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UPP REIT Holdings
Limited (formerly
consolidated as
Student UK TopCo
Limited) consolidated
financial statements

For the financial year ended 31 August 2018



FINANCIAL STATEMENTS

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Directors	Richard Bienfait Michael Bryan Irina Frolova Henry Gervaise-Jones Hendrik Huizing Robert McClatchey Andrew Wilkie
-	-
Secretary	Julian Benkel Sanne Secretaries Limited
-	-
Auditor	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU
-	-
Registered office	IFC 5 St Helier Jersey JE1 1ST

Strategic report

The Directors present their report and financial statements for the year ended 31 August 2018

Principal activity and business review

UPP REIT Holdings Limited ('the Company') (ISIN – JE00BF5PSP50) is a close-ended UK REIT and the Parent of the UPP REIT Holdings Group ('the Group'). The Company was incorporated on 18 April 2017 and admitted to the Official List of The International Stock Exchange (TISE) on 28 February 2018. As a result of the Group restructuring in February 2018 the Company became a parent company of UPP Group Holdings Limited, trading as University Partnerships Programme ('UPP'). The Company's principal activities are those of an investment holding company and the provision of treasury management facilities. The principal activity of its subsidiary undertakings is the development, funding, construction and operation (including facilities management) of residential student and academic accommodation under the University Partnerships Programme.

For the financial year ended 31 August 2018, the Group turnover grew by 38% to £247.1 million. There was an increase in EBITDA of 9% to £80.7 million (2017: £73.8 million).

The Group has continued to grow the number of beds under management with both new and existing partners. During the year the Group has successfully reached financial close on two transactions with both existing and new university partners, in total procuring approximately £140.0 million of new senior borrowing and subordinated debt and equity.

The year also saw the Group awarded Preferred Bidder status with respect to a further 1,182 new study bedrooms with its existing partner the University of Exeter. The Group was also responsible for oversight of the construction of 1,973 new bedrooms with two university partners, both of which remain on programme.

During the year, one of the Group's subsidiary undertakings, UPP (Exeter) Limited, continued to progress latent defect work identified in 2016 in its accommodation. A programme of remediation will continue over the next three financial years, with no financial impact on the performance of the subsidiary undertaking.

As noted in the Strategic Report in the consolidated UPP Group Holdings Limited accounts for the financial year ended 2017, following the fire at Grenfell Tower in June 2017, the Group took the decision to replace the cladding at another of its subsidiary undertakings, UPP (Byron House) Limited. In consultation with the University partner, Nottingham Trent University, works to three blocks of accommodation – a total of 232 of the 911 rooms within the accommodation – were replaced. An amount of £1.7 million was provided in administration expenses to cover the anticipated remediation costs plus associated legal and professional fees, and an impairment of £0.6 million was made to the carrying value of the fixed asset, reflecting the loss in revenue due to the vacant rooms in the year ended 31 August 2018. The works were delivered to programme and are available to students for the academic year 2018/19.

Whilst the UK referendum decision to leave the European Union (EU) during 2016 and the parliamentary arithmetic resulting from the General Election of June 2017 continue to result in uncertainty for business in numerous sectors of the economy, UK higher education (HE) has maintained its undiminished reputation as a leading destination for students from around the globe. In the Times Higher Education World University Ranking for 2018 there were still 12 UK universities appearing in the top 100 institutions globally, with more than 30 in the top 200.

Recognition of the nature of global competition continues to lead many institutions to seek partnerships for the provision of cutting-edge facilities ensuring a strategic competitive advantage in the market for the best students. The Group continues to offer attractive, demand risk transfer transactions, facilitated by non-recourse financing utilising sustainable capital market funding, rated at investment grade based on the strength of the partnership between the parties.

During the financial year robust market conditions have seen the Group conclude two transactions, the first during February 2018 with Swansea University and subsequently during June, with the University of Exeter. These universities are respectively ranked 30 and 12 in the Sunday Times Good University Guide.

At Swansea University, one of UPP's subsidiaries successfully reached financial close on a £98.0 million deal with the FTSE 250 developer St Modwen Properties PLC to establish a new, 45-year partnership for 2,021 study bedrooms at the Bay Campus. In an innovative approach, the Group completed the acquisition of two existing companies as well as securing a freehold property interest in further accommodation. The transaction included procuring £63.0 million of index-linked bond

debt from Pension Insurance Corporation (PIC), split across two debt tranches of £44.9 million and £18.1 million, with debt terms of 44 years and 37 years respectively. UPP Group and its Shareholders invested £34.8 million of subordinated debt and equity. UPP Residential Services Limited (URSL) will deliver a full facilities management service, drawing on its student experience expertise.

On 5 February 2018, UPP's Shareholders invested £33,000k which was used to part-fund the Swansea acquisition.

During June of 2018, one of UPP's subsidiaries also reached financial close on a £41.4 million deal to deliver 382 high-quality student residences for the University of Exeter. The scheme involves the redevelopment of the existing Moberly and Spreytonway sites on the University's Streatham Campus. UPP and the University have worked together since 2009, when a £133 million transaction saw the creation of a bespoke, long-term partnership – since which UPP has delivered and now operates over 2,500 on-campus residences. The scheme subsequently acceded to the Group's Irish Stock Exchange-listed Bond programme in December 2014. The new transaction was funded by £37.2 million of index-linked bond debt from PIC with a debt tenor of 47 years. This new investment at Exeter, the fifth transaction undertaken on a bilateral term, takes the total that PIC has invested in UPP schemes to over £350 million. UPP Group and its Shareholders invested £4.2 million of subordinated debt and equity.

Also during June, the University of Exeter announced that it was awarding one of UPP's subsidiaries preferred bidder status to design, build, fund and operate a further 1,182 bedrooms as part of its East Park project. Subsequent to the end of the financial year, in October 2018, the proposed scheme was granted planning

permission and in January 2019, one of UPP's subsidiaries and the University successfully reached financial close on a £139.7 million deal, with construction commencing in the same month. On completion of the development, UPP will operate well over 4,000 rooms on the University of Exeter campus.

In terms of ongoing development work, the Group has circa 1,200 rooms under construction. These contracts for schemes with the University of Hull and the University of London – procured by UPP Projects Limited (UPL) and overseen by the Group's newly established asset management division UPP Management (UM) – remain on programme to reach practical completion as planned.

Phase one of Westfield Court at the University of Hull reached completion comfortably ahead of the new academic year with phase two completed during January 2019 and phase three set to become operational in August 2019. Redevelopment at Moberly and Spreytonway began in earnest during the summer of 2018 and is scheduled for completion for the start of the academic term 2020/21. When fully built-out, the Group will operate a portfolio of over 35,000 rooms across 15 long-term partnerships with leading UK universities.

During September 2017 the 100%-owned operational subsidiary of the Company, URSL, began its renewed operational contract with GradPad, a commercial subsidiary of Imperial College London. As part of the contract, URSL now operates a total of 1,172 rooms for the College, more than doubling its previous offering. The stand-alone asset management contract added a further 606 beds at Wood Lane Studios in White City, London to the portfolio of the Company, as well as the renewal of its existing contract for the management of Griffon Studios in Battersea. The enhanced partnership underlines the position of the Company as the leading provider of on-campus facilities management and support services in the UK. During December 2018, the facilities management contract operated by UPP

Residential Services Limited (URSL) at the University of Bath came to an end.

Other notable events taking place during the financial year include the conversion of the wider Group to a Real Estate Investment Trust (REIT) on 1 March 2018. The REIT structure, which has been promoted by the UK Government as an efficient vehicle for the long-term ownership of UK real estate interests, will allow the asset companies comprising the Group's property portfolio to benefit from the REIT exemption from corporation tax arising in its property rental business. To facilitate the conversion to a UK REIT, UPP has listed on The International Stock Exchange (TISE). UPP remains UK tax resident. The move represents the next step in the long-term strategy of the Group to achieve controlled value accretive growth, enhancing resilience and improving the quality of returns to Shareholders. It also provides further commercial benefits for UPL in ongoing bidding activities.

Conversion to a REIT required the Group to restructure. To facilitate the REIT conversion, it has been necessary to adopt International Financial Reporting Standards (IFRS). The Company was incorporated in April 2017. During February and March 2018, through a number of transactions, the Group retired the previous parent company Student UK TopCo Limited ('SUKT') and its direct subsidiary Student UK AcqCo Limited ('SUKA') and established the Company as the Parent of the Group.

A component of the Group restructure involved a waiver of subordinated Shareholder debt – including accrued interest to a value of £606,940k for the 999,990 ordinary shares, with an aggregate nominal value of £1,000k. The fair value of the shares acquired were recorded as share premium to the amount of £458,742k. The remaining part of the debt waiver was reflected in retained earnings as a capital contribution from Shareholders.

As a result of the above changes, the Group has become a REIT and adopted IFRS. These

financial statements, for the year ended 31 August 2018, are the first the Group has prepared in accordance with IFRS.

Ahead of the financial year end the Group also announced important leadership changes. Richard Bienfait, previously Chief Financial Officer (CFO), assumed the role of Chief Executive Officer (CEO) in January 2019. Sean O'Shea has moved to the role of Vice Chairman focusing on ensuring a smooth transition of roles and other key elements of the business. Richard's replacement is Henry Gervaise-Jones, previously Director of Corporate Finance, who assumed the role of CFO in January 2019.

The impending exit of the UK from the EU continues to cast uncertainty across numerous sectors of the economy. Brexit is due to occur in March 2019 and negotiations are split into two parts – the first part relating to the past relationship (the “Divorce settlement”) and the second related to a future trading relationship. The initial intention was that both the Divorce settlement and a declaration of political intent in relation to the future trading relationship would be agreed before December 2018. However, Parliamentary discontent with the proposed deal has delayed this process and, as a result, negotiations continue. It is possible that this may lead to an extension of the Article 50 period, however, this is far from certain. With respect to higher education, the Government remains committed to continue current funding and immigration arrangements for EU students during this period and 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%.

Despite some uncertainty, the Universities and Colleges Admissions Service (UCAS) published

data at the 30 June 2018 deadline indicating that, following the UK's vote to leave the EU, the number of applicants from the EU increased by 2%. The number of non-EU applicants reported a remarkable increase of 6%, the highest number of applicants for this group.

Also of note is the ongoing Augar Review of HE funding. Due to report in January 2019, the Review is focusing on the value-for-money proposition of tuition fees and maintenance costs relative to both the cost of course provision but also the likely returns for students. This could potentially result in a change to the current tuition fee cap of £9,250, although at this stage it is not anticipated that this will impact detrimentally on student demand. Accommodation costs also form part of the review.

On this basis, the Group's Board remain confident both in the robust nature of domestic and international demand for UK HE, the Group pipeline and the capacity of the Group to secure and deliver transactions coming to market on the basis of its unique, selective approach to partnerships. The Group's Board remains cognisant of the attendant risks relating to this approach and will continue to actively manage these where they arise.

Financial risk management objectives and policies

The Group uses various financial instruments including loans, cash, interest risk and inflation swaps 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 of the Group's financial instruments are of sterling denomination and the Group does not trade in financial instruments or derivatives.

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 retained profits, intra-group borrowings, parent company loans and an overdraft facility. Interest on the intra-group borrowings and parent company loans is at fixed commercial rates. Interest on the overdraft facility is at a base rate plus a margin. This overdraft is in place to aid short-term cash management and it is renewable annually.

Liquidity risk:

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

Market specific risks:

The Group remains exposed to industry-specific risks such as demand fluctuation driven by changes in funding arrangements of UK HE, changes to tuition fees and maintenance grants and Government policy aimed at generating greater competition between institutions for students with high grades.

The Group operates a structured risk management process which identifies, evaluates and prioritises risks and uncertainties. During the year the Group introduced a number of additional initiatives to further improve the management of these risks. In the case of exposure to the loss of risk capital in bidding and long-term demand risk, the Group has established an Investment Committee under whose terms of reference proposed investments are scrutinised and challenged on the basis of cost and other commercial conditions ahead of any decision taken to sanction. With respect to its approach to risk

management more generally, during the year the Group introduced a “Three Lines of Defence” model of risk management as recommended by The Institute of Internal Auditors. This involves specified functions of the business owning and managing risks, internal compliance and audit reviews of this risk management and independent third-party assurance of risk management processes. This provides improved coverage of risks and controls, a generally improved risk culture across the organisation and improved reporting to the executive management.

Employees

The Group is an equal opportunities employer with particular reference to non-discrimination and non-harassment on the basis of 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 UPP Group secured Investors in People accreditation. During 2014 the Group successfully implemented the living wage across the portfolio.

Key financial performance indicators

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

	2017/18	2016/17
	£'000	£'000
Turnover	247,096	178,895
EBITDA (Earnings before interest, tax, amortisation and depreciation)	80,719	73,831
Loss after tax	(59,862)	(93,031)

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

- Like-for-like turnover increased by 38% during the year primarily due to the increase in construction services turnover from £19,901k in year ended 31 August 2017 to £76,362k in year ended 31 August 2018, acquisition of UPP (Swansea) Holdings Limited and contractual rental increases across the portfolio
- The increase in EBITDA by 9% during the year was caused mainly by the successful close of two transactions within the UPL business, reflecting the full recovery of bid costs on these transactions

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.

	2017/18	2016/17
Average occupancy:		
Acceptance ratio	6.20	5.91:1

The indicator above is directly related to the performance of the relevant university partners of these subsidiary undertakings, among other factors, and 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.

	2017/18	2016/17
Average occupancy across all facilities	100.0%	99.9%

The target occupancy levels across all facilities is 98-99%, 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 2,627 to nearly 32,915 rooms.

On behalf of the Board



Richard Bienfait

Director

14 February 2019

— Directors' report

The Directors present their report for the year ended 31 August 2018

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').

Corporate information

The principal legislation under which the Company operates is the Companies (Jersey) Law 1991. The Company is tax resident in the United Kingdom and therefore operates under UK tax laws.

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. The REIT conversion that was performed in the year ended 31 August 2018 did not impact the assets and liabilities of the Group or the Company as at 31 August 2018.

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 4 to 9.

Dividend

After the end of the financial year, the Directors have proposed a dividend of £8,000k. The dividend has been paid on 30 November 2018.

Directors and their interests

The Directors holding office during the year ended 31 August 2018 and subsequently are:

Richard Bienfait	from 18 April 2017
Michael Bryan	from 28 February 2018
Irina Frolova	from 28 February 2018
Henry Gervaise-Jones	from 1 January 2019
Hendrik Huizing	from 1 January 2019
Robert McClatchey	from 28 February 2018
Andrew Wilkie	from 17 July 2018
Julian Benkel	from 18 April 2018 until 28 February 2018
Ran Feng	from 28 February 2018 until 17 July 2018
Sean O'Shea	until 31 December 2018

At 31 August 2018 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 consolidated financial statements. The Directors are required by the Companies (Jersey) Law 1991 to prepare consolidated financial statements which give a true and fair view of the state of affairs of the Company and Group and the profit and loss of the Group for that period. The Directors have elected to prepare

the Group's financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as endorsed by the EU and in accordance with the Companies (Jersey) Law 1991.

The Directors, in preparing these consolidated financial statements, are also required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed subject to any material departures disclosed or explained in the consolidated financial statements;
- Prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business

The Directors are responsible for keeping accounting records which are sufficient to show and explain the Group's and Company's transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements are properly prepared and in accordance with the Companies (Jersey) Law 1991. 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.

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 confirm that they have complied with the above requirements in preparing the consolidated financial statements.

Independent auditors

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

**Signed in accordance with a resolution
of the Directors;**

By order of the Board



Richard Bienfait

Director

14 February 2019

Independent auditor's report to the members of UPP REIT Holdings Limited

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of UPP REIT Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 August 2018 which comprise the Consolidated Statement of Profit or Loss, Consolidated Statement of other Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position, Company Statement of Financial Position, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies (Jersey) Law 1991.

In our opinion, the financial statements:

- 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 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies (Jersey) Law 1991; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

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 as applied to listed entities, 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 Article 113A of the Companies (Jersey) Law 1991. 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.

Overview of our audit approach

- Overall materiality: £38m, which represents 1.9% of the Group's total assets
- Key audit matters were identified as:
 - Valuation of principal assets arising from service concession arrangements (SCAs)
 - Hedge accounting
 - Presentation of new assets arising from SCAs
 - Compliance with REIT requirements
 - IFRS transition

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group	How the matter was addressed in the audit	Key Observations
<p>Valuation of Principal Assets arising from service concession arrangements (SCA)</p> <p>The value of the principal assets arising from SCA's of the Group was £1,596m (2017: £1,390m) at the year end. This is split between Service concession arrangements-intangible assets (£1,493m) and Service concession arrangements – financial assets (£103m).</p> <p>Given the nature of the assets, being student accommodation, management experts are used to assist in the valuation of the assets.</p> <p>Due to the level of judgement and complexity involved in the valuation, we identified the valuation of principal assets as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> • Obtaining valuations of principal assets and checking reasonableness of assumptions used by the third-party valuers including the completion of sensitivity analysis of the key assumptions being the discount rates, occupancy rates and retail price index (RPI); • Using our own valuation experts to inform our challenge of the valuation methodology used by management experts. Specifically, we focused on the appropriateness of the valuation basis selected, the underlying assumptions used and key financial inputs; and • Assessing the objectivity and competency of management experts <p>The Group's accounting policy on valuation of principal assets is shown in note 2.9 to the financial statements and related disclosures are included in note 17.</p>	<p>Our testing did not identify any material misstatements.</p>
<p>Hedge Accounting</p> <p>Both the valuation of the swaps and application of hedge accounting are highly complex. The Group has interest rate and retail price index (RPI) swaps which are measured at fair value at each reporting date and thus can create significant volatility in the statement of comprehensive income due to fair-value movements between reporting dates.</p> <p>We therefore identified hedge accounting as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> • Checking the valuation model calculation of the swaps and the effectiveness of the hedge calculations prepared by management's expert • Testing the inputs and assumptions, such as interest rates, inflation rates and credit spreads, for valuing and accounting for hedges to ensure they are in line with IFRS 13 Fair Value measurement and IFRS 9 Financial instruments. <p>The Group's accounting policy on hedge accounting is shown in note 2.13 'Derivative financial instruments and hedge accounting'</p> <p>to the financial statements and related disclosures are included in notes 23 and 24.</p>	<p>Our testing did not identify any material misstatements.</p>

Key Audit Matter – Group	How the matter was addressed in the audit	Key Observations
<p>Presentation of new principal assets arising from service concession arrangements</p> <p>During the year the Group acquired two new special purpose vehicles (SPV's) namely UPP (Swansea) 1C Limited and UPP Properties VIII S.A.R.L which operate SCA's with the University of Swansea.</p> <p>The accounting treatment of the SCA's held in the SPV's is dependent on the balance of risk and rewards assumed by the SPV and the University respectively. If this is not assessed appropriately, the principal assets could be presented incorrectly which could significantly impact the true and fair view of the financial statements.</p> <p>We therefore identified the presentation of new principal assets under service concession arrangements as a significant risk, which was one of the most significant assessed risks of material misstatement</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> • Obtaining management's paper on treatment of new principal assets and challenging management's assessment of the classification of principal assets; • Inspecting the service concession arrangements to determine if the SPV's have an unconditional contractual right to receive a specified or determinable amount of cash; • Testing management' calculations of the intangible and financial assets arising from the SCA's; and • Verifying financial statement disclosures in relation to the presentation of principal assets to ensure compliance with applicable accounting standards. <p>The Group's accounting policy on business combinations is shown in note 2.9 to the financial statements and related disclosures are included in note 18 and 23</p>	<p>Our testing did not identify any material misstatements with respect to the presentation of the new principal assets</p>
<p>Compliance with REIT requirements</p> <p>On 1 March 2018 the Group converted to a UK Real Estate Investment Trust (REIT) status. UPP REIT Holdings Limited was set up as the new parent entity to the Group.</p> <p>We deem this to be a significant event and there is a risk that the Group fails to meet the conditions required to qualify for the REIT regime. Non-qualification for the REIT regime could result in material current and deferred tax charges for the Group.</p> <p>We therefore identified compliance with REIT requirements as a significant risk, which was one of the most significant assessed risks of material misstatement</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> • An inspection of correspondence with HMRC, and clearances received from HMRC, along with management's assessment that the Group has met the initial and continuing conditions required to qualify for REIT status; and • Testing of the Group tax computation and compliance by our internal tax specialist <p>The Group's accounting policy on compliance REIT is shown in notes 1 and within note 16 'Tax on loss on ordinary activities' to the financial statements.</p>	<p>Our testing did not identify any non-compliance with REIT requirements and did not identify any material misstatements.</p>

Key Audit Matter – Group	How the matter was addressed in the audit	Key Observations
<p>IFRS Transition</p> <p>On 1 March 2018, when the Group converted to a UK Real Estate Investment Trust, it also transitioned to IFRS.</p> <p>We deem the selection and adoption of new policies including transitional provision to be a significant and highly-complex event which involves management judgement. There is a risk that the Group has not applied the requirements of IFRS in relation to the transition.</p> <p>We therefore identified IFRS transition as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> Assessing the accounting policies adopted by management upon transition to IFRS; and; Checking the conversion adjustments arising from the transition from FRS102 to IFRS prepared by management. <p>The Group's accounting policy on IFRS transition is shown in notes 2.1 and 3 to the financial statements</p>	<p>Our testing did not identify any material misstatements.</p>

There are no key audit matters in relation to the Parent Company.

Our application of materiality

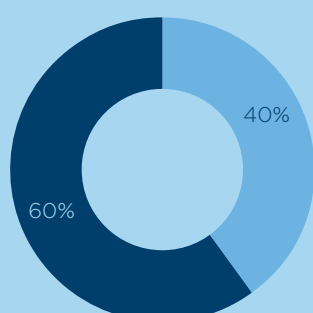
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality Measure	Group	Parent
Financial statements as a whole	£38m which is 1.9% of total assets. This benchmark is considered the most appropriate because the nature of the Group is asset driven and hence the focus of various stakeholders on this balance.	£9m which is 1.9% of total assets. This benchmark is considered the most appropriate as the Company is a holding company.
Performance materiality used to drive the extent of our testing	60% of financial statement materiality.	60% of financial statement materiality.
Specific materiality	We also determined a lower level of specific materiality for certain areas such as Directors' remuneration and related party transactions due to the inherent sensitivity of these transactions and related disclosures.	We also determined a lower level of specific materiality for certain areas such as Directors' remuneration and related party transactions due to the inherent sensitivity of these transactions and related disclosures.
Communication of misstatements to the audit committee	We determined the threshold at which we will communicate misstatements to the audit committee to be £1.9m. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	We determined the threshold at which we will communicate misstatements to the audit committee to be £0.4m. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

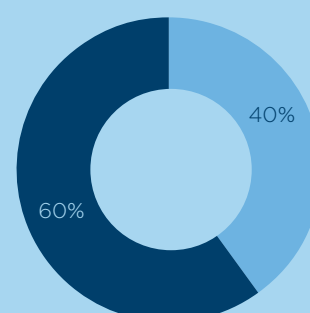
Overall materiality – group



■ Tolerance for potential uncorrected misstatements

■ Performance materiality

Overall materiality – parent



An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Group's business, its environment and risk profile and in particular included:

- evaluation by the Group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. Significance was determined as a percentage of the Group's total assets, revenues and loss before taxation.
- full scope audit procedures performed on UPP REIT Holdings Limited and all active subsidiaries.
- component auditors were used for one subsidiary entity, group instructions were issued in line with the full scope audit. The use of component auditors was factored into the risk assessment process. The work completed by the component auditors has been subject to a review.
- the total percentage coverage of full scope procedures over the Group's revenue was 100%.
- the total percentage of full scope procedures over the Group's total assets was 100%.

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 4 to 9, 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.

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 (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Parent Company; or
- proper 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
- we have not obtained from the Parent Company any information or explanation that, to the best of our knowledge and belief, was necessary for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 10, 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

Consolidated statement of profit or loss

For the year ended 31 August 2018

		Year ended 31 August 2018	Year ended 31 August 2017
	Notes	£'000	£'000
Rental and other income	9	247,096	178,895
Cost of sales		(140,361)	(81,218)
Gross profit		106,735	97,677
Operating expenses	10	(59,064)	(55,507)
Operating profit		47,671	42,170
Finance income	14	3,668	2,193
Senior financing interest		(73,851)	(66,463)
Other interest payable and similar charges		(37,460)	(71,889)
Finance cost total	15	(111,311)	(138,352)
Loss on ordinary activities before taxation		(59,972)	(93,989)
Tax on loss on ordinary activities	16	110	958
Loss for the financial year		(59,862)	(93,031)
Loss for the financial year attributable to:			
Non-controlling interests		(1,324)	(2,371)
Owners of the Parent		(58,538)	(90,660)
Loss for the financial year		(59,862)	(93,031)

The above results all relate to continuing operations.

The notes on pages 30 to 101 form part of these financial statements.

Consolidated statement of other comprehensive income

For the year ended 31 August 2018

		Year ended 31 August 2018	Year ended 31 August 2017
	Notes	£'000	£'000
Loss for the financial year		(59,862)	(93,031)
Items that will not be reclassified to profit and loss			
Revaluation of principal asset	4	-	9,722
Reversal of deferred tax on revaluation of principal assets	16	11,613	3,347
		11,613	13,069
Items that are or may be reclassified subsequently to profit and loss			
Fair value movements on swaps	25	34,143	10,655
Deferred tax on fair value of swaps		(24,049)	(3,333)
Actuarial gain / (loss) relating to pension scheme	30	563	266
Deferred tax attributable to actuarial gain / (loss)	16	(338)	(49)
		10,319	7,539
Other comprehensive income for the year		21,932	20,608
Total comprehensive loss for the year		(37,930)	(72,423)
Other comprehensive income for the year attributable to:			
Non-controlling interests		(7,103)	(223)
Owners of the Parent		29,035	20,831
Total		21,932	20,608
Total comprehensive income for the year attributable to:			
Non-controlling interests		(12,377)	(2,594)
Owners of the Parent		(25,553)	(69,829)
Total		(37,930)	(72,423)

The notes on pages 30 to 101 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 August 2018

	Note	Attributable to equity holders of the Parent Company							Shareholders' equity	Non-controlling interest	Total equity
		Share capital	Share premium	Capital reserve	Other reserve	Cash flow hedge reserve	Revaluation reserve	Retained earnings			
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 September 2016		1	-	22,995	(30,247)	(123,152)	29,371	(287,343)	(388,375)	(1,667)	(390,042)
Loss for the financial period		-	-	-	-	-	-	(90,660)	(90,660)	(2,371)	(93,031)
Other comprehensive income		-	-	-	3,347	7,322	9,722	440	20,831	(223)	20,608
Total comprehensive income		-	-	-	3,347	7,322	9,722	(90,220)	(69,829)	(2,594)	(72,423)
Capital contributions		-	-	147	-	-	-	-	147	-	147
Reclassification		-	-	-	(1,742)	(189)	(2,713)	4,644	-	-	-
Non-controlling interest investment		-	-	-	-	-	-	-	-	311	311
Transfer to profit and loss account		-	-	-	-	-	(184)	184	-	-	-
At 31 August 2017		1	-	23,142	(28,642)	(116,019)	36,196	(372,735)	(458,057)	(3,950)	(462,007)
At 1 September 2017		1	-	23,142	(28,642)	(116,019)	36,196	(372,735)	(458,057)	(3,950)	(462,007)
Loss for the financial period		-	-	-	-	-	-	(58,538)	(58,538)	(1,324)	(59,862)
Other comprehensive income		-	-	-	-	10,032	11,613	7,390	29,035	(7,103)	21,932
Total comprehensive income		-	-	-	-	10,032	11,613	(51,148)	(29,503)	(8,427)	(37,930)
New shares issued	28	999	458,767	-	-	-	-	-	459,766	-	459,766
Reclassification		-	-	-	28,642	-	(28,642)	-	-	-	-
Capital contributions	28	-	-	143	-	-	-	179,462	179,605	-	179,605
At 31 August 2018		1,000	458,767	23,285	-	(105,987)	19,167	(244,421)	151,811	(12,377)	139,434

The notes on pages 30 to 101 form part of these financial statements.

Company's statement of changes in equity

For the period from 18 April 2017 to 31 August 2018

	Share capital	Share premium	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
At 18 April 2017	-	-	-	-
Profit for the financial period	-	-	6,005	6,005
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	6,005	6,005
New shares issued	1,000	458,767	-	459,767
At 31 August 2018	1,000	458,767	6,005	465,772

Consolidated statement of financial position

As at 31 August 2018

		31 August 2018	31 August 2017	1 September 2016
	Notes	£'000	£'000	£'000
Assets				
Non-current assets				
Property, plant and equipment	20	1,522	1,572	1,894
Service concession arrangements – intangible assets	17	1,492,771	1,364,443	1,279,330
Other intangible assets	18	111,566	113,370	115,279
Derivative financial assets	25	33,524	27,020	59,173
Deferred tax assets	16	–	29,249	36,472
Total non-current assets		1,639,383	1,535,654	1,492,148
Current assets				
Trade and other receivables	21	13,141	7,830	7,187
Service concession arrangements – financial assets	17	103,261	25,479	26,965
Cash at bank and in hand	23	207,781	203,132	132,695
Total current assets		324,183	236,441	166,847
Total assets		1,963,566	1,772,095	1,658,995
Equity and liabilities				
Liabilities				
Non-current liabilities				
Borrowings	24	1,599,773	1,983,815	1,759,209
Derivative financial instruments	25	133,122	161,761	200,433
Employee benefit obligations	30	1,495	1,990	2,172
Deferred tax liabilities	16	–	16,585	24,732
Total non-current liabilities		1,734,390	2,164,151	1,986,546

Consolidated statement of financial position (continued)

		31 August 2018	31 August 2017	1 September 2016
	Notes	£'000	£'000	£'000
Current liabilities				
Borrowings	24	30,749	31,411	27,419
Trade and other payables	22	19,679	11,952	9,066
Accrual and deferred income	22	39,188	26,478	25,912
Provisions	27	126	110	94
Total current liabilities		89,742	69,951	62,491
Total liabilities		1,824,296	2,234,102	2,049,037
Equity				
Called-up share capital	28	1,000	1	1
Share premium account		458,767	-	-
Capital reserves		23,285	23,142	22,995
Other reserves		-	(28,642)	(30,247)
Cash flow hedge reserve		(105,987)	(116,019)	(123,152)
Revaluation reserve		19,167	36,196	29,371
Retained earnings		(244,421)	(372,735)	(287,343)
Equity attributable to owners of the parent company		151,811	(458,057)	(388,375)
Non-controlling interest		(12,377)	(3,950)	(1,667)
Total equity		139,434	(462,007)	(390,042)

The notes on pages 30 to 101 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 14 February 2019 and were signed on its behalf by:



Richard Bienfait
Director

Company's statement of financial position

As at 31 August 2018

	31 August 2018		31 August 2018
	£'000		£'000
Non-current assets		Current liabilities	
Investments	281,145	Trade and other payables (tax)	1,025
Loan receivables	184,611	Total current liabilities	1,025
Total non-current assets	465,756	Total liabilities	1,025
Current assets		Equity	
Trade and other receivables	16	Called-up share capital	1,000
Total current assets	16	Share premium account	458,767
Total assets	465,772	Profit for the financial period	4,980
		Total equity	464,747

The Company has not presented cash flow because there has been no cash movements in the period.

The notes on pages 30 to 101 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 14 February 2019 and were signed on its behalf by:



Richard Bienfait

Director

Consolidated statement of cash flows

For the year ended 31 August 2018

		Year ended 31 August 2018	Year ended 31 August 2017
	Notes	£'000	£'000
Loss for the financial year		(59,895)	(93,031)
Adjustments for:			
Tax on loss on ordinary activities	16	(110)	(958)
Net interest expense	14, 15	107,643	136,159
Operating profit		47,671	42,171
Depreciation	20, 18	31,335	31,504
Goodwill impairment		1,996	1,996
Amortisation of computer software	18	472	157
Increase / (decrease) in provisions for dilapidations	27	16	16
(Increase) / decrease in debtors due within one year		(1,813)	(741)
Increase / (decrease) in creditors due within one year		7,886	4,833
Net cash inflow from operating activities		87,583	79,936
Investing activities			
Interest received		3,668	3,679
Payments for intangible fixed assets		(113)	(244)
Payments for concession arrangements		(108,359)	(98,284)
Acquisition of subsidiary, net of cash acquired		(65,024)	-
Payments to acquire tangible fixed assets		(580)	(7,301)
Net cash flow used in investing activities		(170,408)	(102,150)

Consolidated statement of cash flows (continued)

		Year ended 31 August 2018	Year ended 31 August 2017
	Notes	£'000	£'000
Financing activities			
New debt drawn		131,677	157,450
Repayment of senior debt		(9,398)	(3,620)
Repayment of fixed rate debt		(3,691)	(3,689)
Repayment of index-linked debt		(8,199)	(10,560)
Interest paid		(54,802)	(52,488)
New subordinated loan		-	5,100
Finance lease payments		(1,291)	-
Non-controlling interest investment		-	311
Capital contributions		33,000	147
Net cash flow from / (used in) financing activities		87,296	92,651
Increase / (decrease) in cash and cash equivalents		4,471	70,437
Cash and cash equivalents at 1 September	35	203,132	132,695
Cash and cash equivalents at 31 August	35	207,781	203,132

The notes on pages 30 to 101 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 14 February 2019 and were signed on its behalf by:



Richard Bienfait
Director

Notes to the financial statements

For the year ended 31 August 2018

1. General information

UPP REIT Holdings Limited ('the Company') is a close-ended UK REIT and the parent of the UPP REIT Holdings Group ('the Group'). The Company has been incorporated on 18 April 2017. As a result of the Group restructuring in February 2018, the Company became the Parent Company of UPP Group Holdings Limited, trading as University Partnerships Programme ('UPP'). Until February 2018, the Group's parent company was Student UK TopCo Limited and the consolidated financial statements of the Group had been prepared under Student UK TopCo Limited's name. Reference to 'the Group' within these financial statements relates to Student UK TopCo Limited for the period from 1 September 2017 until 28 February 2018 and to UPP REIT Holdings Limited for the period from 1 March 2018 until 31 August 2018.

The consolidated financial statements of UPP REIT Holdings Limited and its subsidiaries (the Group) for the year ended 31 August 2018 were authorised for issue in accordance with a resolution of the Directors on 14 February 2019. UPP REIT Holdings Limited is a private company limited by shares and incorporated on 18 April 2017 in Jersey, with a company number 123688. The registered office is 13 Castle Street, St Helier, Jersey, JE4 5UT.

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

The Group has converted to a UK Real Estate Investment Trust (REIT) effective from 1 March 2018. This required the Group to restructure. On 28 February 2018, the Company completed the acquisition of the entire issued share capital of Student UK TopCo Limited ('SUKT') that was an ultimate parent company for UPP Group Holdings Limited. As of the date of acquisition SUKT indirectly holds, through its subsidiaries, a portfolio of UPP UK real estate assets.

The REIT structure, which has been promoted by the UK government as an efficient vehicle for the long-term ownership of UK real estate interests, will allow the asset companies comprising the Group's property portfolio to benefit from the REIT exemption from corporation tax arising in its property rental business. To facilitate the conversion to a REIT, UPP REIT Holdings Limited has listed on The International Stock Exchange (TISE). UPP REIT Holdings Limited remains UK tax resident.

2. Accounting policies

2.1. Basis of preparation

The Company's financial statements and consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as endorsed by the EU and in accordance with the Companies (Jersey) Law 1991.

For all periods up to and including the year ended 31 August 2017, the Group, previously headed by Student UK Topco Limited, prepared its financial statements in accordance with The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102') and in accordance with the Companies (Jersey) Law 1991.

These financial statements for the year ended 31 August 2018 are the first the Group has prepared in accordance with IFRS. Refer to note 4 for information on how the Group adopted IFRS.

The financial statements have been prepared on the historical cost basis except for derivative instruments that have been measured at fair value.

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

The preparation of consolidated financial statements in compliance with IFRS 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 7).

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 REIT Holdings Limited and its subsidiary undertaking using the business combination under common control method from the date control passes to the Group. All subsidiaries have a reporting date of 31 August besides UPP (Lancaster) Holdings Limited with a reporting date of 30 September.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

2.4. Business combinations and goodwill

Other than the establishment of the Company as a new parent of the Group (which has been accounted for in the consolidated financial statements using the principles of business combination under common control), business combinations are accounted for using the

acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. All contingent consideration is measured at fair value with the changes in fair value in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2.5. Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.6. Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.7. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite. The Group does not

have intangible assets with indefinite useful life. Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

The economic useful life of intangible assets is three to five years. The economic useful life of intangible assets relating to service concession arrangements is in line with the term of each service concession.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

2.8. Property, plant and equipment

Property, plant and equipment are stated at historical cost or valuation, less accumulated depreciation and any provisions for impairment. Historical cost includes all attributable expenditure including borrowing 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.

Depreciation is calculated so as to write off the cost of the 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 3 to 10 years for fixtures and fittings.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

2.9. Service concession arrangements

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. The Group recognises its agreements with universities as service concession arrangements. The consideration received may result in the recognition of a financial asset or an intangible asset.

The Group recognises a financial asset if it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor in return for constructing or upgrading the public sector asset and then operating and maintaining the asset for the specified period of time. This category includes guarantees by the universities to pay for any shortfall between amounts received from the users of the public service and specified or determinable amount.

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 on a straight-line basis.

The Group recognises an intangible asset if it receives only a right to charge for the use of the public sector asset that it constructs or upgrades and then must operate and maintain for a specified period of time. A right to charge users is not an unconditional right to receive cash because the amounts are contingent on the extent to which the public uses the service.

In the financial asset model, the amount due from the grantor meets the definition of a receivable which is measured initially 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 rate (EIR) 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.

2.10. Operating lease

The Group is leasing a property under operating lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

2.11. Revenue

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 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 amount due from 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.

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

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at amortised cost are the financial asset held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables and also to service concession financial assets.

2.12. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets are classified, at initial recognition, as financial assets measured at amortised cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Financial assets at fair value through other comprehensive income are the financial assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However, the Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other

comprehensive income. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in a hedge relationship. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

The Group has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or other financial liabilities. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly-attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition. The Group has not designated any financial liabilities as at fair value through profit or loss.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The effect of derecognition of financial liabilities is recognised in retained earnings. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Impairment of financial assets

The Group assesses expected credit losses at each reporting date. A loss allowance is calculated as follows:

- 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date), or
- lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for lifetime

expected credit losses is calculated for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition.

For financial assets carried at amortised cost, the Group assesses whether expected credit loss exists individually for financial assets that are individually significant. Expected losses are discounted to the reporting date using the EIR of the asset (or an approximation thereof) that was determined at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of profit or loss.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases the previously recognised impairment loss is increased or decreased by adjusting the allowance account.

2.13. Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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 the London Inter-bank Offered Rate (LIBOR) rates respectively.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income (OCI) and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk)
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they have been highly-effective throughout the financial reporting periods for which they were designated.

The Group has not designated any derivatives as fair-value hedges or hedges of a net investment in a foreign operation.

Cash flow hedges

The Group applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings and rental income. The Company designates all its derivative financial instruments, which meet the qualifying conditions for hedge accounting, as cash flow hedges. IR 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 net rental income from student accommodation is exposed to the RPI changes. The swap contracts manage the exposure to RPI by swapping RPI annual rate changes with a fixed rate.

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as other operating expenses. The ineffective portion relating to RPI swaps is recognised in revenue and the ineffective portion relating to IR swaps is recognised in finance costs.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast revenue occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity

is transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs.

2.14. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit (CGU)'s fair value less costs of disposal and its value in use. It is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.15. 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. In the Consolidated 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 Company's cash management.

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 EIR 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. Taxation

Income tax on the profit for the year comprises current and deferred tax. Current tax is the tax payable on the taxable income for the year and any adjustment in respect of previous years. Deferred tax is provided in full using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realised or the liability is settled.

No provision is made for temporary differences:

- arising on the initial recognition of assets or liabilities, other than on a business combination, that affect neither accounting nor taxable profit and
- relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

2.19. 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.

2.20. 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 balance sheet 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. The Group engages independent actuaries to calculate the obligation on an annual basis. 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').

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 'remeasurement 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.

2.21. 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 ten 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. Group restructure

In the year ended 31 August 2018, the Group went through a restructure resulting in its conversion to a UK Real Estate Investment Trust (REIT). This restructure was performed as outlined below.

As at 31 August 2017, Student UK TopCo Limited ('SUKT') was the Parent Company of the Group. On 27 February 2018, its direct subsidiary Student UK AcqCo Limited ('SUKA') novated to SUKT its obligations under the Shareholder debt due for no consideration. This has been represented as a capital contribution of £606,940k made by SUKT to SUKA. This amount consists of borrowings as at 31 August 2018 of £571,697k and £35,243k of interest accrued until the end of February 2018. SUKT initially recorded the Shareholder debt novated from SUKA at its fair value assumed to represent the total value of UPP Group in the amount of £459,742k. Subsequently, Shareholders released SUKT from its obligations under the Shareholder debt, in consideration for new ordinary shares issued by SUKT. The remaining part of the debt waived has been recognised as capital contribution in retained earnings.

A new company, UPP REIT Holdings Limited, was incorporated on 18 April 2017.

On 27 February 2018, Argyle Luxco 2 (owner of 40% shares in SUKT) sold its existing shares in SUKT to Okra Gee Investments Limited at fair value. At the same time, new Shareholders subscribed a total of £24,999 for new ordinary shares issued by UPP REIT Holdings Limited. These shares have been allocated in proportion to their existing shareholding in SUKT. In total, nine shares at a value of £1 each have been recorded in the Company's share capital and the remaining £24,990 has been recorded as share premium. As a result, Shareholders obtained the Company's shares.

The Company has issued additional ordinary shares to the Shareholders in exchange for and in proportion to their respective shareholding in SUKT, by way of share-for-share exchange. The new shares issued are listed on TISE.

The Company issued 999,990 ordinary shares with an aggregate nominal value of £999,990. The fair value of the shares in SUKT acquired were recorded in share premium.

On 1 March 2018, intercompany receivables and payables between SUKT and SUKA were waived. SUKA distributed its shares in UPP Group Holdings Limited and the loan receivable to SUKT. SUKT distributed its shares in UPP Group Holdings Limited and the loan receivable to the Company. Consequently, the Company became a direct parent company for UPP Group Holdings Limited and its subsidiaries, while SUKA and SUKT were retired.

The Directors believe that this transaction in-substance was more of a common control transaction, rather than the acquisition of a business.

The introduction of the new holding company, which was a shell that had not conducted any business activities and was therefore not considered a business, means that the Directors did not view this transaction as a business combination. Therefore, predecessor accounting methods have been used which reflect the historic book values of the previous Group. The consolidated financial statements of UPP REIT Holdings Limited are prepared as if UPP REIT Holdings Limited and SUKT have always been part of the same Group. In order to reflect this, the results of the Group for the entire year ended 31 August 2016 and 31 August 2017 have been prepared on this basis.

The carrying value of the Group assets and liabilities are carried at those values as previously presented within the financial statements of SUKT, the previous holding company of the Group, with the exemption of the remeasurements made due to IFRS conversion.

4. First-time adoption of IFRS

These financial statements for the year ended 31 August 2018 are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 August 2017, the Group (then headed by Student UK TopCo Limited) prepared its financial statements in accordance with the Financial Reporting Standards applicable in the United Kingdom and Republic of Ireland (FRS 102).

The restructuring associated with the Group's conversion to a REIT involved the incorporation of UPP REIT Holdings Limited and its listing on The International Stock Exchange.

Accordingly, the Group has prepared financial statements that comply with IFRS applicable as at 31 August 2018, together with the comparative period data for the year ended 31 August 2017, as described in the summary of significant accounting policies. In preparing the financial statements, the Group's opening statement of financial position was prepared as at 1 September 2016, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its FRS 102 financial statements, including the statement of financial position as at 1 September 2016 and the financial statements for the year ended 31 August 2017.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

IFRS 3 Business Combinations has not been applied to either acquisitions of subsidiaries that are considered businesses under IFRS, or acquisitions of interests in associates and joint ventures that occurred before 1 September 2018. Use of this exemption means that the FRS 102 carrying amounts of assets and liabilities, that are required to be recognised under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance

with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements.

IFRS 1 also requires that the FRS 102 carrying amount of goodwill must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS. No goodwill impairment was deemed necessary at 1 September 2016.

Estimates

The estimates at 1 September 2016 and at 31 August 2017 are consistent with those made for the same dates in accordance with UK GAAP (after adjustments to reflect any differences in accounting policies).





Group reconciliation of equity as at 1 September 2016 (date of transition to IFRS)

		UK GAAP	Remeasurements	IFRS as at 1 September 2016
	Note	£'000	£'000	£'000
Assets				
Non-current assets				
Property, plant and equipment	A	1,448,258	(1,446,364)	1,894
Service concession arrangements – intangible assets	A	-	1,279,330	1,279,330
Other intangible assets		115,279	-	115,279
Derivative financial assets		59,173	-	59,173
Deferred tax assets		36,472	-	36,472
Total non-current assets		1,659,182	(167,034)	1,492,148
Current assets				
Trade and other receivables		7,187	-	7,187
Service concession arrangements – financial assets		26,965	-	26,965
Cash at bank and in hand		132,695	-	132,695
Total current assets		166,847	-	166,847
Total assets		1,826,029	(167,034)	1,658,995
Equity and liabilities				
Liabilities				
Non-current liabilities				
Borrowings		1,759,209	-	1,759,209
Derivative financial instruments		200,433	-	200,433
Employee benefit obligations		2,172	-	2,172
Deferred tax assets	B	45,942	(21,210)	24,732
Total non-current liabilities		2,007,756	(21,210)	1,986,546

Current liabilities

Borrowings	27,419	-	27,419
Trade and other payables	9,066	-	9,066
Accrual and deferred income	25,912	-	25,912
Provisions	94	-	94
Total current liabilities	62,491	-	62,491
Total liabilities	2,070,247	(21,210)	2,049,037

Equity

Called-up share capital		1	-	1
Share premium account		-	-	-
Capital reserves		22,995	-	22,995
Other reserves		(30,247)	-	(30,247)
Cash flow hedge reserve		(123,152)	-	(123,152)
Revaluation reserve	B	69,108	(39,737)	29,371
Retained earnings	C	(188,436)	(98,907)	(287,343)
Equity attributable to owners of the Parent Company		(249,731)	(138,644)	(388,375)
Non-controlling interest		5,513	(7,180)	(1,667)
Total equity		(244,218)	(145,824)	(390,042)

Group reconciliation of equity as at 31 August 2017

		UK GAAP	Remeasurements	IFRS as at 1 September 2016
	Note	£'000	£'000	£'000
Assets				
Non-current assets				
Property, plant and equipment	A	1,444,101	(1,442,529)	1,572
Service concession arrangements – intangible assets	A	102,568	1,261,875	1,364,443
Other intangible assets		108,192	5,178	113,370
Derivative financial assets		27,020	-	27,020
Deferred tax assets		29,249	-	29,249
Total non-current assets		1,711,130	(175,476)	1,535,654
Current assets				
Trade and other receivables		7,830	-	7,830
Service concession arrangements – financial assets		25,479	-	25,479
Cash at bank and in hand		203,132	-	203,132
Total current assets		236,441	-	236,441
Total assets		1,947,571	(175,476)	1,772,095
Equity and liabilities				
Liabilities				
Non-current liabilities				
Borrowings		1,983,815	-	1,983,815
Derivative financial instruments		161,761	-	161,761
Employee benefit obligations		1,990	-	1,990
Deferred tax liabilities	B	35,803	(19,218)	16,585
Total non-current liabilities		2,183,369	(19,218)	2,164,151

Current liabilities

Borrowings	31,411	-	31,411
Trade and other payables	11,952	-	11,952
Accrual and deferred income	26,478	-	26,478
Provisions	110	-	110
Total current liabilities	69,951	-	69,951
Total liabilities	2,253,320	(19,218)	2,234,102

Equity

Called-up share capital	1	-	1
Share premium account	-	-	-
Capital reserves	23,142	-	23,142
Other reserves	(28,642)	-	(28,642)
Cash flow hedge reserve	(116,019)	-	(116,019)
Revaluation reserve	B 77,224	(41,028)	36,196
Retained earnings	C (266,565)	(106,170)	(372,735)
Equity attributable to owners of the Parent Company	(310,859)	(147,198)	(458,057)
Non-controlling interest	5,110	(9,060)	(3,950)
Total equity	(305,749)	(156,258)	(462,007)

Group reconciliation of total comprehensive income for the year ended 31 August 2017

		UK GAAP	Remeasurements	IFRS for the year ended 31 August 2017
	Note	£'000	£'000	£'000
Rental income		178,895	-	178,895
Cost of sales		(81,218)	-	(81,218)
Gross profit		97,677	-	97,677
Operating expenses	E	(38,188)	(15,324)	(53,512)
Operating profit		59,489	(15,324)	44,165
Finance income		2,193	-	2,193
Senior financing interest		(66,463)	-	(66,463)
Other interest payable and similar charges		(71,889)	-	(71,889)
Finance cost total		(138,352)	-	(138,352)
Other operating expenses	D	-	(1,996)	(1,996)
Loss on ordinary activities before taxation		(76,670)	(17,320)	(93,990)
Tax on loss on ordinary activities		958	-	958
Loss for the financial year		(75,712)	(17,320)	(93,032)
Loss for the financial year attributable to:				
Non-controlling interests	E	(1,191)	(1,180)	(2,371)
Owners of the Parent Company	E	(74,521)	(16,140)	(90,661)
Loss for the financial year		(75,712)	(17,320)	(93,032)

Loss for the financial year		(75,712)	(17,319)	(93,031)
Revaluation of principal asset	C	845	8,876	9,721
Deferred tax on revaluation of principal assets	C	5,339	(1,992)	3,347
Fair-value movements on swaps		10,655	-	10,655
Deferred tax on fair value of swaps		(3,333)	-	(3,333)
Actuarial gain relating to pension scheme		266	-	266
Deferred tax attributable to actuarial gain		(49)	-	(49)
Total other comprehensive income for the year		13,723	6,884	20,607
Total comprehensive loss for the year		(61,989)	(10,435)	(72,424)

Other comprehensive income for the year attributable to:

Non-controlling interests	C	477	(700)	(223)
Owners of the Parent Company	C	13,246	7,584	20,830
Total		13,723	6,884	20,607

Total other comprehensive income for the year attributable to:

Non-controlling interests	C	(714)	(1,880)	(2,594)
Owners of the Parent Company	C	(61,275)	(8,555)	(69,830)
Total		(61,989)	(10,435)	(72,424)

Notes to the reconciliation of equity as at 1 September 2016 and 31 August 2017 and total comprehensive income for the year ended 31 August 2017

A. Property, plant and equipment and service concession arrangements as intangible assets

In preparing IFRS accounts all service concession arrangements need to be presented as per the requirements of IFRIC 12.

All the Group's service concession arrangements that were obtained pre-1 September 2014 were previously accounted as tangible fixed assets ('principal assets') and depreciated using the annuity method over the lease term in line with FRS 102. Under IFRS, this is accounted for using the requirements of IFRIC 12 Service Concession Arrangements, which principally involves the recategorisation of such assets as service concession arrangements.

On 12 September 2012, Student UK TopCo Limited acquired the entire issued share capital of UPP Group Holdings Limited and its subsidiaries. Under the IFRS conversion Group's management have determined service concession arrangements values based on values at the date of acquisition. The fair value of the service concession arrangements at the date of acquisition were reclassified as intangible/financial assets and IFRIC 12 was applied going forward. Depreciation charges were recalculated from 1 September 2012 to 1 September 2016 and to 31 August 2017 accordingly, using the straight-line method over the remaining years of the arrangement terms. Management assessed that it is impracticable to reverse the revaluation of principal assets for the periods before the Group restructure was undertaken in 2012 due to changes in accounting policies that were introduced before 2012 and changes in Group structure.

B. Revaluation reserve and deferred tax liabilities

Under FRS 102 the Group has revalued property assets used in operating leases to fair value on a property-by-property basis. The surplus or deficit on the book value of the historical assets was presented in revaluation reserve, except using deficit which was in excess of any previously recognised surplus over depreciated cost relating to the same property, which was charged to profit and loss. Property assets were then amortised on a straight-line basis and the amortisation was recognised in revaluation reserve. For the purpose

of IFRS conversion, all revaluations transferred to revaluation reserve or profit and loss account. Related accumulated depreciation and deferred tax were reversed on revaluation reserve.

C. Retained earnings

As stated above, for the purpose of IFRS conversion, the difference in depreciation calculated under FRS 102 and IFRS and the revaluation deficit charged to the profit and loss account were reversed from retained earning accounts.

D. Goodwill impairment

Following acquisition of share capital of UPP Group Holdings Limited and its subsidiaries by Student UK TopCo Limited on 12 September 2012, a goodwill of £136,259k was recognised. Goodwill was further amortised in line with FRS 102. The Group has taken an exemption as per IFRS 1 and the carrying amount of goodwill has been used in the opening IFRS statement of financial position. As at 31 August 2017, for the purpose of IFRS conversion, goodwill amortisation was reversed.

Recognised goodwill relates to special purpose vehicle (SPV) subsidiaries that are operating on the basis of time-constrained contracts with universities. As per contract agreements, future expected cash flows related to those contracts are reducing in time. Therefore, the Group has recognised a goodwill impairment of £1,995k. This is a result of the impairment test performed as at 31 August 2017.

E. Operating expenses

For the purpose of IFRS conversion, the following adjustments have been introduced:

- Reversal of depreciation calculated under FRS 102 for the year ended 31 August 2017
- Introduction of depreciation calculated under IFRS for the year ended 31 August 2017
- Introduction of goodwill impairment charge

5. Early adoption of IFRS 9 Financial instruments

The Group has early-adopted IFRS 9 'Financial instruments' issued in July 2014 with a date of initial application of 1 September 2016. Information in the financial statements for all the periods present numbers and adjustments to comply with IFRS 9 requirements.

As a result of adoption to IFRS9, the Group has adopted consequential amendments to IAS 1 'Presentation of Financial Statements' – which requires impairment of financial assets to be presented as an item in a separate line in the statement of profit or loss and other comprehensive income. This had no impact on the Group's financial statements as no impairment has been recognised in the financial years ended 31 August 2018 and 31 August 2017.

Classification and measurement of financial assets has been presented in the accounting policies (note 2.12).

The Group has elected to adopt the new general hedge accounting model in IFRS 9. This requires the Group to ensure that the hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. For an explanation of how the Group applies hedge accounting under IFRS 9 see note 2.13 and note 25.

6. Impact of accounting standards and interpretations in issue but not yet effective

At the balance sheet date there are a number of new standards and amendments to existing standards in issue but not yet effective. The Group has not early-adopted the new or amended standards in preparing these consolidated financial statements besides early adoption of IFRS 8 'Financial Instruments' (refer to note 5).

IFRS 15 Revenue from Contracts with Customers – effective for periods beginning on or after 1 January 2018 IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue.

The Group earns revenue from the following activities (see note 9):

- Student accommodation rental income
- Construction services fees
- Management and development services
- Facilities management services
- Finance receivable assets

Management is performing the impact assessment of IFRS 15 to determine if material differences might arise.

IFRS 16 Leases – effective for periods beginning on or after 1 January 2019

The International Accounting Standards Board issued a new lease standard, IFRS 16, to replace the existing lease standard (IAS 17) from 1 January 2019, with early adoption possible before that date for entities that have also early-adopted IFRS 15 – the new revenue standard which comes into effect from 1 January 2019.

A key change arising from IFRS 16 is that lessees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for lease contracts, subject to exceptions for short-term leases and leases of low-value assets.

Based on its assessment to date, the Group does not expect the application of IFRS 16 to result in a significant impact on its consolidated financial statements.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (amendments) – effective for periods beginning on or after 1 January 2019

In January 2015, the IASB made narrow-scope amendments to IAS 12 'Income Taxes' entitled 'Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)'. The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.

Based on its assessment to date, the Group does not expect the application of amendments to IAS 12 to result in a significant impact on deferred tax recognition within its consolidated financial statements.

Annual Improvements to IFRS 2014-2016 Cycle (Amendments to IFRS 1 and IAS 28)

IFRS 1 First-time Adoption of International Financial Reporting Standards – A number of short-term exemptions have been deleted because the reliefs provided are no longer available or because they were relevant for reporting periods that have now passed.

IAS 28 Investments in Associates and Joint Ventures (for annual periods beginning on or after 1 January 2018) –

Clarifies that a qualifying entity is able to choose between applying the equity method or measuring an investment in an associate or joint venture at fair value through profit or loss, separately for each associate or joint venture at initial recognition of the associate or joint venture. Similar clarifications have been made for a reporting entity that is not an investment entity and that has an associate or a joint venture that is an investment entity.

IAS 40 Investment Properties (for annual periods beginning on or after 1 January 2018) – Clarifies that transfers to, or from, investment property are required when, and only when, there is a change in use of property supported by evidence. In addition to clarifying the principle above, the amendments also re-characterise the list of circumstances previously contained in IAS 40 ‘Investment Property’.

IFRS 2 Share-based payments (for annual periods beginning on or after 1 January 2018) – Clarifies the impact of vesting and non-vesting conditions on the measurement of the fair value of the liability incurred in a cash-settled share-based payment transaction. The second amendment clarifies classification of share-based payment transactions with a net settlement feature for withholding tax obligations. The third amendment addresses the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

7. 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:

Valuation of RPI and IR swaps

Derivatives are initially recognised at fair value at the date a derivative is entered into and are subsequently remeasured 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 another one with the same remaining terms. To that end, a calibration of usual valuation models has been performed on trade date for each derivative to determine an initial spread to be added onto market conditions applied at each year end. Those market interest 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.

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 CGU to which the asset belongs. The recoverable amount of an asset or CGU 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 is reversed in a subsequent period only if the reasons for the impairment loss have ceased to apply.

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.

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.

There were no significant judgements and estimates taken in preparing the Company's financial statements.

Hedge accounting for inflation swaps

The Group has chosen to apply hedge accounting for all hedging instruments. 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 IFRS.

Taxation

The Group is a Real Estate Investment Trust (REIT). As a result, the Group does not pay UK corporation tax on its profits and gains from the qualifying rental business in the UK. Non-qualifying profits and gains of the Group continue to be subject to corporation tax as normal. In order to maintain Group REIT status, certain ongoing criteria must be met. The main criteria are as follows:

- at the start of each accounting period, the assets of the tax-exempt business must be at least 75% of the total value of the Group's assets;
- at least 75% of the Group's total profits must arise from the tax-exempt business; and

- at least 90% of the notional taxable profit of the property rental business must be distributed

The Directors intend that the Group should continue as a REIT for the foreseeable future, with the result that deferred tax is no longer recognised on temporary differences relating to the property rental business.

Deferred tax assets and liabilities require management judgement in determining the amounts, if any, to be recognised. In particular, judgement is required when assessing the extent to which deferred tax assets should be recognised, taking into account the expected timing and level of future taxable income. Deferred tax assets are only recognised when management believe they will be recovered against future taxable profits.

8. Segment information

For management purposes the Group is organised into business units based on their services and has three reportable segments as follows:

- SPVs – performing development, funding, construction and operation of student accommodation under the University Partnerships Programme
- UPP Residential Services Limited (URSL) – providing facilities management services to SPVs
- UPP Projects Limited (UPL) – securing of long-term bespoke partnership agreements to design, build and finance student accommodation and related academic infrastructure

The Group's management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arms-length basis.

All segments operate and perform all transactions in the United Kingdom.

Other operations include financing and general Group management that is not considered by management as a separate reporting segment.

Segment information (continued)

		SPVs	URSL	UPL	Total segments	Adjustments and eliminations	Consolidated
Year ended 31 August 2018	Note	£'000	£'000	£'000	£'000	£'000	£'000
Rental and other income – external		235,084	4,658	7,354	247,096	-	247,096
Rental and other income – internal	A	-	24,462	2,042	26,503	(26,503)	-
Cost of sales	B	(123,804)	(13,217)	(6,014)	(143,035)	2,674	(140,361)
Gross profit		111,280	15,903	3,382	130,564	(23,829)	106,735
Operating expenses	B	(51,107)	(10,702)	(2,483)	(64,292)	7,573	(56,719)
Operating profit		60,173	5,201	899	66,272	(16,256)	50,016
Finance income		3,057	-	-	3,057	611	3,668
Senior financing interest		(73,612)	-	-	(73,612)	(239)	(73,851)
Other interest payable & similar charges	C	(25,360)	-	-	(25,360)	(12,100)	(37,460)
Finance cost total		(98,972)	-	-	(98,972)	(12,339)	(111,311)
Other operating expenses		(2,343)	-	-	(2,343)	-	(2,343)
Segment profit/(loss) on ordinary activities before taxation		(38,085)	5,201	899	(31,986)	(27,984)	(59,970)
Tax on loss on ordinary activities		2,312	(578)	(1,242)	492	(382)	110
Segment profit/loss for the financial year		(35,773)	4,623	(343)	(31,494)	(28,366)	(59,860)
Total assets	D	1,866,869	29,336	4,659	1,900,864	62,505	1,963,369
Total liabilities	D	2,029,115	11,207	13,930	2,054,252	(230,120)	1,824,132

Segment information (continued)

		SPVs	URSL	UPL	Total segments	Adjustments and eliminations	Consolidated
Year ended 31 August 2017	Note	£'000	£'000	£'000	£'000	£'000	£'000
Rental and other income – external		169,696	3,677	5,522	178,895	-	178,895
Rental and other income – internal	A	-	21,744	7,579	29,323	(29,323)	-
Cost of sales	B	(65,085)	(17,602)	(11,594)	(94,281)	13,063	(81,218)
Gross profit		104,611	7,819	1,507	113,937	(16,260)	97,677
Operating expenses	B	(43,006)	(5,424)	(5,586)	(54,016)	504	(53,512)
Operating profit		61,605	2,395	(4,079)	59,921	(15,756)	44,165
Finance income		1,997	-	-	1,997	196	2,193
Senior financing interest		(66,659)	-	-	(66,659)	196	(66,463)
Other interest payable & similar charges	C	(6,442)	-	-	(6,442)	(65,447)	(71,889)
Finance cost total		(73,101)	-	-	(73,101)	(65,251)	(138,352)
Other operating expenses		-	-	-	-	(1,995)	(1,995)
Segment profit/(loss) on ordinary activities before taxation		(9,499)	2,395	(4,079)	(11,183)	(82,806)	(93,989)
Tax on loss on ordinary activities		936	-	-	936	22	958
Segment profit/loss for the financial year		(8,563)	2,395	(4,079)	(10,247)	(82,784)	(93,031)
Total assets	D	1,663,884	14,269	2,498	1,680,651	91,443	1,772,094
Total liabilities	D	2,002,654	796	11,425	2,014,875	219,227	2,234,102

Segment information (continued)

		SPVs	URSL	UPL	Total segments	Adjustments and eliminations	Consolidated
As at 1 September 2016	Note	£'000	£'000	£'000	£'000	£'000	£'000
Total assets	D	1,414,503	20,108	3,105	1,437,716	221,279	1,658,995
Total liabilities	D	1,598,499	8,979	8,304	1,615,782	433,255	2,049,037

Notes to the segment information:

A. Rental and other income

Adjustments and eliminations represent intercompany transactions that are eliminated on the consolidation level. Those transactions are mainly transactions held between URSL and each SPV. There is also elimination of UPL income that represents internal revenue from new development projects agreed. This income is eliminated against SPVs' assets.

B. Cost of sales and operating expenses

Adjustments and eliminations represent intercompany transactions that are eliminated on the consolidation level. Those transactions are mainly transactions held between URSL and each SPV. The adjustments and eliminations line also represents administrative costs that are not allocated to any of the segments.

C. Other interest payable & similar charges

Adjustments and eliminations mainly represent financing costs payable to Shareholders that are not allocated to any of the segments.

D. Total assets and total liabilities

Adjustments and eliminations related to total assets mainly represent assets related to the Group management companies (such as UPP Group Limited) and represent goodwill and cash allocated to those companies. Adjustments and eliminations related to total liabilities represent mainly UPP Bond I Issuer PLC liabilities and accruals and trade creditors related to Group management activities.



9. 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 2018	Year ended 31 August 2017
	£'000	£'000
Student accommodation rental income	154,831	148,755
Construction services	76,362	19,901
Management and development services	7,354	5,524
Facilities management services	4,657	3,677
Finance receivable assets	3,893	1,038
	247,096	178,895

10. Operating expenses

The operating profit is stated after charging:

		Year ended 31 August 2018	Year ended 31 August 2017
	Note	£'000	£'000
Depreciation of property, plant and equipment	20	30,810	31,661
Salaries and other employee costs recognised in operating expenses		16,587	15,407
External consultancy		2,999	1,991
Goodwill impairment		1,996	1,996
Insurance		1,677	139
Auditor remuneration (audit and non-audit fees)	12	425	608
Amortisation of computer software	18	472	157
Other administrative costs		3,461	2,873
		59,064	55,507

11. Directors' remuneration

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 in respect of these individuals is as follows:

	Year ended 31 August 2018	Year ended 31 August 2017
	£'000	£'000
Emoluments	569	581
Social security costs	414	381
Company contributions to defined contribution schemes	41	38
Compensation for loss of office	12	14
	1,036	1,014

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

	Year ended 31 August 2018	Year ended 31 August 2017
	£'000	£'000
Emoluments	423	525
Company contributions to defined contribution schemes	36	28
	459	553

12. 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	57	20
Fees payable to the Company's auditor and its associates for other services:		
The audit of the company's subsidiaries pursuant to legislation	368	431
Other advisory services	-	-
Tax compliance services	-	140
Tax advisory services	-	17
	425	608

13 . Employee information

	Year ended 31 August 2018	Year ended 31 August 2017
	£'000	£'000
The average number of persons employed by the Group during the year was as follows:	131	119
Management and operations	22	23
Site managers (full-time)	624	647
Administration, maintenance and cleaning (full and part-time)	777	789

The employment costs of all employees included above were as follows:

	Year ended 31 August 2018	Year ended 31 August 2017
	£'000	£'000
Wages and salaries	27,930	19,834
Social security costs	2,412	2,095
Pension costs – defined contribution	573	733
Pension costs – defined benefit	51	62
	30,966	22,724

The above salary costs are presented on the 'Cost of sales and operating expenses' lines.

Long-term Incentivisation Scheme

No payments were made under the long-term incentivisation scheme during the year (2017:£nil).

14. Interest and similar income

	Year ended 31 August 2018	Year ended 31 August 2017
	£'000	£'000
Interest received on cash balances	130	443
Interest income on finance receivable	3,040	1,750
Finance gain on fair value movements on swaps	498	-
	3,668	2,193

15. Interest and similar expense

	Year ended 31 August 2018	Year ended 31 August 2017
	£'000	£'000
Financial liabilities measured at amortised cost		
Bank loan interest	32,356	29,854
Interest payable on senior secured notes	15,288	14,956
Interest payable on index-linked facilities	26,338	21,653
Subordinated loan note interest	2,036	2,428
Interest due on loan from Shareholders	35,243	65,280
Financial liabilities measured at fair value	-	4,136
Fair-value movements on swaps	-	
Other charges	50	45
Interest on net defined pension liability	111,311	138,352

Included within the interest payable on index-linked facilities is £17,719k (2017: £13,810k) that relates to the inflation uplift on the index-linked facilities.

16. Tax on loss on ordinary activities

The tax (credit)/ charge is made up as follows:

	Year ended 31 August 2018	Year ended 31 August 2017
	£'000	£'000
Current tax:		
Current tax on income for the year	-	-
Total current tax credit	-	-
Deferred tax:		
Current year	(110)	(894)
Adjustments to tax charge in respect of previous years	-	3
Rate difference		(16)
Current year – defined benefit pension scheme	-	24
Rate difference – defined benefit pension scheme	-	(75)
Total deferred tax	(110)	(958)
Tax (credit) / charge on loss on ordinary activities	(110)	(958)

Tax included in the Group statement of total other comprehensive income

Deferred tax:		
Current year	(12,774)	(2,206)
Prior year adjustment	-	468
Rate difference	-	(220)
Total deferred tax	(12,774)	(1,958)
Total tax credit	(12,774)	(1,958)

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

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

	Year ended 31 August 2018	Year ended 31 August 2017
	£'000	£'000
Loss on ordinary activities before tax	(59,972)	(93,989)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.00% (2017: 19.58%).	(11,401)	(18,403)
Effects of:		
Adjustment to tax charge in respect of prior year	-	(75)
Rate change	-	10
Non-taxable income	9,765	7,037
Movement in deferred tax not recognised	2,153	10,473
Exempt property rental (profits)/losses in the year	(627)	
Current tax (credit)/charge for the year	(110)	(958)

Deferred tax

The deferred tax included in the balance sheet is as follows:

	Group 31 August 2018	Group 31 August 2017	Group 1 September 2016
	£'000	£'000	£'000
Included in debtors	-	(29,249)	(36,472)
Included in provisions for liabilities	-	16,585	24,732
	-	(12,664)	(11,740)

16. Tax on loss on ordinary activities (continued)

	Group 31 August 2018	Group 31 August 2017	Group 1 September 2016
	£'000	£'000	£'000
The deferred tax consists of:			
Accelerated capital allowances	-	17,722	15,114
Losses to be relieved against future trading profits	-	(18,861)	(15,977)
Property revaluations	-	11,613	14,960
Derivative financial instruments	-	4,593	10,651
Loan balance spread over 10 years	-	163	2
Reanalysed as debtors	-	1,274	-
Other timing differences	-	81	(18)
Total deferred tax	-	16,585	24,732

Factors that may affect future tax charges

With effect from 1 March 2018, UPP REIT Holdings Limited, the ultimate parent company of the Group has elected for Real Estate Investment Trust ("REIT") status to apply to the Group. As a result, the Group 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.

A deferred tax asset of £68,027k (2017: £47,235k) in respect of available tax losses has not been recognised at 31 August 2018. This is due to there being no persuasive and reliable evidence available at this time of suitable profits to offset these losses.

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

17. Intangible assets – Service Concession Arrangements

	Service concession arrangements	Assets in the course of construction	Total
Cost	£'000	£'000	£'000
At 1 September 2017	1,305,026	88,860	1,393,886
Additions	77,125	82,433	159,558
At 31 August 2018	1,382,151	171,293	1,553,444
Amortisation			
At 1 September 2017	29,443	-	29,443
Charge during the year	31,230	-	31,230
At 31 August 2018	60,673	-	60,673
Net book value			
At 31 August 2018	1,321,478	171,293	1,492,771
At 31 August 2017	1,275,583	88,860	1,364,443
Cost			
At 1 September 2016	1,149,566	129,764	1,279,330
Additions	13,710	100,846	114,556
Transfer	141,750	(141,750)	-
At 31 August 2017	1,305,026	88,860	1,393,886
Amortisation			
At 1 September 2016	-	-	-
Charge during the year	29,443	-	29,443
At 31 August 2017	29,443	-	29,443
Net book value			
At 31 August 2017	1,275,583	88,860	1,364,443
At 31 August 2016	1,149,566	129,764	1,279,330

Included in intangible assets are properties being managed under service concession arrangements. Assets under construction are scheduled to become operational in September 2019.

Service concession arrangement assets include net finance costs up to the date of completion of £42,996k (2016: £42,287k). An amount of £709k (2017: £nil) was capitalised during the year.

The assets under construction were tested for impairment. The impairment assessment was performed in relation to the SPVs as at the reporting date using contractual cash flows and discount rates specific to the SPVs. These calculations have been based on a full year forecast at the point of first full operation, extrapolated over the remaining service concession arrangement period using a 2.5% – 3.5% growth rate. The growth rate reflects basically the projected RPI index. The growth is based on the financial models for the service concession arrangement prepared by the Group based on the agreements made with universities.

18. Intangible assets – Other

	Computer software	Goodwill	Total
Cost	£'000	£'000	£'000
At 1 September 2017	797	143,479	144,276
Additions	664	-	664
At 31 August 2018	1,461	143,479	144,940
Amortisation and impairment			
At 1 September 2017	214	30,692	30,906
Amortisation	472	-	472
Impairment charge	-	1,996	1,996
At 31 August 2018	686	32,688	33,374
Net book value			
At 31 August 2018	775	110,791	111,566
At 31 August 2017	583	112,787	113,370
Cost			
At 1 September 2016	553	143,479	144,032
Additions	244	-	244
At 31 August 2017	797	143,479	144,276

Amortisation and impairment

At 1 September 2016	57	28,696	28,753
Charge during the year	157	1,996	7,331
At 31 August 2017	214	30,692	30,906

Net book value

At 31 August 2017	583	112,787	113,370
At 31 August 2016	496	114,783	115,279

An amount of £137,259k in goodwill arose on the acquisition of subsidiary undertakings in September 2012 – £7,220,000 on 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.

The carrying amount of goodwill is allocated to the individual SPVs in the SPV operating segments where the goodwill arose from. The goodwill was tested for impairment at that level. The impairment assessment was performed in relation to the SPVs as at the reporting date using contractual cash flows and discount rates specific to the SPVs. These calculations have been based on a full year forecast at the point of first full operation, extrapolated over the remaining service concession arrangement period using a 2.5% to 3.5% growth rate. The growth rate reflects basically the projected RPI index. The growth is based on the financial models for the service concession arrangement prepared by the Group based on the agreements made with universities.

The main assumptions for the financial models are:

- RPI projections that affect net revenue projections at 2.5% – 3.5%.
- Occupancy rate that affects net revenue projected. Current occupancy rate assumed is 98%-100%.

The assumptions are calculated based on historical knowledge and external information relating to the macroeconomic environment and higher education market.

Financial models are reviewed and updated by management on an annual basis and also reviewed against historical performance.

During the financial year the Group has recognised a goodwill impairment of £1,996k (£1,996k in financial year ended 31 August 2017) due to the gradual decrease of future expected cash flows. Future expected cash flows are reducing as all the cash flows are allocated to the time-constrained service concession arrangement. This impairment loss relates fully to the SPV segment. The recoverable value of the goodwill as at 31 August 2018 is £110,791k (£112,787k as at 31 August 2017).

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 three to five years.

19. Business combinations

On 5 February 2018, the Group acquired 100% of the issued share capital and voting rights of UPP (SAC2) Limited and UPP Properties VIII Sarl, companies that provide student accommodation at Swansea University. The objective of the acquisition is to further increase the Group's market share in providing student accommodation services.

The details of the business combination are as follows:

	£'000
Fair value of consideration transferred	
Amount settled in cash	65,701
Recognised amounts of identifiable net assets	
Investment in subsidiaries	65,701
Goodwill on acquisition	-
Consideration transferred settled in cash	65,701
Cash and cash equivalents acquired	677
Net cash out flow on acquisition	65,024

Identifiable net assets

The fair values of the identifiable intangible assets have been determined at the date of acquisition of 5 February 2018. The assets and liabilities recognised as a result of the acquisition are as follows:

	£'000
Intangible assets (service concession arrangements)	64,229
Cash and cash equivalents	677
Debtors: amounts falling due within one year	999
Prepayments and accrued income	1,310
Debtors: amounts falling due after one year	55,528
Creditors: amount falling due within one year	(1,758)
Creditors: amount falling due after one year	(55,283)
Net identifiable assets acquired	65,701
Goodwill	-
Net assets acquired	65,701

There were no acquisitions in the year ending 31 August 2017

20. Property, plant and equipment

	Fixtures and fittings	Total
	£'000	£'000
Cost or valuation		
At 1 September 2017	5,763	5,763
Additions	78	78
Disposals	(3)	(3)
At 31 August 2018	5,838	5,838
Depreciation		
At 1 September 2017	4,191	4,191
Charge during the year	125	125
At 31 August 2018	4,316	4,316
Net book value		
At 31 August 2018	1,522	1,522
At 31 August 2017	1,572	1,572
Cost or valuation		
At 1 September 2016	5,397	5,397
Transfer	-	-
Additions	366	366
At 31 August 2017	5,763	5,763
Depreciation		
At 1 September 2016	3,503	3,503
Charge during the year	688	688
Revaluation	-	-
At 31 August 2017	4,191	4,191
Net book value		
At 31 August 2017	1,572	1,572
At 31 August 2016	1,894	1,894

21. Current trade and other receivables

	31 August 2018	31 August 2017	1 September 2016
	£'000	£'000	£'000
Trade debtors	5,406	2,488	1,645
Amounts owed by related parties	-	579	821
VAT recoverable	4,109	1,504	927
Prepayments and accrued income	3,626	3,259	3,794
	13,141	7,830	7,187

22. Current trade and other payables

	31 August 2018	31 August 2017	1 September 2016
	£'000	£'000	£'000
Trade creditors	18,070	9,372	8,341
Amounts owed to related parties	733	205	116
Other taxes and social security	876	2,375	609
Accruals and deferred income	39,188	26,478	25,912
	58,867	38,430	34,978

23. Financial assets

		31 August 2018	31 August 2017	1 September 2016
	Note	£'000	£'000	£'000
Derivatives designated as hedging instruments	25			
RPI swaps		26,248	20,242	48,259
Derivatives not designated as hedging instruments	25	-		
RPI swaps		7,276	6,778	10,914
Financial assets at amortised cost		-	-	-
Financial receivables – service concession arrangements		103,261	25,479	26,965
Trade and other receivables	21	4,388	3,067	2,466
Cash at bank and in hand	35	207,781	203,132	132,695
		348,954	258,698	221,299
Total current		212,169	206,199	135,161
Total non-current		136,785	52,499	86,138

Derivatives designated as hedging instruments reflect the positive change in the fair value of IR and RPI swap contracts, designated as cash flow hedges to hedge highly-probable revenue changes due to RPI changes and to hedge interest expense changes due to interest rate changes.

Derivatives not designated as hedging instruments reflect the positive change in fair value of those RPI swap contracts, which are not designated in hedge relationship, but are nevertheless intended to reduce the level of revenue changes due to RPI changes.

The service concession arrangement asset includes net finance costs of £ 1,119k (2017: £1,119k; 2016: £1,119k).

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 Company in any other form.

Parent Company financial assets

	31 August 2018
	£'000
Loan receivables	184,611
Trade and other receivables	16
	184,627
Total current	16
Total non-current	184,611

Trade and other receivables consist of unpaid share capital.

The unsecured loans to a subsidiary undertaking is for an amount of £109,018k which was advanced on 5 March 2013 by Student UK TopCo Limited. This loan bears interest at 12.75% and is repayable in March 2023.

On 1 March 2018, as a result of the Group restructure, Student UK TopCo Limited transferred this loan receivable balance, plus accrued interest up to that date, to its parent company, Student UK AcqCo Limited, and further to the Company by way of an in-specie dividend.

The fair value of the loan is £185,372k. This valuation is treated as Level 2 in the fair value hierarchy. The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate.

24. Financial liabilities

	31 August 2018	31 August 2017	1 September 2016
	£'000	£'000	£'000
Borrowings			
Unsecured loan notes	-	571,697	506,418
Senior secured notes	512,469	505,422	496,073
Senior debt	557,584	499,818	510,552
Senior index-linked debt	450,571	380,230	221,364
Non-recourse bank debt finance	81,086	31,066	32,253
Secured subordinated loan notes	23,712	21,893	19,968
Secured bridge funding loan notes	5,100	5,100	-
Derivatives designated as hedging instruments	-	-	-
Interest rate swaps	133,122	160,199	200,433
RPI swaps	-	1,562	-
Financial liabilities at amortised cost	-	-	-
Trade and other payables	18,803	9,577	8,457
	1,782,447	2,186,564	1,995,518
Total current	49,552	36,511	27,419
Total non-current	1,732,895	2,150,053	1,968,099

24.1. Interest-bearing loans and borrowings

Senior debt

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 secured notes

On 5 March 2013 a Group subsidiary, UPP Bond 1 Issuer PLC, issued £307,100k of fully-amortising fixed-rate senior secured notes and £75,000k 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%, 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%, increasing semi-annually by RPI. The notional amount of these notes at issuance was £75,000k and repayments are scheduled to commence in August 2038.

On 9 December 2014, UPP Bond 1 Issuer PLC issued £149,700k 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 UPP Bond 1 Issuer PLC and the other wholly-owned subsidiaries of UPP Bond 1 Limited.

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% increasing semi-annually with RPI. The notional amount of this facility was £40,497k 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% increasing semi-annually with RPI. The notional amount of this facility was £113,816k and repayments are scheduled to commence in February 2017.

On 7 April 2016, a Group subsidiary issued £67.3 million 1.030% RPI index-linked loan notes. The proceeds of this issuance were used to repay the existing senior bank debt funding. The loan notes are fully-amortising by August 2049 with a real interest rate of 1.0302% increasing semi-annually with RPI. The notional amount of this facility is £67,322k 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% increasing semi-annually with RPI. The notional amount of this facility was £86,809k 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% increasing semi-annually with RPI. The notional amount of this facility was £127,636k and repayments are scheduled to commence in February 2020. An amount of £3,995k remains undrawn as at 31 August 2018 (2017: £56,210k), and is scheduled to be fully drawn-down by 31 August 2019.

On 5 February 2018, a Group subsidiary issued £63,000k of fully-amortising index-linked loan notes in two tranches. The facility is fully-amortising by August 2062 with a real interest rate of 0.207% – Tranche A and 1.203% – Tranche B, increasing semi-annually with RPI. The notional amount of this facility was £63,000k and repayments are scheduled to commence in February 2018.

On 28 June 2018, a Group subsidiary issued £37,185k of fully-amortising index linked loan notes. The facility is fully-amortising by August 2065 with a real interest rate of 0.044% increasing semi-annually with RPI. The notional amount of this facility was £37,185k and repayments are scheduled to commence in February 2021. An amount of £21,424k remains undrawn as at 31 August 2018 and is scheduled to be fully drawn-down by 29 February 2020.

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.

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 facilities are:

	Coupon rate	Final repayment dates
Fixed-term loan	13.15%	July 2022
Fixed through an IR swap	4.695%, plus margin until Sept 2017, 5.910% thereafter	September 2044
Inflation-linked loan	Real interest rate of 0.207% – Tranche A and 1.203% – Tranche B increasing semi-annually by RPI	August 2062

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 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% and 1.75%. On or before 31 August 2019, these loan notes will be repaid by the proceeds of subordinated loan notes issued in those companies.

Unsecured loan notes and payment-in-kind notes

The unsecured loan note funding was provided to a subsidiary undertaking, Student UK AcqCo Limited, in two tranches in September 2012 and February 2013. Interest is due in June and December of each year at 12.5% and payment-in-kind (PIK) notes are issued to satisfy the interest due on these dates. The loan notes and PIK notes are due for repayment in September 2022 and March 2023 and the rights of the PIK noteholders rank above those of the loan noteholders.

On 4 July 2014, the Company issued a further £20,000k of PIK notes on the same interest terms as above, but with a repayment date on or before 4 July 2024.

On 27 February 2018 the Group was released from its Shareholder debt, along with any accrued but unsettled interest, with no new shares being issued. The amount of debt waived was of £606,940k. The amount includes interests accrued during the year ended 31 August 2018 to the amount of £35,243k. A credit was directly recorded to equity reserves. This was a part of the Group's restructure. For more information refer to note 3.

25. Hedging activities and derivatives

Derivatives not designated as hedging instruments

The Group uses inflation swaps to manage some of the inflation-related risk in relation to revenue. These contracts are not designated as cash flow hedges and are entered into for the period consistent with the length of the service concession arrangement contract.

Cash flow hedges

The Group uses RPI swaps and IR swaps to manage some of the inflation risk in relation to the Group's revenue and to manage interest rate risk in relation to the debt costs. The derivative contracts lengths are aligned with the length of the service concession arrangement contract in relation to the RPI swaps and with the length of the debt contracts in relation to IR swaps.

	31 August 2018		31 August 2017		1 September 2016	
	£'000		£'000		£'000	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
IR swaps designated as hedging instrument	-	(133,122)	-	(160,199)	-	(200,433)
RPI swaps designated as hedging instrument	26,248	-	20,242	(1,562)	48,259	-
RPI swaps not designated as hedging instruments	7,276	-	6,778	-	10,913	-
	33,524	(133,122)	27,020	(161,761)	59,173	(200,433)

25. Hedging activities and derivatives (continued)

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 through the cash flow hedge reserve as follows:

	31 August 2018	31 August 2017	1 September 2016
	£'000	£'000	£'000
Fair value of derivatives used for hedging			
Creditors: amounts falling due after one year	(133,122)	(161,761)	(200,433)
Debtors: amounts falling due after one year	26,248	20,242	48,259
Movement in fair value of derivatives used for hedging			
Recognised profit/(loss) through OCI:			
Owners of the Parent Company	34,144	10,403	(48,171)
Non-controlling interest	501	252	(992)
Fair value of derivatives not used for hedging			
Debtors: amounts falling due after one year	7,276	6,778	10,914
Movement in fair value of derivatives not used for hedging			
Recognised profit/(loss) through the Income Statement	498	(4,136)	9,783

Liquidity maturity analysis for derivatives

The table below summaries the maturity profile of the Group's derivative financial liabilities based on contractual undiscounted payments:

	Contractual cash flows				
	Carrying amount	Less than 1 year	1-2 years	2-5 years	More than 5 years
31 August 2018	133,122	8,689	11,246	30,252	111,200
31 August 2017	161,761	13,403	13,117	36,169	131,388

26. Fair value measurement

The following table provides the fair-value measurement and hierarchy of the Group's financial assets and liabilities:

	31 August 2018		31 August 2017		1 September 2016	
	£'000		£'000		£'000	
	Book value	Significant observable inputs Level 2	Book value	Significant observable inputs Level 2	Book value	Significant observable inputs Level 2
Financial assets						
Derivatives designated as hedging instruments						
RPI swaps	26,248	26,248	20,242	20,242	48,259	48,259
Derivatives not designated as hedging instruments						
RPI swaps	7,276	7,276	6,778	6,778	10,914	10,914
Financial assets at amortised cost						
Financial receivables – service concession arrangements	103,261	103,261	25,479	25,479	26,965	26,965
Trade and other receivables	4,880	*	3,067	*	2,466	*
Cash at bank and in hand	207,781	*	203,132	*	132,695	*
	349,446		258,698		221,299	
Financial liabilities						
Borrowings						
Unsecured loan notes	-	-	571,697	571,697	506,418	506,418
Senior secured notes	512,468	531,656	505,422	533,251	496,073	534,606
Senior debt	557,584	496,094	499,818	499,019	510,552	501,833
Senior index-linked debt	450,571	422,816	380,230	374,518	221,364	222,142
Non-recourse bank debt finance	81,086	64,186	31,066	30,849	32,253	32,014
Secured subordinated loan notes	23,712	17,281	21,893	17,389	19,968	17,255
Secured bridge funding loan notes	5,100	5,119	5,100	5,121	-	-
Derivatives designated as hedging instruments						
IR swaps	133,122	133,122	160,199	160,199	200,433	200,433
RPI swaps	-	22,363	1,562	1,562	-	-
Financial liabilities at amortised cost						
Trade and other payables	18,803	*	9,577	*	8,457	*
	1,782,447		2,186,564		1,995,518	

*The Group has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amount are a reasonable approximation of fair value.

26.1. Valuation techniques and significant unobservable inputs

Type	Valuation technique
Derivative instruments	The fair values of the derivative IR swap contracts and inflation swap contracts are estimated by discounting expected future cash flows using market interest rates and market inflation rates.
Financial receivable – service concession arrangements Trade and other receivables Cash at bank and in hand Trade and other payables	The fair values of the Company's cash and cash equivalents and trade payables and receivables are not materially different from those at which they are carried in the financial statements due to the short-term nature of these instruments.
Borrowings	The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate.

27. Provisions for liabilities

	Deferred tax	Dilapidations	Total
	£'000	£'000	£'000
At 1 September 2017	16,585	110	16,695
(Credited)/charged to profit and loss account	(110)	16	(94)
Recognised in other comprehensive income	(16,475)		(16,475)
At 31 August 2018	-	126	126
At 1 September 2016	24,732	94	24,826
(Credited)/charged to profit and loss account	(828)	16	(812)
Recognised in other comprehensive income	(10,585)		(10,585)
Reanalysed as debtors	1,274		1,274
IFRS conversion adjustment	1,992		1,992
At 31 August 2017	16,585	110	16,695

Deferred tax

	31 August 2018	31 August 2017	1 September 2016
	£'000	£'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 a 10-year period	-	163	2
Reanalysed as debtors	-	1,274	-
Other timing differences	-	81	(18)
Total deferred tax liability	-	35,803	45,942

28. Called-up share capital

	31 August 2018	31 August 2017	1 September 2016
	£'000	£'000	£'000
Authorised			
40,000,000 Ordinary shares of 0.0025p each		1	-
Allotted, called up and fully paid			
31,132,965 Ordinary shares of 0.0025p each		1	1
Allotted, called up and fully paid			
1,000,000 ordinary shares of £1 each	1,000	-	

As a result of the Group restructuring in February 2018, the Company became the parent company of UPP Group Holdings Limited, trading as UPP. Until February 2018, the Group's parent company was Student UK TopCo Limited and the consolidated financial statements of the Group have been prepared under Student UK TopCo Limited's name.

28.1. Parent Company called-up share capital

	31 August 2018	31 August 2017	1 September 2016
	£'000	£'000	£'000
Allotted, called-up and fully-paid			
1,000,000 ordinary shares of £1 each		1	-



29. 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.

Other reserve

Other reserve relates to deferred tax liability on fair-value adjustments arising on business combinations prior to transition to IFRS on 1 September 2016.

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.

The £143k (2017: £147k) 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, £9,964k 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 UPL in 2008 and £6,348k to subordinated debt acquired by the Group in September 2012 from Barclays European Infrastructure Fund II LP. All of these contributions have been received in cash and are non-refundable.

Cash flow hedge reserve

Cash flow hedge reserve record 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 year profit and loss.

30. Retirement benefit schemes

Defined contribution scheme

The Group operates a defined contribution retirement benefit scheme for all employees, complying with automatic enrolment legislation from October 2013. The total cost charged to the profit and loss account of £573k (2017: £733k) represents a pre-determined amount of the employee's salary paid into the scheme. As at 31 August 2018, £Nil (2017: £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 next contribution is being carried out at 31 March 2019, setting out contributions for the period from 1 April 2020 to 31 March 2023.

The material assumptions used by the Actuary were as follows:

Defined benefit scheme

	31 August 2018	31 August 2017	1 September 2016
	£'000	£'000	£'000
Rate of inflation	3.2%	3.6%	3.1%
Rate of increase in salaries	3.8%	4.2%	4.0%
Rate of increase in pensions	2.3%	2.7%	2.2%
Discount rate for liabilities	2.6%	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 2018	31 August 2017	1 September 2016
	£'000	£'000	£'000
Retiring today			
Males	22.7	22.6	22.1
Females	25.6	25.5	25.3
Retiring in 20 years			
Males	24.9	24.8	24.4
Females	28.0	27.9	27.7

Amounts recognised in the income statement are as follows:

	Year ended 31 August 2018	Year ended 31 August 2017
	£'000	£'000
Service cost	88	100
Net interest on the defined liability	50	45
Administrative expenses	1	1
	139	146

Amount taken to other comprehensive income is as follows:

	Year ended 31 August 2018	Year ended 31 August 2017
	£'000	£'000
Return on scheme assets in excess of interest	125	336
Other actuarial gains / (losses) on assets	-	14
Change in demographic assumptions	-	(21)
Experience gain / (loss) on defined benefit obligation	-	(77)
Change in financial assumptions	438	14
Re-measurement of the net assets / (defined liability)	563	266

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 2018	31 August 2017	1 September 2016
	£'000	£'000	£'000
Present value of the defined benefit obligation	(4,824)	(5,188)	(4,970)
Fair value of scheme assets	3,329	3,198	2,798
Net defined benefit liability	(1,495)	(1,990)	(2,172)

Defined benefit obligation reconciliation is as follows:

	2018	2017	2016
	£'000	£'000	£'000
At 1 September	5,188	4,970	3,818
Current service cost	88	100	79
Interest cost	128	104	142
Change in financial assumptions	(438)	(14)	1,089
Estimated benefits paid net of transfers in	(154)	(85)	(174)
Change in demographic assumptions	-	21	-
Experience gain/(loss) on defined benefit obligation	-	77	-
Contributions by scheme participants	12	15	16
At 31 August	4,824	5,188	4,970

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

	2018	2017	2016
	£'000	£'000	£'000
At 1 September	3,198	2,798	2,542
Interest on assets	79	59	95
Return on assets less interest	125	336	267
Other actuarial gains/(losses)	-	14	-
Contributions	82	77	69
Administration expenses	(1)	(1)	(1)
Benefits paid	(154)	(85)	(174)
At 31 August	3,329	3,198	2,798

The estimated amounts of contributions expected to be paid to the scheme during the financial year ending 2019 is £70k (2018: £84k).

31. Parent undertaking and controlling party

The Group and the Company is 60% 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.

32. Related party transactions

As at 31 August 2018, the Directors consider that during the year, Nottingham Trent University, the University of Reading, the University of London and the 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 has received capital contribution from its Shareholders PGGM and Okra Gee to the amount of £33,000k. This has been exchanged for 999 ordinary shares of the nominal value of £1.

During the year, the Group's Shareholders PGGM and Okra Gee have waived debt to the amount of £606.940k. For further information refer to note 3.

During the year, the Group incurred costs of £610k (2017: £611k) for services provided by Nottingham Trent University in respect of UPP (Clifton) Holdings Limited and UPP (Byron House) Holdings Limited. An amount of £3,956k (2017: £3,956k) remains outstanding at the balance sheet date and is included within creditors falling due after one year. During the year, the Group received income of £10,443k (2017: £10,444k) in respect of services provided by these companies to the University and an amount of £1k (2017: £1k) remains outstanding at the balance sheet date.

During the year, the Group incurred costs of £2,143k (2017: £3,976k) in respect of services provided by the University of Reading and received income of £29,168k (2017: £29,627k) in respect of services provided to the University. An amount of £1,048k (2017: £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 £130k (2017: £126k) in respect of services provided by the University of London and received income of £9,688k (2017: £8,915k) in respect of services provided to the University. An amount of £2,519k (2017: £2,519k) remains outstanding at the balance sheet date and is included within creditors falling due after one year.

During the year, the Group incurred costs of £nil (2017: £nil) in respect of services provided by the University of Hull and received income of £nil (2017: £nil) in respect of services provided to the University. An amount of £2,581k (2017: £2,581k) remains outstanding at the balance sheet date relating to bridge funding loan notes and is included within creditors falling due after one year.

Parent Company

As at 31 August 2018, the Company has a loan receivable from the subsidiary company UPP Group Limited. The unsecured loan to a subsidiary undertaking is for an amount of £109,018k which was advanced on 5 March 2013 by Student UK TopCo Limited. This loan bears interest at 12.75% and is repayable in March 2023.

33. Investments

The Company owns 100% of the issued share capital in UPP Group Holdings Limited which itself owns 100% of the issued share capital of UPP Group Limited.

Details of the trading subsidiaries in which UPP Group Limited holds 20% 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 Metropolitan II 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 (Swansea) Holdings Limited	100%	Ordinary	Student accommodation
UPP (Exeter II) Holdings Limited	100%	Ordinary	Student accommodation
UPP Bond 1 Issuer PLC	100%	Ordinary	Provision of senior secured bond funding

UPP Projects Limited	100%	Ordinary	Partnerships development for the provision of student accommodation
UPP Residential Services Limited	100%	Ordinary	Provision of facility management services
UPP (Swansea) Holdings Limited	100%	Ordinary	Student accommodation
UPP (Exeter 2) Holdings Limited	100%	Ordinary	Student accommodation

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

34. Non-controlling interests (NCI)

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations. There were no changes in the NCI percentages during the year.

	UPP (Byron House) Holdings Limited	UPP (Cartwright Gardens) Holdings Limited	UPP (Clifton) Holdings Limited	UPP (Reading 1) Holdings Limited	UPP (Duncan House) Holdings Limited	UPP (Hull) Holdings Limited
31 August 2018	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
NCI percentage	20%	15%	20%	20%	15%	10%
Non-current assets	58,000	155,400	39,700	338,466	80,340	115,167
Current assets	4,549	7,568	6,498	11,788	32,357	51,300
Non-current liabilities	74,804	149,449	49,614	286,260	109,144	125,618
Current liabilities	4,768	4,415	925	4,527	2,506	39,832
Net assets	(17,023)	9,104	(4,341)	59,467	1,046	1,017
Net assets attributable to NCI	(3,516)	(1,031)	(945)	11,451	-	(53)
Revenue	4,562	9,646	4,630	29,368	-	1,463
Profit /(Loss)	(1,312)	(3,257)	(455)	(2,299)	-	(230)
OCI	670	14,571	133	15,333	-	-
Total comprehensive income	(642)	11,314	(322)	13,034	-	(230)
Profit allocated to NCI	(262)	(490)	(91)	(461)	-	(23)
Total OCI allocated to NCI	(128)	2,176	526	2,605	-	(23)
Cash flows from operating activities	3,129	7,367	3,025	15,810	891	7,303
Cash flows from investment activities	(29)	33	3	(131)	(26,483)	(56,204)
Cash flows from financing activities (dividends to NCI: nil)	(2,973)	(7,410)	(3,058)	(14,616)	3,653	52,085
Net increase (decrease) in cash and cash equivalents	127	(10)	(30)	1,063	(21,939)	3,184

	UPP (Byron House) Holdings Limited	UPP (Cartwright Gardens) Holdings Limited	UPP (Clifton) Holdings Limited	UPP (Reading 1) Holdings Limited	UPP (Duncan House) Holdings Limited	UPP (Hull) Holdings Limited
31 August 2017	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
NCI percentage	20%	15%	20%	20%	15%	10%
Non-current assets	57,600	141,278	40,859	328,781	53,857	57,294
Current assets	4,401	4,998	8,266	10,620	54,084	46,621
Non-current liabilities	73,956	144,069	52,107	288,381	105,491	5,909
Current liabilities	4,426	4,417	1,036	4,587	1,404	96,759
Net assets	(16,381)	(2,210)	(4,018)	46,433	1,046	1,247
Net assets attributable to NCI	(3,388)	(541)	(881)	8,845	-	(30)
Revenue	5,844	8,859	4,440	28,684	-	-
Profit	(2,002)	(3,617)	(464)	(624)	-	(303)
OCI	(623)	-	1,032	2,061	-	-
Total comprehensive income	(2,625)	(3,617)	568	1,437	-	(303)
Profit allocated to NCI	(400)	(541)	(93)	(125)	-	(30)
OCI allocated to NCI	(525)	(541)	96	287	-	(30)
Cash flows from operating activities	3,603	6,448	3,400	15,172	912	4,748
Cash flows from investment activities	(2)	(5,540)	2	7	(53,857)	(57,290)
Cash flows from financing activities (dividends to NCI: nil)	(2,816)	(6,389)	(3,063)	(15,524)	106,537	98,192
Net increase (decrease) in cash and cash equivalents	785	(5,481)	339	(345)	53,592	45,650

35. Cash and cash equivalents

	31 August 2018	31 August 2017	1 September 2016
	£'000	£'000	£'000
Cash at bank and in hand	153,407	122,752	111,445
Short-term deposits	54,374	80,380	21,250
Cash and cash equivalents	207,781	203,132	132,695

The cash and cash equivalents disclosed above and in the statement of cash flows include £191,742k as at 31 August 2018 (£191,243k as at 31 August 2017, £103,513k as at 31 August 2016) of restricted cash. This cash is subject to be used only by SPVs in line with the service concession agreements and are therefore not available for general use by the other entities within the Group.



36. Reconciliation of movements of liabilities to cash flows arising from financing activities

	Total	Borrowings	Share capital	Share premium
	£'000	£'000	£'000	£'000
31 August 2017		2,015,226	1	-
Financing activities				
New debt drawn	131,677	131,677	-	-
Repayment of senior debt	(9,398)	(9,398)	-	-
Repayment of fixed rate debt	(3,691)	(3,691)	-	-
Repayment of index-linked debt	(8,199)	(8,199)	-	-
Interest paid	(54,802)	(54,802)	-	-
New subordinated loan	-	-	-	-
Finance lease payments	(1,291)	(1,291)	-	-
Non-controlling interest investment	-	-	-	-
Capital contributions	33,000	-	999	32,001
Net cash flow from / (used in) financing activities	87,296	54,296	999	32,001
Shareholder's debt waiver		(606,940)	-	-
Interest expense		111,260	-	-
Debt acquired in business acquisition		56,679	-	-
Group restructure effect		-	-	426,766
31 August 2018		1,630,521	1,000	458,767

In February 2018, the Group underwent a restructure. As part of this restructure, Shareholders of the Group have waived a debt with all the accrued interests in the amount of £606,940k. For further information refer to note 3.

During the financial year, the Group received £33,000k of capital contribution from its Shareholders that was used for acquisition of new entities. The capital contribution was exchanged for the £999k of shares and £32,001k of share premium.

37. 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.

37.1. Market risk

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 IR 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 IR 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 31 August 2018, 31 August 2017 and 1 September 2016 the Group has entered into the following IR swaps with external parties:

- a 30-year IR swap between UPP (Loughborough) Limited and Bank of Ireland commencing in June 2009 and finishing in June 2039
- a 29-year IR swap between UPP (Loughborough) Limited and Dexia Bank commencing in December 2010 and finishing in June 2039
- a 32-year IR swap between UPP (Lancaster) Limited and Dexia Bank commencing in November 2010 and finishing in March 2042
- a 27-year IR swap between UPP (Clifton) Limited and Bank of Ireland commencing in November 2012 and finishing in May 2039

- a 31-year IR 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 IR 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 IR swaps noted above.

The Parent Company is not exposed to material interest rate risk. The Company has a fixed interest loan receivable. No other Company's financial instruments are exposed to interest rate risk.

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 as at 31 August 2018, 31 August 2017 and 1 September 2017 are as follows:

- 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 as follows:

- 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 five inflation 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 remeasured 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.

Due to limitations on the application of hedge accounting, three of the RPI swaps noted above – at UPP (Kent Student Accommodation) Limited, at UPP (Plymouth Three) 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 and as a result any changes in fair values of the derivatives are recognised through the profit and loss and therefore introduce some volatility to the profit and loss.

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.

The following sensitivity analysis describes possible movements in inflation with all other variables held constant, showing the impact on profit before tax and equity.

		Effect on fair value of financial instruments	Effect on equity
		£'000	£'000
1 September 2017			
31 August 2018			
Financial derivatives (RPI Swaps)	Increase of 25 basis points	(13,655)	(13,655)
	Decrease of 25 basis points	12,741	12,741
1 September 2016			
31 August 2017			
Financial derivatives (RPI Swaps)	Increase of 25 basis points	(14,627)	(14,627)
	Decrease of 25 basis points	12,906	12,906

The Parent Company is not exposed to inflation rate risk.

Demand risk

The Group is subject 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 annually to enable the Group to review its strategic position.

37.2. Liquidity risk

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

The following are contractual maturities of debt liabilities at the reporting date. The amounts are gross and undiscounted and include the contractual interest payments.

	31 August 2018	31 August 2017	1 September 2016
	£'000	£'000	£'000
Repayable within one year or on demand	50,725	43,363	36,485
Repayable in more than one year but less than two years	37,066	24,437	21,742
Repayable in more than two years but less than five years	120,963	105,758	73,549
Repayable in more than five years	1,443,513	2,178,759	2,047,295
	1,652,267	2,352,317	2,179,071

37.3. Credit risk

The Group is exposed to credit risk from its operating activities (primarily from trade receivables) and from its financing activities, including deposits with banks and derivatives.

The Group receives the majority of its revenue in the form of rents passing from universities. Credit risk from balances with banks and derivatives is managed through the Group's treasury policy. The Group sets up deposits and swap instruments only with the banks that have sufficient credit ratings and monitors those ratings on a regular basis.

The credit risk relates also to receivables from main counterparties which are universities. The Group manages credit risk by careful selection of the universities with which it chooses to partner and monitors the financial position of these universities on a regular basis. As a research-led business, it applies its own methodology to understand the long-term performance of potential partner institutions. The credit risk is assessed and managed by:

- its bespoke contractual arrangements with partner universities;
- managing demand both operationally through its specialist asset division, UPP Management, and its operations company, UPP Residential Services Limited;
- performing regular reviews of financial information of partner universities;
- performing regular reviews of higher education statistical data such as application rates, current university rankings that give an indication of future demand and the financial position of a specific university;
- analysing higher education reports and undertaking internal research by assessing demand for UK higher education from the perspective of UK and international students;

- performing macroeconomic research of UK and international higher education markets;
- analysing demographic data that has impact on higher education market;
- monitoring Office for Student reports, which acts as a regulator for universities;
- performing analysis of the occupancy ratios of the accommodation that the Group provides to partner universities;
- performing analysis of aging of the receivables from universities;
- maintaining a close relationship with partner universities through regular dialogue and meetings.

On the basis of the following information:

- stable financial situation of partner universities,
- lack of information on potential worsening this situation in the foreseeable future
- universities are considered to be a public institution and that its financial stability is guaranteed by the Office for Students
- management assess that there is no material credit risk. The Group has not recognised expected credit loss in relation to financial receivables

The carrying amount of financial assets represents the maximum credit exposure.

The Parent Company is not exposed to significant credit risk. The loan asset is receivable from the Company's subsidiary UPP Group Limited. The carrying amount of financial assets represents the maximum credit exposure.

38. Financial commitments

At 31 August 2018 the Group had an amount of £89,231k (2016: £136,066k) contracted for but not provided for at that date. This related to ongoing construction of rooms of student residential accommodation.

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

	Year ended 31 August 2018	Year ended 31 August 2017
	Land and buildings	Land and buildings
Operating leases which expire:	£'000	2017
Not later than one year	486	486
After one year but not more than five years	606	1,092

At 31 August 2018 the Group had no financial commitments other than the operating lease set out above.



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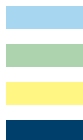
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