual rental growth	3.0%	3.0%

Cost or valuation at 31 August 2018 is as follows:

	Assets for use in operating leases £000
<b>At cost</b>	<b>31,489</b>
<b>At valuation:</b>	
Revaluation as at 31st August 2018	11,711
	<u><u>43,200</u></u>

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

	2018 £000	2017 £000
Cost	31,489	31,840
Accumulated depreciation	(1,909)	(1,645)
<b>Net book value</b>	<u><u>29,580</u></u>	<u><u>30,195</u></u>

**UPP (OXFORD BROOKES) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2018**

**12. Debtors**

	2018 £000	2017 £000
<b>Due after more than one year</b>		
Financial instruments	2,259	2,129
	<u>2,259</u>	<u>2,129</u>
<b>Due within one year</b>		
Amounts owed by group undertakings	2,298	1,503
Prepayments and accrued income	5	4
	<u>4,562</u>	<u>3,636</u>

Included within amounts owed by group undertaking is a balance of £597k (2017 - £638k) which is to fund a debt service reserve account that is sized to be adequate to cover the next six months of service costs of both tranches of the senior secured notes. This amount is reviewed every six months and increased or decreased accordingly. Interest receivable on these loans is calculated using the effective interest method which is different to the actual cash interest received at the rate the company earns interest on the cash balances it holds.

**13. Cash and cash equivalents**

	2018 £000	2017 £000
Cash at bank and in hand	280	269
	<u>280</u>	<u>269</u>

**14. Creditors: Amounts falling due within one year**

	2018 £000	2017 £000
Fixed rate on loans	550	645
Trade creditors	-	7
Amounts owed to group undertakings	102	177
Accruals and deferred income	403	400
	<u>1,055</u>	<u>1,229</u>

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

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UPP (OXFORD BROOKES) LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2018

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

	2018 £000	2017 £000
Fixed rate on loans	27,665	28,170
Index-linked on loans	8,710	8,399
Unsecured subordinated loan	-	14,919
	<u>36,375</u>	<u>51,488</u>

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



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## UPP (OXFORD BROOKES) LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

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#### 16. Loans

##### On loans

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

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

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

	Amount	Interest rate	Maturity
Tranche A	31,615,000	Fixed rate at 4.9023%	31 August 2039
Tranche B	7,826,000	Index-linked at 2.7291%	31 August 2047

The on-loan facilities above are secured under a debenture deed. Under the terms of the debenture, the finance provider, UPP Bond 1 Issuer plc, has security by way of a first legal mortgage over all estates or interests in the leasehold properties and buildings and fixtures on those properties, as well as security over all other assets of the company by way of fixed and floating charges.

##### Unsecured subordinated loan notes

On 5 March 2013 UPP Bond 1 Limited provided unsecured subordinated loan notes of £13,378,000 to the company. These loan notes bear interest at 14%.

Effective from 1 March 2018 subordinated loan notes were waived by UPP Bond 1 Limited resulting in a capital contribution of £15,527k.

**UPP (OXFORD BROOKES) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2018**

**16. Loans (continued)**

Analysis of the maturity of loans is given below:

	2018 £000	2017 £000
<b>Amounts falling due within one year</b>		
Fixed rate on loans	550	645
	<u>550</u>	<u>645</u>
<b>Amounts falling due 1-2 years</b>		
Fixed rate on loans	620	550
	<u>620</u>	<u>550</u>
<b>Amounts falling due 2-5 years</b>		
Fixed rate on loans	3,295	1,897
	<u>3,295</u>	<u>1,897</u>
<b>Amounts falling due after more than 5 years</b>		
Fixed rate on loans	23,751	25,723
Index-linked on loans	8,710	8,399
Unsecured subordinated loan notes	-	14,919
	<u>32,461</u>	<u>49,041</u>
	<u><u>36,926</u></u>	<u><u>52,133</u></u>

**UPP (OXFORD BROOKES) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2018**

**17. Financial instruments**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Financial assets</b>		
Derivative financial instruments measured at fair value	<b>2,258</b>	2,129
Financial assets measured at amortised cost	<b>2,578</b>	1,772
	<u><b>4,836</b></u>	<u>3,901</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u><b>(36,960)</b></u>	<u>(52,721)</u>

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

Financial assets that are equity instruments measured at cost less impairment comprise...

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

Derivative financial instruments measured at fair value comprise an RPI swap.

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

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair values of inflation swap contracts are determined by calculating the present value of the estimated future cash flows using observable yield curves.

The Company entered into the RPI swap on 5 March 2013, fixing a portion of the underlying rental income stream to 2.7%. The RPI swap is for a period of 27 years from March 2013, commencing in February 2015 and finishing in February 2042.

The Company applies hedge accounting for its derivative instrument as the criteria are not met under section 12 FRS 102. A net hedging gain of £129k arose during the year (2017: £1,227k loss) and was recognised in other comprehensive income, reflecting the change in fair value of the RPI swap.

**UPP (OXFORD BROOKES) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2018**

**18. Deferred taxation**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
At beginning of year	(1,362)	(1,855)
Charged to other comprehensive income	1,362	493
<b>At end of year</b>	<b>-</b>	<b>(1,362)</b>

The deferred taxation balance is made up as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Deferred tax on revaluation of tangible asset	-	(1,000)
Deferred tax on RPI swap	-	(362)
	<b>-</b>	<b>(1,362)</b>
<b>Comprising:</b>		
Liability	-	(1,362)
	<b>-</b>	<b>(1,362)</b>

As a result of electing into REIT, the deferred tax accrued to the date of conversion in respect of assets and liabilities of the qualifying property rental business has been released due to the relevant temporary differences no longer being taxable on reversal.

**19. Share capital**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Authorised, allotted, called up and fully paid</b>		
1,205,957 (2017 - 1,205,957) Ordinary Shares shares of £1.00 each	<b>1,206</b>	<b>1,206</b>

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

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## UPP (OXFORD BROOKES) LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

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#### 20. Reserves

##### Revaluation reserve

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

##### Other reserves

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

##### Profit and loss account

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

Profit and Loss account includes a capital contribution made in 2018 of £15,527k in relation to subordinated loan notes being waived by UPP Bond 1 Limited, the Company's Parent entity.

#### 21. Controlling party

The Company is wholly owned by UPP Bond 1 Limited, a wholly owned subsidiary of UPP Bond 1 Holdings Limited.

UPP Bond 1 Holdings Limited is a wholly owned subsidiary of UPP REIT Holdings Limited.

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

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

The group of which the Company is a member and for which group accounts are prepared is UPP Group Holdings Limited and UPP REIT Holdings Limited.

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

Copies of the UPP REIT Holdings Limited accounts can be obtained from [www.upp-ltd.com](http://www.upp-ltd.com), once they have been published.