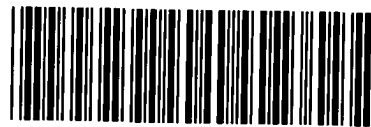


**UPP BOND 1 LIMITED**

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

TUESDAY



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22/01/2019  
COMPANIES HOUSE

<b>UPP BOND 1 LIMITED</b>
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**COMPANY INFORMATION**

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<b>Directors</b>	J Benkel S O'Shea Intertrust Directors 1 Limited R Bienfait
<b>Company secretary</b>	J Benkel
<b>Registered number</b>	08255705
<b>Registered office</b>	40 Gracechurch Street London EC3V 0BT
<b>Independent auditors</b>	Grant Thornton UK LLP Chartered Accountants and Statutory Auditor Victoria House 199 Avebury Boulevard Milton Keynes MK 9 1AU

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<b>UPP BOND 1 LIMITED</b>
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<b>UPP BOND 1 LIMITED</b>
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**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 AUGUST 2018**

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

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

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

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

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

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

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

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<b>UPP BOND 1 LIMITED</b>
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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 AUGUST 2018**

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**Principal risks and uncertainties**

**Financial risk management objectives and policies**

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

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

**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.

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**UPP BOND 1 LIMITED**

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

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**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.

	2017/18	2016/17
Average Applications : Acceptance ratio	5.35:1	5.76:1
Average core demand pool (no. of students)	15,097	14,093

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.

	2017/18	2016/17
Average occupancy across the facilities	100.00%	99.86%

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 7 December 2018 and signed on its behalf.

  
**R Bienfait**  
Director

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<b>UPP BOND 1 LIMITED</b>
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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 AUGUST 2018**

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

**Directors' responsibilities statement**

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

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

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

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

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

**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.

**Going concern**

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

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**UPP BOND 1 LIMITED**

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

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**Results and dividends**

The loss for the year, after taxation, amounted to £7,355k (2017 - £1,911k).

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

**Directors**

The directors who served during the year were:

J Benkel  
S O'Shea  
Intertrust Directors 1 Limited  
R Bienfait

**Future developments**

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

**Disclosure of information to auditors**

The directors confirm that:

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

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

**Post balance sheet events**

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

**Auditors**

The auditors, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



**R Bienfait**  
Director



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## UPP BOND 1 LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UPP BOND 1 LIMITED

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#### Opinion

We have audited the financial statements of UPP Bond 1 Limited (the "Company") for the year ended 31 August 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

#### Basis for opinion

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

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

#### Conclusions relating to going concern

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

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

<b>UPP BOND 1 LIMITED</b>
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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UPP BOND 1 LIMITED (CONTINUED)**

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**Other information**

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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<b>UPP BOND 1 LIMITED</b>
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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UPP BOND 1 LIMITED (CONTINUED)**

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**Responsibilities of directors for the financial statements**

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.

*Grant Thornton UK LLP*

**Laura Brierley**  
Senior Statutory Auditor

for and on behalf of  
**Grant Thornton UK LLP**

Chartered Accountants  
Statutory Auditor

Milton Keynes

7 December 2018

**UPP BOND 1 LIMITED**

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

	Note	2018 £000	2017 £000
Administrative expenses		(46)	(50)
<b>Operating loss</b>		<u>(46)</u>	<u>(50)</u>
Interest receivable	6	8,278	16,321
Interest payable and charges	7	(17,039)	(18,182)
<b>Loss before tax</b>		<u>(8,807)</u>	<u>(1,911)</u>
Tax on loss	8	1,452	-
<b>Loss for the financial year</b>		<u><u>(7,355)</u></u>	<u><u>(1,911)</u></u>

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2018 (2017: £nil).

The notes on pages 13 to 24 form part of these financial statements.

**UPP BOND 1 LIMITED**  
**REGISTERED NUMBER: 08255705**

**BALANCE SHEET**  
**AS AT 31 AUGUST 2018**

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Investments	9	237,282	52,356
		<u>237,282</u>	<u>52,356</u>
<b>Current assets</b>			
Debtors	10	1,460	176,655
Cash at bank and in hand	11	17,998	18,933
		<u>19,458</u>	<u>195,588</u>
Creditors: amounts falling due within one year	12	(25,565)	(16,794)
<b>Net current (liabilities)/assets</b>		<u>(6,107)</u>	<u>178,794</u>
<b>Total assets less current liabilities</b>		<u>231,175</u>	<u>231,150</u>
Creditors: amounts falling due after more than one year	13	(182,718)	(175,338)
<b>Net assets</b>		<u><u>48,457</u></u>	<u><u>55,812</u></u>
<b>Capital and reserves</b>			
Called up share capital	16	55,570	55,570
Profit and loss account	17	(7,113)	242
		<u><u>48,457</u></u>	<u><u>55,812</u></u>

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



**R Bienfait**  
Director

Date: 7 December 2018

The notes on pages 13 to 24 form part of these financial statements.

The amounts relate to continuing operations.

<b>UPP BOND 1 LIMITED</b>
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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 AUGUST 2018**

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	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 September 2017	55,570	242	55,812
Loss for the year	-	(7,355)	(7,355)
<b>At 31 August 2018</b>	<b>55,570</b>	<b>(7,113)</b>	<b>48,457</b>

The notes on pages 13 to 24 form part of these financial statements.

<b>UPP BOND 1 LIMITED</b>
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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 AUGUST 2017**

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	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 September 2016	<b>55,570</b>	<b>2,153</b>	<b>57,723</b>
Loss for the year	-	(1,911)	(1,911)
<b>At 31 August 2017</b>	<b>55,570</b>	<b>242</b>	<b>55,812</b>

The notes on pages 13 to 24 form part of these financial statements.

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<b>UPP BOND 1 LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2018**

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**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 40 Gracechurch Street, London, EC3V 0BT.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

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

The Company has 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 Group's functional currency, rounded to the nearest thousand.

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

The following principal accounting policies have been applied:

**2.2 Going concern**

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

**2.3 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 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

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



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<b>UPP BOND 1 LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2018**

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**2. Accounting policies (continued)**

**2.4 Interest income**

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

**2.5 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.

**2.6 Taxation**

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

**2.7 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

**2.8 Debtors**

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

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

**2.9 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.

**2.10 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.

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<b>UPP BOND 1 LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2018**

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**2. Accounting policies (continued)**

**2.11 Creditors**

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

**2.12 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 income statement 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.

**2.13 Interest bearing loans and borrowings**

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.

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

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

**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.

**4. Auditors' remuneration**

	2018 £000	2017 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	3	3
<b>Fees payable to the Company's auditor and its associates in respect of:</b>		
Taxation compliance services	-	2
Fees payable to the Company's auditor for the audit of subsidiary undertakings annual financial statements	34	78
	<b>34</b>	<b>80</b>

**5. Employees**

The Company has no employees other than the directors, who did not receive any remuneration (2017 - *£NIL*).

**UPP BOND 1 LIMITED**

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

**6. Interest receivable**

	2018 £000	2017 £000
Loan note interest receivable	8,278	16,321
	<u>8,278</u>	<u>16,321</u>

Loan note interest receivable relates to interest on the unsecured loan notes with the Company's subsidiaries.

Effective from 1 March 2018 the loan notes receivable from subsidiary companies were waived.

**7. Interest payable and similar expenses**

	2018 £000	2017 £000
Loan note interest payable	17,039	18,182
	<u>17,039</u>	<u>18,182</u>

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

**8. Taxation**

	2018 £000	2017 £000
<b>Corporation tax</b>		
Current tax on profits for the year	(1,452)	-
	<u>(1,452)</u>	<u>-</u>
<b>Total current tax</b>	<u>(1,452)</u>	<u>-</u>
<b>Deferred tax</b>		
<b>Total deferred tax</b>	<u>-</u>	<u>-</u>
<b>Taxation on (loss)/profit on ordinary activities</b>	<u>(1,452)</u>	<u>-</u>

**UPP BOND 1 LIMITED**

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

**8. Taxation (continued)**

**Factors affecting tax charge for the year**

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

	<b>2018 £000</b>	<b>2017 £000</b>
Loss on ordinary activities before tax	<b>(8,807)</b>	<b>(1,911)</b>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.58%)	<b>(1,673)</b>	<b>(374)</b>
<b>Effects of:</b>		
Expenses disallowed for tax purposes	<b>1,321</b>	<b>1,853</b>
Group relief claimed not paid for	<b>-</b>	<b>(48)</b>
Non-taxable income	<b>(1,100)</b>	<b>(1,431)</b>
<b>Total tax charge for the year</b>	<b>(1,452)</b>	<b>-</b>

**Factors that may affect future tax charges**

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

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

**UPP BOND 1 LIMITED**

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

**9. Fixed asset investments**

	<b>Investments in subsidiary companies £000</b>
<b>Cost or valuation</b>	
At 1 September 2017	52,356
Additions	184,926
At 31 August 2018	<u>237,282</u>
<b>Net book value</b>	
At 31 August 2018	<u>237,282</u>
At 31 August 2017	<u>52,356</u>

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

<b>Name</b>	<b>Class of shares</b>	<b>Holding</b>	<b>Principal activity</b>
UPP (Alcuin) Limited	Ordinary	100 %	Provision of student accommodation
UPP (Broadgate Park) Holdings Limited	Ordinary	100 %	Provision of student accommodation
UPP (Kent Student Accommodation) Limited	Ordinary	100 %	Provision of student accommodation
UPP (Nottingham) Ltd	Ordinary	100 %	Provision of student accommodation
UPP (Oxford Brookes) Limited	Ordinary	100 %	Provision of student accommodation
UPP (Plymouth Three) Limited	Ordinary	100 %	Provision of student accommodation
UPP (Exeter) Limited	Ordinary	100 %	Provision of student accommodation
UPP Bond 1 Issuer plc	Ordinary	100 %	Financing company
UPP (York) Limited	Ordinary	100 %	Dormant
UPP (Broadgate Park) Limited	Ordinary	100 %	Provision of student accommodation
UPP (Gill Street) Limited	Ordinary	100 %	Dormant
UPP (Plymouth) Limited	Ordinary	100 %	Dormant
UPP (Plymouth Two) Limited	Ordinary	100 %	Dormant
UPP James Square Plymouth Limited	Ordinary	100 %	Dormant

<b>UPP BOND 1 LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2018**

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**9. Fixed asset investments (continued)**

The aggregate of the share capital and reserves as at 31 August 2018 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £000	Profit/(loss) £000
UPP (Alcuin) Limited	9,431	170
UPP (Broadgate Park) Holdings Limited	15,526	(353)
UPP (Kent Student Accommodation) Limited	14,242	681
UPP (Nottingham) Limited	10,623	(975)
UPP (Oxford Brookes) Limited	10,612	192
UPP (Plymouth Three) Limited	10,549	766
UPP (Exeter) Limited	3,654	(976)
UPP Bond 1 Issuer plc	5,777	(238)
UPP (York) Limited	1	-
UPP (Broadgate Park) Limited	(573)	175
UPP (Gill Street) Limited	1	-
UPP (Plymouth) Limited	1	-
UPP (Plymouth Two) Limited	1	-
UPP James Square Plymouth Limited	1	-
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**UPP BOND 1 LIMITED**

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

**10. Debtors**

	2018 £000	2017 £000
<b>Due after more than one year</b>		
Unsecured subordinated loan notes	-	176,648
	<u>-</u>	<u>176,648</u>
<b>Due within one year</b>		
Prepayments and accrued income	1,460	7
	<u>1,460</u>	<u>176,655</u>

The Company subscribed for unsecured loan notes in six of its subsidiary undertakings on 5 March 2013.

An additional £21,309,000 unsecured loan notes were subscribed for in its seventh subsidiary undertaking on 9 December 2014.

Effective from 1 March 2018 the subordinated loan notes receivable from subsidiary companies were waived.

**11. Cash and cash equivalents**

	2018 £000	2017 £000
Cash at bank and in hand	17,998	18,933
	<u>17,998</u>	<u>18,933</u>

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

	2018 £000	2017 £000
Amounts owed to group undertakings	25,541	16,757
Accruals and deferred income	24	37
	<u>25,565</u>	<u>16,794</u>

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



**UPP BOND 1 LIMITED**

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

**13. Creditors: Amounts falling due after more than one year**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Subordinated loan notes	<b>182,718</b>	<b>175,338</b>
	<u><b>182,718</b></u>	<u><b>175,338</b></u>

**14. 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:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due after more than 5 years</b>		
Subordinated loan notes	<b>182,718</b>	<b>175,338</b>
	<u><b>182,718</b></u>	<u><b>175,338</b></u>

**UPP BOND 1 LIMITED**

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

**15. Financial instruments**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Financial assets</b>		
Financial assets measured at amortised cost	<b>17,998</b>	<b>195,581</b>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<b>(208,259)</b>	<b>(192,095)</b>

Financial assets measured at amortised cost comprise unsecured loan notes and cash at bank and in hand.

Financial Liabilities measured at amortised cost comprise amounts owed to group undertakings and unsecured loan notes.

**16. Share capital**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Authorised, allotted, called up and fully paid</b>		
55,570,409 (2017 - 55,570,409) Ordinary shares of £1.00 each	<b>55,570</b>	<b>55,570</b>

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

**17. Reserves**

**Profit and loss account**

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

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<b>UPP BOND 1 LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2018**

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**18. Controlling party**

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

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

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

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

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

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