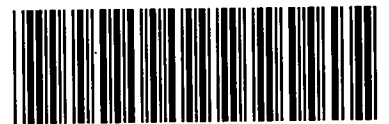


**UPP (Cartwright Gardens) Holdings Limited
Report and financial statements**

For the period ended 31 August 2014

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UPP (Cartwright Gardens) Holdings Limited

Report and financial statements

for the period ended 31 August 2014

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UPP (Cartwright Gardens) Holdings Limited

Directors and advisors



Directors

R Bailey-Watts
G Behr
J Benkel
S O'Shea
P Wilkinson

Secretary

J Benkel

Auditor

Grant Thornton UK LLP
Grant Thornton House
202 Silbury Boulevard
Central Milton Keynes
Buckinghamshire
MK9 1LW

Registered office

40 Gracechurch Street
London
EC3V 0BT

UPP (Cartwright Gardens) Holdings Limited

Directors' report

for the period ended 31 August 2014



The directors present their report and financial statements for the period from 13th February 2014 to 31 August 2014. The group was incorporated on 13 February 2014.

Principal activity of the business

The group's principal activity is the development, funding, and construction of student accommodation under the University Partnerships Programme ('UPP').

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 group has net current assets of £85,371,000 as at 31 August 2014.

Dividend

The directors are unable to propose the payment of a dividend.

Directors and their interests

The directors holding office during the period ended 31 August 2014 and subsequently are:

R Bailey-Watts	(appointed 7 July 2014)
G Behr	(appointed 13 February 2014)
J Benkel	(appointed 13 February 2014)
S O'Shea	(appointed 13 February 2014)
P Wilkinson	(appointed 4 July 2014)
D Palmer	(appointed 1 July 2014, resigned 7 July 2014)

At 31 August 2014, none of the directors had any beneficial interests in the shares of the company

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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 enable them to ensure that the financial statements comply with the

UPP (Cartwright Gardens) Holdings Limited

Directors' report (continued)

for the period ended 31 August 2014

Directors' responsibilities statement (continued)

The directors confirm that:

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

Auditor

Having passed elective resolutions of the shareholders the group is exempt from the obligation to annually re-appoint auditors and to hold annual general meetings. Accordingly the board recommend that Grant Thornton UK LLP continue in office as auditor to the group.

On behalf of the Board



G Behr
Director

26 February 2015

UPP (Cartwright Gardens) Holdings Limited

Strategic report

for the period ended 31 August 2014



Results and review of the business

The group's principal activity is the development, funding, and construction of student accommodation under the University Partnerships Programme ('UPP').

The project comprises the new build development of 954 rooms and the refurbishment of 246 rooms. Construction began in July 2014 and the entire project is due to be completed and occupied from the beginning of the 2016 / 17 academic year.

The year end financial position was in accordance with the directors' expectations. However due to unforeseen circumstances there is a potential for an overspend and delay in the construction of the 1,200 rooms at the Cartwright Gardens site.

Due to capitalisation of construction expenditure in the period, there were no profits or losses attributable to shareholders to report in the financial statements and as such no profit and loss statement is presented.

Financial risk management objectives and policies

The group 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 group finances its operations through a mixture of retained profits, related party borrowings and bank borrowings. The company exposure to interest rate fluctuations on its bank borrowings is managed by the use of interest swaps which fix variable interest rates for a period of time.

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.

The maturity of borrowings is set out in note 9 to the financial statements.

Demand risk

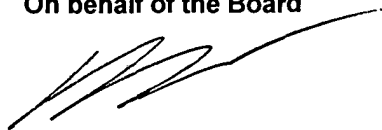
The group is subjected to risks arising from occupancy voids and no nominations by the university partners which can lead to uncertain revenues. This risk is managed by cementing relationships with the university, improved marketing of accommodation and improved third party revenues to compensate for 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 partner and ensuring up to date in depth market analysis is completed each period to enable the company to review its strategic position.

UPP (Cartwright Gardens) Holdings Limited
Strategic report (continued)
for the period ended 31 August 2014

On behalf of the Board



G Behr
Director

26 February 2015



Grant Thornton

Report of the independent auditor to the members of UPP (Cartwright Gardens) Holdings Limited

We have audited the financial statements of UPP (Cartwright Gardens) Holdings Limited for the period ended 31 August 2014 which comprise the consolidated and company balance sheets and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the group'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 group'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 group and the group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate..

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 August 2014 and of the group's result for the period 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and Strategic Report for the financial period for which the financial statements are prepared is consistent with the financial statements.



Grant Thornton

**Report of the independent auditor to the members of UPP
(Cartwright Gardens) Holdings Limited (continued)**

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

**Giles Mullins
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditors, Chartered Accountants
Central Milton Keynes**

26 February 2015

UPP (Cartwright Gardens) Holdings Limited

Consolidated balance sheet

as at 31 August 2014

		31 August 2014 £'000
	Notes	
Fixed assets		
Tangible assets	6	54,724
		<u>54,724</u>
Current assets		
Debtors: amounts falling due within one year	8	1,992
Cash at bank and in hand		85,360
		<u>87,352</u>
Creditors: amounts falling due within one year	10	<u>(1,981)</u>
Net current assets		<u>85,371</u>
Total assets less current liabilities		<u>140,095</u>
Creditors: amounts falling due after more than one year	11	(138,688)
		<u>1,407</u>
Share capital and reserves		
Called up share capital	12	1,407
Profit and loss account	13(a)	-
		<u>1,407</u>

The financial statements were approved by the board on 26 February 2015 and were signed on its behalf by:



G Behr
Director

Registered No: 08894502

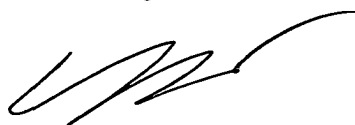
UPP (Cartwright Gardens) Holdings Limited

Company balance sheet

as at 31 August 2014

	Notes	31 August 2014 £'000
Fixed assets		
Investments	7	1,407
		<u>1,407</u>
Current assets		
Debtors: amounts falling due after more than one period	9	25,818
Creditors: amounts falling due within one year		(340)
Net current assets		<u>25,478</u>
Total assets less current liabilities		<u>26,885</u>
 Creditors: amounts falling due after more than one period	 11	 (25,478)
		 <u>1,407</u>
 Share capital and reserves		
Called up share capital	12	1,407
Profit and loss account	13(b)	-
		<u>1,407</u>

The financial statements were approved by the board on 26 February 2015 and were signed on its behalf by:



G Behr
Director

Registered No: 08894502

UPP (Cartwright Gardens) Holdings Limited

Notes to the financial statements

for the period ended 31 August 2014

1. Principal accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and the Companies Act 2006.

(b) 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.

(c) Basis of consolidation

The group financial statements consolidate the financial statements of UPP (Kent Turing) Holdings Limited and its subsidiary undertaking up to 31 August 2014. No profit and loss account is presented for UPP (Kent Turing) Holdings Limited as permitted by Section 408 of the Companies Act 2006. For both the company and the consolidated accounts there were neither profits nor losses during the period due to the project being in construction and capitalisation of finance costs.

(d) Cash flow statement

The group has taken advantage of the exemption available under FRS 1 (revised) and has not prepared a cash flow statement by virtue of being a small company.

(e) Presentation of principal asset

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

Each period the group reviews the status of these interests, in accordance with the provisions of FRS 5 (Application Note F), assessing the balance of the significant risks and rewards of ownership of the asset. The appropriate balance sheet treatment of these interests is to treat the asset as a finance receivable asset where the group does not have the majority of significant risks and rewards. Where it does, the asset is treated as a tangible fixed asset.

The directors consider the balance of the risks and rewards lies with the group and therefore the asset is treated as a tangible fixed asset.

(f) Tangible fixed assets

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

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

UPP (Cartwright Gardens) Holdings Limited

Notes to the financial statements (continued)

for the period ended 31 August 2014

1. Principal accounting policies (continued)

(f) Tangible fixed assets (continued)

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

The group has adopted a policy to revalue the completed principal asset every five years with an interim valuation performed in year three of the cycle and in other years if there is evidence that the value has changed significantly. The surplus or deficit on the book value of the historical asset is transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged to the profit and loss account. A deficit which represent a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus. Assets that are still in construction are measured at cost.

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

(g) Investments

Fixed asset investments are carried at cost less any provision for impairment in value.

(h) Impairment reviews

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

(i) Debt issue costs

The debt issue costs incurred have been offset against the related debt and will be charged to finance costs at a constant rate on the carrying value of the debt. If it becomes clear that the related debt will be redeemed early then the charge to finance costs will be accelerated. Where there is an early repayment clause within the debt instrument, costs incurred are amortised to the profit and loss account to the earliest opportunity the debt could be repaid.

(j) Interest rate swaps

Interest rate swaps are used to hedge the group's exposure to movements on interest rates. The fair value of this financial instrument, which may be an asset or a liability to the group, depending upon the market rate, is not recognised in the financial statements as the group is exempt from adopting FRS 26 and has not voluntarily chosen to adopt.

The interest payable on the debt and associated interest rate swaps is accrued for within the financial statements.

Should the group terminate the interest rate swaps earlier than they mature the group may become liable to pay penalties.

UPP (Cartwright Gardens) Holdings Limited

Notes to the financial statements (continued)

for the period ended 31 August 2014

(k) Taxation

(i) Current tax

The charge for current taxation for the period is based on the result for the period, adjusted for disallowable items.

(ii) Deferred tax

Full provision has been made for deferred taxation in respect of timing differences that have originated, but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future by the balance sheet date except that:

- Provision is made for gains on disposal of assets that have been rolled over into replacement assets only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned.
- Provision is not made for the remittance of a subsidiary, associate or joint venture's earnings that would cause tax to be payable where no commitment has been made to the remittance of the earnings.
- Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on the tax rates enacted at the balance sheet date. Group relief is only accounted for to the extent that a formal policy is in place at the period end. Where no policy is in place, current and deferred tax is measured before benefits which may arise from a formal group relief policy.

2. Directors' remuneration

The directors accrued £Nil in respect of services performed in connection with the management of the affairs of this group.

3. Auditors' remuneration

**Period ended
31 August
2014
£'000**

Fees payable to the company's auditor for the audit of the company's annual accounts

4

Fees payable to the company's auditor and its associates for other services:

Audit of the company's subsidiaries

10

Tax services

6

20

The above audit and tax fees are borne by UPP Projects Limited, a fellow group company.

UPP (Cartwright Gardens) Holdings Limited

Notes to the financial statements (continued)

for the period ended 31 August 2014

4. Employee information

There were no persons employed by the group at any time during the period.

5. Deferred tax asset

A deferred tax asset of £nil in respect of available tax losses has not been recognised at 31 August 2014. This is due to there being no persuasive and reliable evidence available at this time of suitable profits to offset these losses.

6. Tangible fixed assets

	Group Assets in course of construction £'000
Cost	
Additions	54,724
At 31 August 2014	54,724
Depreciation	
Charge during the period	-
At 31 August 2014	-
Net book value	
At 31 August 2014	54,724

The asset is currently under construction and the first phase is expected to be completed during August 2016.

Fixed assets include net finance costs of £1,234,000 capitalised during the period.

7. Fixed asset investments

Company	Share Holding %	Class of Shares	Interest in subsidiary undertakings £'000
At 31 August 2014	100	Ordinary	1,407

The fixed asset investment value above represents the carrying value of the company's investment in its subsidiary undertaking UPP (Cartwright Gardens) Limited. The company owns 100% of the issued ordinary share capital of its subsidiary undertaking.

UPP (Cartwright Gardens) Holdings Limited
Notes to the financial statements (continued)
for the period ended 31 August 2014

9. Debtors: amounts falling due after more than one year

	31 August 2014 Company £'000
VAT recoverable	<u>1,992</u>

10. Creditors: amounts falling due within one year

	31 August 2014 Group £'000
Amounts owed to related parties	51
Amounts owed to parent	288
Trade creditors	1,601
Accruals and deferred income	41
	<u>1,981</u>

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

	31 August 2014 Group £'000	31 August 2014 Company £'000
Senior debt	114,403	-
Subordinated debt	25,478	25,478
Debt Issue costs	(1,193)	-
	<u>138,688</u>	<u>25,478</u>

Maturity of debt

Repayable within one year or on demand	-	-
Repayable in more than one year but less than two years	-	-
Repayable in more than two years but less than five years	8,656	-
Repayable in more than five years	130,032	25,478
	<u>138,688</u>	<u>25,478</u>

UPP (Cartwright Gardens) Holdings Limited

Notes to the financial statements (continued)

for the period ended 31 August 2014

11. Creditors: amounts falling due after more than one year (continued)

Senior debt

On 4 July 2014 the group 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 £113,816,000 and repayments are scheduled to commence in February 2017.

The facility above is secured under a debenture deeds. Under the terms of the debenture, the finance provider has security by way of a first legal mortgage over all estates or interests in the leasehold properties and buildings and fixtures on those properties. The finance providers also have security over all other assets of the company by way of fixed and floating charges.

Subordinated debt

The subordinated loan notes are being provided by UPP Group Limited. 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 are part of a total agreed facility of £25,478,086 and will be repaid by 31 August 2066. They are subject to an effective interest rate between 8.25% and 10.35%.

12. Called up share capital

	31 August 2014 £'000
Authorised	
1,407,007 Ordinary shares of £1 each	<u>1,407</u>
Allotted, called up and fully paid	
1,407,007 Ordinary shares of £1 each	<u>1,407</u>

During the period the company allotted 1,407,007 ordinary shares with a nominal value of £1, at nil premium.

UPP (Cartwright Gardens) Holdings Limited **Notes to the financial statements (continued)** **for the period ended 31 August 2014**

13. Reconciliation of shareholders' funds and movement on reserves

(a) Group

	Share capital £'000	Profit & loss account £'000	Total shareholders' funds £'000
At 13 February 2014	-	-	-
Shares issued in the period	1,407	-	1,407
At 31 August 2014	1,407	-	1,407

(b) Company

	Share Capital £'000	Profit & loss account £'000	Total shareholders' funds £'000
At 13 February 2014	-	-	-
Shares issued in the period	1,407	-	1,407
At 31 August 2014	1,407	-	1,407

14. Parent undertaking and controlling party

The company is owned by UPP Group Limited and University of London.

UPP Group Holdings Limited was 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 (Cartwright Gardens) Holdings Limited.

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

Copies of the accounts can be obtained from Companies House, Cardiff CF4 3UZ, once they have been filed.

UPP (Cartwright Gardens) Holdings Limited **Notes to the financial statements (continued)** **for the period ended 31 August 2014**

15. Related party transactions

UPP Group Limited and UPP Residential Services Limited are subsidiaries of PGGM. Therefore the directors consider that UPP Group Limited, UPP Residential Services Limited and University of London are related companies.

Group and Company

The group incurred costs of £39,550,000 in respect to services provided by the University of London. An amount of £3,873,000 remains outstanding at the balance sheet date and is included within creditors falling due after one year.

The group incurred costs of £510,000 in respect of services provided by UPP Group Limited. An amount of £21,945,000 remains outstanding at the balance sheet date and is included within creditors falling due after one year.

16. Capital commitments

At 31 August 2014, the company had an amount of £68,991,187 contracted for but not provided for at that date. This related to ongoing construction of rooms of student residential accommodation. Construction is due to complete September 2017.

Analysis of commitment	2014
Payable within one year	33,048,137
Payable in more than one year but less than two years	-
Payable in more than two years but less than five years	39,610,531
Payable in more than five years	-
Total commitment	72,658,668
Amounts already paid	1,358,811
Total construction cost	74,017,479