
UPP BOND 1 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2020

UPP BOND 1 LIMITED

COMPANY INFORMATION

Directors	E R Hewitt (appointed 7 April 2020) Intertrust Directors 1 Limited H Gervaise-Jones
Registered number	08255705
Registered office	First Floor 12 Arthur Street London EC4R 9AB
Independent auditors	KPMG LLP Chartered Accountants and Statutory Auditor 15 Canada Square London E14 5GL

UPP BOND 1 LIMITED

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 AUGUST 2020**

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

Despite the considerable impact on UK higher education ('HE') wrought by the COVID-19 pandemic and the impact of Brexit, the sector has maintained its position as the leading global destination for students after the USA. UCAS applicant data issued following the 30 June 2020 main scheme deadline identifies continued growth in demand of 2% overall or the equivalent of more than 14,000 extra applicants on the previous cycle.

This deadline saw applications from approximately 653,000 prospective students. Applicant numbers from the UK were up by 2%, a 7,980 increase on the 2019/20 cycle, however there was a decline in applicants from EU countries of 2%, the equivalent of 1,000 students. The number of applicants from outside the EU witnessed strong growth at 10%, an increase of 7,790 new prospective international students. The data also identified the continuing increase in the rate of application from 18-year-olds. This cohort has seen year on year increases over the last decade from 34.7% in 2012 to 38.9% in 2019. This figure increased again during the 2020 cycle to 40.5% of the 18-year-old population. This is positive news for the Company as this is by far the largest demand cohort for its accommodation.

With the deadline for Brexit extended until 31 January 2020, the exit of the United Kingdom from the European Union (EU) continues to cast uncertainty across numerous sectors of the economy. Whilst there have been some concerns how this 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 0.6 per cent.

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

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

Principal risks and uncertainties

Financial risk management objectives and policies

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

The existence of these financial instruments exposes the Company to a number of financial risks, which are described in more detail below. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Company finances its operations through related party borrowings, on an arms-length basis.

Liquidity risk

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

Demand risk

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

Portfolio risk

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

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

Financial key performance indicators

The Company's principal activity is that of a holding company providing funding to seven fellow group undertakings by way of short term loans and dividends. The performance of these group undertakings is critical to the ability of this Company to service its own debt commitments.

These fellow group undertakings all provide student accommodation and use rental income received to service the cost of these on-loans.

The following are considered by the directors to be indicators of average performance of these fellow group undertakings that are not necessarily evident from the financial statements.

	2019/20	2018/19
Average Applications : Acceptance ratio	5.00:1	6.00:1
Average core demand pool (no. of students)	12,355	16,163

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

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

	2019/20	2018/19
Average occupancy across the facilities	99.4%	99.2%

The target occupancy level across the facilities is 98-99%, as such the directors are satisfied that the movements noted above are within tolerable limits for the recovery of credit extended to these group undertakings.

Other financial key performance indicators, such as debt service cover ratio, relate to financial covenants on the associated senior debt financial instruments. All of the financial covenants have been met during the financial year.

This report was approved by the board on 14 December 2020 and signed on its behalf.



H Gervaise-Jones
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2020**

The directors present their report and the financial statements for the year ended 31 August 2020.

Directors' responsibilities statement

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

Principal activity of the business

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

Financial risk management objectives and policies

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

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020**

Going concern

The directors have prepared cashflow forecasts, which are based on detailed financial models and reflect contractual commitments, estimated future demand trends and the expected cashflows which show that the Company is able to meet its liabilities as they fall due.

In preparing these financial statements, the Directors have also considered the impacts of the Covid-19 pandemic on the ability of the Company to continue as a going concern. Whilst this situation is likely to generate continued uncertainty, the Directors are confident that the robust nature of the business model and its many credit-positive features will enable the Company to mitigate many of the risks arising. Notwithstanding this they recognise that the situation may give rise to as yet unidentified and unquantifiable risks.

On this basis, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of approval of these financial statements, and therefore continue to adopt the going concern basis in preparing these financial statements. For more information refer to Basis of preparation note in Financial Statements

Results and dividends

The loss for the year, after taxation, amounted to £17,748k (2019 - loss £12,752k).

The directors did not declare any dividends for the year (2019 - £nil).

Directors

The directors who served during the year were:

E R Hewitt (appointed 7 April 2020)
Intertrust Directors 1 Limited
R Bienfait (resigned 31 January 2020)
H Gervaise-Jones

Future developments

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

Qualifying third party indemnity provisions

During the year and up to the date of this report, the Company maintained liability insurance and third-party indemnification provisions for its directors, under which the Company has agreed to indemnify the directors to the extent permitted by law in respect of all liabilities to third parties arising out of, or in connection with, the execution of their powers, duties and responsibilities of the Company.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020**

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

Post balance sheet events

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

Auditors

KPMG LLP was appointed in the year as auditor of the company in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 14 December 2020 and signed on its behalf.



H Gervaise-Jones
Director

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

Opinion

We have audited the financial statements of UPP Bond 1 Limited ("the company") for the year ended 31 August 2020 which comprise the profit and loss account, statement of comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*;
- and have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements;

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

- and in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit. We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

UPP BOND 1 LIMITED

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

The purpose of our audit work and to whom we owe our responsibilities

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



Craig Steven-Jennings (Senior statutory auditor)

for and on behalf of

KPMG LLP

Chartered Accountants
Statutory Auditor

15 Canada Square
London
E14 5GL
15 December 2020

UPP BOND 1 LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 AUGUST 2020

	Note	2020 £000	2019 £000
Administrative expenses		(67)	(65)
Operating loss		(67)	(65)
Interest payable and charges	6	(18,518)	(16,480)
Loss before tax		(18,585)	(16,545)
Tax on loss	7	837	3,793
Loss for the financial year		(17,748)	(12,752)

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2020 (2018: £nil).

The notes on pages 14 to 26 form part of these financial statements.

UPP BOND 1 LIMITED
REGISTERED NUMBER: 08255705

BALANCE SHEET
AS AT 31 AUGUST 2020

	Note	2020 £000	2019 £000
Fixed assets			
Investments	8	237,282	237,282
		<u>237,282</u>	<u>237,282</u>
Current assets			
Debtors	9	2,962	5,303
Cash at bank and in hand	10	22,162	20,603
		<u>25,124</u>	<u>25,906</u>
Creditors: amounts falling due within one year	11	(46,002)	(35,706)
Net current liabilities		<u>(20,878)</u>	<u>(9,800)</u>
Total assets less current liabilities		<u>216,404</u>	<u>227,482</u>
Creditors: amounts falling due after more than one year	12	(198,447)	(191,777)
Net assets		<u><u>17,957</u></u>	<u><u>35,705</u></u>
Capital and reserves			
Called up share capital	15	55,570	55,570
Profit and loss account	16	(37,613)	(19,865)
		<u><u>17,957</u></u>	<u><u>35,705</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 December 2020.



H Gervaise-Jones
Director

The notes on pages 14 to 26 form part of these financial statements.

UPP BOND 1 LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2020

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 September 2019	55,570	(19,865)	35,705
Loss for the year	-	(17,748)	(17,748)
At 31 August 2020	55,570	(37,613)	17,957

The notes on pages 14 to 26 form part of these financial statements.

UPP BOND 1 LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2019**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 September 2018	55,570	(7,113)	48,457
Loss for the year	-	(12,752)	(12,752)
At 31 August 2019	55,570	(19,865)	35,705

The notes on pages 14 to 26 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

1. General information

UPP Bond 1 Limited is a private company limited by shares incorporated in England, with company number 08255705. The registered office is First Floor, 12 Arthur Street, London, EC4R 9AB.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

The Company has taken advantage of the disclosure exemption allowed under FRS 102 not to comply with Section 7 Statement of Cash Flows and it has not presented its own Statement of Cash Flows in these financial statements.

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

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

The profit and loss figures in the following notes have been shown for the Company unless otherwise specified.

The following principal accounting policies have been applied:

2.2 Going concern

Notwithstanding net current liabilities of £20.9m as at 31 August 2020 and a loss for the year then ended of £17.7m, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts through to 31 August 2022 which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its intermediate parent company, UPP Group Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on UPP Group Limited providing additional financial support during that period. UPP Group Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

2. Accounting policies (continued)

2.3 Financial reporting standard 102 - reduced disclosure exemptions

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

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

This information is included in the consolidated financial statements of UPP Group Holdings Limited as at 31 August 2020 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

2.4 Related party transactions

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

2. Accounting policies (continued)

2.5 Taxation

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

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

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

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

2.6 Valuation of Investments

Investments in subsidiaries are measured at cost less accumulated impairment

At each reporting date, the Group determines whether it is necessary to recognise an impairment loss of its investment in its associates through examination of any objective evidence. The Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value. The impairment of associate is shown on the face of the Consolidated Statement of Comprehensive Income outside operating profit.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investments at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment proceeds from disposal is recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

2. Accounting policies (continued)

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Impairment is determined by making an estimate of the likely recoverable value of unsecured loan notes from subsidiaries.

2.8 Cash and cash equivalents

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

2.9 Interest bearing loans and borrowings

Subordinated loan notes are initially measured at fair value, net of transaction costs. They are then subsequently measured at amortised cost using the effective interest method.

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

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Finance costs

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

2. Accounting policies (continued)

2.12 Impairment

At each reporting date, the Company determines whether it is necessary to recognise an impairment loss of its investment in its associates through examination of any objective evidence. The Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value. The impairment of associate is shown on the face of the Statement of Comprehensive Income outside operating profit.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investments at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment proceeds from disposal is recognised in profit or loss.

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

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

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

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

Impairment of non-financial assets

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

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

UPP BOND 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

4. Auditors' remuneration

	2020 £000	2019 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>7</u>	<u>4</u>
Fees payable to the Company's auditor and its associates in respect of:		
Fees payable to the Company's auditor for the audit of subsidiary undertakings annual financial statements	<u>53</u>	<u>104</u>
	<u>53</u>	<u>104</u>

5. Employees

The Company has no employees other than the directors, who did not receive any remuneration (2019 - £NIL).

6. Interest payable and similar expenses

	2020 £000	2019 £000
Loan note interest payable	<u>18,518</u>	<u>16,480</u>
	<u>18,518</u>	<u>16,480</u>

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

UPP BOND 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

7. Taxation

	2020 £000	2019 £000
Corporation tax		
Current tax on loss for the year	-	(3,793)
Adjustments in respect of previous periods	(837)	-
	<u>(837)</u>	<u>(3,793)</u>
Total current tax	<u>(837)</u>	<u>(3,793)</u>
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on loss on ordinary activities	<u>(837)</u>	<u>(3,793)</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - *lower than*) the standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%). The differences are explained below:

	2020 £000	2019 £000
Loss on ordinary activities before tax	<u>(18,564)</u>	<u>(16,545)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%)	(3,527)	(3,144)
Effects of:		
Group relief	13	71
Non-taxable income	605	(701)
Adjustments in respect of prior years	2,072	(19)
Total tax (credit) for the year	<u>(837)</u>	<u>(3,793)</u>

UPP BOND 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

7. Taxation (continued)**Factors that may affect future tax charges**

UPP REIT Holdings Limited is a Real Estate Investment Trust ("REIT"). As a result, the Company no longer pays UK corporation tax on profits and gains from qualifying property rental business providing it meets certain conditions. Non-qualifying profits and gains continue to be subject to UK corporation tax as normal.

8. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 September 2019	237,282
At 31 August 2020	237,282

UPP BOND 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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8. Fixed asset investments (continued)**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
UPP (Alcuin) Limited	12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP (Broadgate Park) Holdings Limited	12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP (Kent Student Accommodation) Limited	12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP (Nottingham) Ltd	12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP (Oxford Brookes) Limited	12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP (Plymouth Three) Limited	12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP (Exeter) Limited	12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP Bond 1 Issuer plc	12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP (York) Limited	12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP (Broadgate Park) Limited	12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP (Gill Street) Limited	12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP (Plymouth) Limited	12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP (Plymouth Two) Limited	12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP James Square Plymouth Limited	12 Arthur Street, London, EC4R 9AB	Ordinary	100%

UPP BOND 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

8. Fixed asset investments (continued)**Subsidiary undertakings (continued)**

The aggregate of the share capital and reserves as at 31 August 2020 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves	Profit/(Loss)
	£000	£000
UPP (Alcuin) Limited	12,557	2,246
UPP (Broadgate Park) Holdings Limited	16,487	2,616
UPP (Kent Student Accommodation) Limited	13,635	(1,547)
UPP (Nottingham) Ltd	16,909	2,770
UPP (Oxford Brookes) Limited	11,372	985
UPP (Plymouth Three) Limited	1,171	(4,340)
UPP (Exeter) Limited	13,287	3,754
UPP Bond 1 Issuer plc	5,393	(195)
UPP (York) Limited	1	-
UPP (Broadgate Park) Limited	(782)	157
UPP (Gill Street) Limited	1	-
UPP (Plymouth) Limited	1	-
UPP (Plymouth Two) Limited	1	-
UPP James Square Plymouth Limited	1	-

UPP BOND 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

9. Debtors

	2020 £000	<i>2019</i> <i>£000</i>
Amounts owed by group undertakings	2,909	5,245
Prepayments and accrued income	53	58
	<u>2,962</u>	<u>5,303</u>

10. Cash and cash equivalents

	2020 £000	<i>2019</i> <i>£000</i>
Cash at bank and in hand	22,162	20,603
	<u>22,162</u>	<u>20,603</u>

11. Creditors: Amounts falling due within one year

	2020 £000	<i>2019</i> <i>£000</i>
Trade creditors	-	9
Amounts owed to group undertakings	45,943	35,658
Accruals and deferred income	59	39
	<u>46,002</u>	<u>35,706</u>

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

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

	2020 £000	<i>2019</i> <i>£000</i>
Subordinated loan notes	198,447	191,777
	<u>198,447</u>	<u>191,777</u>

UPP BOND 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

13. Loans

The Company issued loan notes on 5 March 2013 to its parent company, UPP Bond 1 Holdings Limited.

The loan notes are scheduled to be repaid by August 2057, with repayments commencing in August 2030, and bear an interest rate of 13.75%.

Additional loan notes of £21,309,000 were issued on 9 December 2014.

The additional loan notes are scheduled to be repaid by August 2051, with repayments commencing in August 2032, and bear an interest rate of 13.75%.

Analysis of the maturity of loans is given below:

	2020	<i>2019</i>
	£000	<i>£000</i>
Amounts falling due after more than 5 years		
Subordinated loan notes	198,447	<i>191,777</i>
	198,447	<i>191,777</i>

14. Financial instruments

	2020	<i>2019</i>
	£000	<i>£000</i>
Financial assets		
Financial assets measured at amortised cost	24,235	<i>22,101</i>
Financial liabilities		
Financial liabilities measured at amortised cost	(244,390)	<i>(227,444)</i>

Financial assets measured at amortised cost comprise cash at bank and in hand and amounts owed by group undertakings.

Financial Liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings and subordinated loan notes.

UPP BOND 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

15. Share capital

	2020	<i>2019</i>
	£000	<i>£000</i>
Authorised, allotted, called up and fully paid		
55,570,409 (2019 - 55,570,409) Ordinary shares of £1.00 each	55,570	<i>55,570</i>

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

16. Reserves**Profit and loss account**

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

17. Controlling party

UPP Bond 1 Limited is a wholly owned subsidiary of UPP Bond 1 Holdings Limited, itself a wholly owned subsidiary of UPP Group Holdings Limited.

UPP Group Holdings Limited is a wholly owned subsidiary of UPP REIT Holdings Limited.

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

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

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

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

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

Copies of the UPP REIT Holdings Limited accounts can be obtained from www.upp-ltd.com, once they have been published.